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Business and Trade Committee

Oral evidence: Industrial Policy, HC 440

Tuesday 16 April 2024

Ordered by the House of Commons to be published on 16 April 2024.

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Members present: Mark Pawsey (Chair); Douglas Chapman; Jonathan Gullis; Antony Higginbotham; Jane Hunt; Ian Lavery; Anthony Mangnall; Andy McDonald; Julie Marson; and Charlotte Nichols.

Questions 170 – 196

Witnesses

II: Shira Jeczmiem, Founder and CEO, Screenshot Media; Sally Jones, UK Trade Strategy and Brexit Leader, Ernst & Young; Tim Fassam, Director of Public Affairs, The Phoenix Group; James Palmer, Partner, Herbert Smith Freehills.

Examination of witnesses

Witnesses: Tim Fassam, Shira Jeczmiem, Sally Jones and James Palmer.

Chair: May I extend a welcome to the second panel in our session? Each of you was listening to the first panel. I am sorry that we overran a bit on manufacturing. That was probably because it is about making things that people can physically see. We have some experts in the field of services here, which are less tangible but nonetheless massively important to our trade situation, our employment and the nature of our economy. Our first question is from Ian Lavery.

Q170 **Ian Lavery:** I just have a simple question at the very beginning. How is the global competitive landscape in your industries operating? How are they changing and what is the face of the change?

James Palmer: I am James Palmer. I am a lawyer and the former chair of a law firm. I have been advising international investors for 38 years on coming into the UK. I am specifically chair of TheCityUK's Legal Services Group.

In the legal sector—my comments relate to financial and professional services to an extent as well—the landscape is very competitive. We have a fantastic position for legal services. We are the second-biggest legal services sector globally. The US is the largest by far, but in terms of international legal work we are probably the number one for cross-border. That is a reflection of the very high quality of the judiciary. Continued investment in the courts is very important for us.

It is also a reflection of something that has not been widely noted, which is the billions of pounds of investment by global law firms in building international networks, which was not ever capitalised. It just went through profit and loss accounts. There has been huge investment in building that. It is a good thing that the quality of justice in many countries around the world is improving, though obviously not everywhere. We should not regret that, but it means the quality of competition is greater.

As other countries develop their services systems and realise what a strong position the UK has had, that competition is more and more intense. We still have a fantastic opportunity as global leaders in the professional services area, including law, but that position is under threat. There are some very important challenges for us to acknowledge and face up to in protecting it, which maybe we can come back to.

Tim Fassam: Phoenix Group is the country's largest long-term savings and pensions retirement company, with £280 billion that we are looking after on behalf of 12 million customers, predominantly in the UK, through brands like ReAssure, Phoenix Life and Standard Life.



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In terms of the UK competitive environment, we see a huge and growing need, which is predominantly driven by one of the grand challenges identified in the previous industrial strategy: the ageing of our society, where people have not saved enough for retirement and are predominantly not getting enough advice. We see a growing and robust market.

We are also a global investor. One of the important changes we have seen to the competitive landscape over the last few years, particularly post Brexit, is the reform of Solvency II into Solvency UK, which could enable the insurance sector to invest another £100 billion into infrastructure and sustainable and productive assets.

More recently, the Mansion House compact, in which we played a key role, looked to increase the quantity of investment into unlisted equities, so venture capital and private equity, that comes from pension funds. That could lead to a fundamental shift in the way our capital markets operate, which in turn will shift the competitive landscape of the UK quite drastically.

Q171 **Ian Lavery:** I will move on to the next question. If we get a lengthy answer from everybody, we are going to be here until next Tuesday. I will ask Ms Jones. What are the main drivers of growth in your sector? I will ask you the same question.

Shira Jeczmiën: Hi, everyone. Thanks for inviting me. I am Shira Jeczmiën. I am the founder and CEO of SCREENSHOT Media. We are a next-gen media and content business. We create content for 18-to-25-year-olds, specifically news and entertainment. I am here to speak on behalf of the creative sector.

From a national and international level, the creative sector is very much a success story. We are currently employing, growing and creating jobs at three times the average rate in the UK. We are also exporting £46 billion of goods and services annually. However, the main issue we are facing at the moment is that we lack development funding in the country. That is essentially causing companies within the creative sector to move to Canada or other countries where they can seek this investment.

We are also seeing that foreign investment is taking up bigger and bigger equity in our UK creative businesses or buying us straight out. This is a massive issue and a massive focus.

Sally Jones: I am Sally Jones. I am the trade strategy leader at EY. I am going to assume you all know what EY is and not waste your time on that.

The competitive landscape has changed enormously over the past 20 to 30 years. It used to be straightforward. It used to be that we were competing with the US, Europe and Japan. There are now all kinds of other economies that are coming in. No one country can rest on its



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reputation of past successes, and that includes the UK. We need to be nimble and we need to recognise that there are increased threats, in the sense of other countries that are just as investable as we are in many regards.

For our sector of professional services, we are at the absolute forefront of the transition from a manufacturing-based economy to a services-based economy. We rise and fall as the general economy rises and falls. Probably the biggest threat for us has been stagnant growth.

With that said, the economic forecasts that our chief economist pulls together show that there are some positive signs in the future. There is moderate economic growth expected over the next three years, but London and the south-east are going to take a disproportionate share of it because of the disproportionate way that the industries are spread throughout the country.

That need—excuse the political term; I know it will not resonate with all of you—to level up and make sure the regions enjoy the same economic prosperity that London and the south-east do is probably the single biggest issue that our sector faces.

Q172 Ian Lavery: In 2022, global services exports were valued at \$7.1 trillion. The UK is the second largest exporter of services globally behind the US; China is just behind in third place. US service exports were valued at \$929 billion, while the UK service exports were valued at \$429 billion. As I say, China was just behind that. How confident would each of you be, in a 30-second answer, that the UK can retain second position?

James Palmer: I am cautiously confident, if we are not complacent.

Tim Fassam: I would agree with that answer. If we get our regulatory regime right and play that correctly in the international fora, we can maintain that position.

Sally Jones: I do not trust the numbers, frankly. Trade and services data is really badly collated, to the point where we think that in services we are net exporters to the US and they think they are net exporters to us. Before we worry too much about whether we are second, third or fourth, we need to do a much better job at collating that information so we know the baseline we are starting from.

Ian Lavery: That is very interesting.

Shira Jeczmiën: I would second Sally's remarks. I have nothing else to add to that.

Ian Lavery: That is a very interesting answer about not trusting the figures. They are the figures that we have. As a Committee, we have to work by those. It is a very interesting answer.

Q173 Anthony Mangnall: I am going to start where you have just finished off,



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Sally. How do we measure it better? Given the fact that we were on a joint panel together where we may have made the same argument on this, what do we need to do to trust the numbers?

Sally Jones: Let us start with how the numbers are currently collated, which is a survey of a very narrow number of services firms, which is then grossed up on the assumption that they are representative of the whole of the services economy.

I am the chair of the Professional and Business Services Council. We represent 45 different organisations. When we asked them how many of them were being asked to contribute to the survey, the answer was two: the law firm Freshfields and a small management consultancy firm. It is not representative. We need to do better.

Our suggestion, which we have put to the Secretary of State, is that we should be using the VAT system to collect much more robust figures. The VAT system used to be used to collate trade and services statistics before we left the EU. The boxes on which that data was collected remain on the VAT form. They are just not currently being used for anything. We would reinstate that.

Q174 **Anthony Mangnall:** James, could I come to you, please? You started off in your opening remarks talking about the competition that we are facing from other countries. How much is the City of London now suffering as a result of that competition?

James Palmer: It is always affected by competition. We have to be realistic that competition is going to continue. It is not going to lighten up. It comes back to, "What do we do about it and what are the concrete choices?"

I found the first session very interesting. I am very supportive of us finding areas of manufacturing to grow in, but, to be honest, services does fly under the radar in terms of focus on investment. For us as an economy, given that it is 80% of the economy on most of the data, that is a shame.

In a way, a lot of what happens in services, certainly in the professional services area, does not need loads of Government action. Our biggest challenges are about—ironically, this is something that helps Sally's profession and mine—the burgeoning regulation and constant changes of intervention, which we make money out of but are a cost for the economy. We wonder why we have a productivity challenge, but the constant requirement for business leaders to focus on changing rules all the time is a huge distraction. Certainly, over my career—I first got involved in this 30 years ago—the time devoted to that has just exploded.

Q175 **Anthony Mangnall:** In a second I am going to bring Tim in on the regulatory regime and what we would expect to see, but can I just push you on that? What are other countries offering that make us look as



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though we are behind the times? You are absolutely spot-on about the 80% point in relation to financial services. The only press that we are really seeing at the moment around this is companies not deciding to list on the stock exchange and going elsewhere as a result.

What are other countries, those who either were historically bigger than us or are now emerging markets, doing that looks more tantalising?

James Palmer: The good news is that, in the professional services sector and financial services, while there are some granular things going on, countries do not have deep strategies, other than some jurisdictions in Europe around financial services. Singapore would be another example.

The recent recognition that we have an issue with financial services in the UK is very positive. It is not just about helping the City and investment. We need to start with the point Tim alluded to. How do we help create great savings for pensioners and ordinary people through the country where we do not have the pensions to fund their retirements? It is an intergenerational issue here.

This is a tough issue to address, but it is fundamental to unlocking capital for investment in the UK. We have the lowest proportion, on most of the measures I have seen, of our pension savings invested in the UK in equity investments for long-term returns. If we can have some shifts in that, the transformative investment capacity for the UK is unbelievable. That is a real upside area.

Q176 **Anthony Mangnall:** I am delighted that you have dropped Tim in this to find all the solutions. Can I ask two quick points? Tim, since you suggested that we need to change the regulatory regime or there are alternatives, what are they?

The second point is to start where James finished on pension funds and unlocking them. The Government suggested that there are things that we could do. They have even created new bodies to push this and see where we could encourage greater investment within the UK. The Spring Budget saw a little bit of movement in that area. What more can we do on pension funds? Have we done enough? What would your recommendations be?

Tim Fassam: Thank you for those questions. On the regulatory front, we have ended up, post Brexit, with three types of regulatory regime that interact: we have product-based regulation from the EU; we have process and services-based regulation, which has been the traditional UK approach; and now we have principles-based regulation. Longer term, the principles-based regulation is likely to be the most flexible and futureproof, and to enable the most innovation in companies to deliver the right outcomes for our customers. Dealing with the slightly messy regime that we have left will be critical to that simplification.



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One very helpful step is the new secondary objectives to financial competitiveness and growth. We have been pleased to see both our financial service regulators, the PRA and the FCA, take that very seriously, and we would like to see that continue. That will help in terms of the regulatory regime.

In terms of international trade, there is an opportunity to give our economic regulators an objective to support trade deals, because trade in services is predominantly about regulatory alignment and regulatory agreements rather than traditional tariffs and quotas. Making explicit the role of regulators in boosting trade could be helpful.

In terms of pension fund investment in the UK, we have been delighted to play a key role in the changes to Solvency UK, the Mansion House compact. We were the funder behind both of the successful LIFTS bids—the long-term investment for technology and science—alongside our partners, ICG and Schrodgers. We think there is more that can be done. These changes will have a significant impact.

At the risk of getting too technical, with Solvency UK we believe an asset sandbox could increase the number of assets that are available for an insurance company to invest in. I am very happy to write to the Committee with more detail on that.

We need to drive consolidation. We currently have 27,500 pension trusts in the UK. In Australia, that number is closer to 50. A smaller number of bigger funds are likely to invest more in productive and more innovative ways.

Finally, to James's point, there is a quantum issue. Right now, automatic enrolment minimums are 8%. On defined benefit pensions, if you price the teachers' scheme at the moment—I was looking at that this morning—that is 35% of salary. If we want to maintain net investment flows, we need to increase the amount we are saving in the UK, because growth requires productivity; productivity requires investment; investment requires savings.

Luckily, there is a win-win available there, because the vast majority of people are not saving enough for their retirement. We think it is absolutely critical, probably for the next Government, to start laying out a roadmap for increases in pension contributions to both protect savers and drive investment through the economy.

Q177 **Chair:** I wonder if I could just ask about the issue of mobility of people providing services. Manufacturing declined because manufacturing went to areas of lower wages. Particularly in the creative sphere, that can be done anywhere in the world, can it not? We visited Korea and we saw how quickly their creative sector is growing. Why should people continue to seek what you provide based in the UK rather than elsewhere around the world? I get Sally's point about, if a UK national were to be doing that for a UK company elsewhere in the world, where that ends up in the



figures, but what is to prevent it going wherever around the world? We have technology that enables people to work from anywhere.

Shira Jeczmiem: That is a good question. First of all, it is good to look at the landscape of UK creativity and the creative sector generally. Half of young Brits currently want to be content creators and to work in the creative industry. We are bursting at the seam as an industry, and we are incredibly good at exporting IP and talent. It has always been in our DNA. The UK is very much a world leader in innovation.

Again, it brings me back to the point that the creative industry really needs more specialist development funding so that people do not go elsewhere and we maintain it within the UK shores. The clear issue is that getting access to that early-stage funding in the UK if you are in the creative sector is incredibly difficult. As I mentioned, we are ripe with ideas, innovation and R&D, and we are really bursting at the seams, despite having very few enablers to do so.

Q178 **Chair:** Tell us why this funding requirement is so important. All you need is lots of ideas and a computer, do you not?

Shira Jeczmiem: You could say that, but at the same time you need to develop IP and creativity, and invest in skills and various skillsets. As AI is taking over, that is allowing individuals to become even more innovative and creative.

Q179 **Chair:** Is there a requirement for more formal training?

Sally Jones: I have three boys and they all want to be YouTubers, and they have all decided that whichever one gets to a million subscribers first will invite his brothers—

Shira Jeczmiem: They will all go and work for him.

Sally Jones: They are going to be hopeless. That point you are making about skills is so critical because the creative industries, professional industries and financial services are all highly skilled industries. All we are is people and ideas.

We have talked a little bit about IP protection. One of the reasons that the UK is a great place to do these things is because we have a really strong IP regime. It needs a bit of an update for AI and tech, but it is coming. The Government are working on it. We really need to invest in the domestic workforce to make sure people have the skills that they need going forward. You blithely say the creative industry is people and a laptop, but we all know that if we put me or you in front of a laptop, we would not generate—

Chair: I would not have the creative ideas.

Sally Jones: Exactly, but we need to give people the skills domestically to do that. We need to make sure that we have a regime where those skills are being fostered from primary school upwards across the whole of



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the piece, including business skills, financial services skills, creative thinking and critical thinking. That requires investment, exactly as Shira says. Sorry, I am a bit passionate about that.

Shira Jeczmiën: I would also add, before we move on, that retaining IP in the country is a real issue currently. It is an issue across all subsectors of the creative industry, including film, TV, gaming and media, and at all scales, from SMEs all the way to large-scale companies.

I know of a company in the UK—a national treasure—that is currently struggling to raise £50 million to continue to develop and grow in its world-renowned IP. That is a massive issue that we are facing. We are essentially selling off the IP overseas—largely to the US, as I mentioned, but also China and elsewhere in Europe—and not benefiting from the long tail of retaining IP within our shores.

Q180 **Chair:** Tim, could the services that your firm provides be provided from anywhere in the world?

Tim Fassam: For most of the services that we provide, you would need a core in the UK, because we interact with the UK tax regime; we interact with the UK regulatory regime. There are elements of our services that are provided globally, both on the investment side and also on the administration side, but we do not see that as a problem for the UK. That is one of the things that enables us to offer our customers the best possible price and the best possible product. Ensuring that the right activity is taking place in the UK with sensible outsourcing is going to lead to the best outcome for UK consumers.

Q181 **Chair:** James, what about outsourcing of legal services?

James Palmer: Outsourcing of legal services will happen with AI to a greater degree, but we have also outsourced from London to other parts of the region. 10 or 15 years ago, we opened in Belfast. That is a high-skill, high-quality workforce recruiting great skilled graduates out of Queen's and other universities in Belfast. We are already a global business. We already outsource certain things to other jurisdictions, but the UK is still our largest location and by far our largest export location. The ability to have low cost in certain parts of what we provide is part of why we are able to export and provide a more comprehensive service.

Q182 **Chair:** Is there a trend in more being delivered overseas?

James Palmer: More of the mid-skill work, if I can call it that, is being delivered in other jurisdictions. We have UK lawyers all around the world as well, but the core is still here, and the largest proportion of cross-border flow is still coming to the UK.

Q183 **Douglas Chapman:** The Resolution Foundation and the LSE Centre for Economic Performance have argued that the services specialism areas "can form the bedrock of a growth strategy" in the UK. I would like to know to what level you agree with that statement. What would that look



like in terms of your own sectors, in terms of how we could develop what you are already doing and make it a stronger sector that could compete more globally?

Shira, you have mentioned investment, skills and IP. Is there anything else that you think should be in that mix? If the Government were looking at an industrial strategy for the future, what would the cultural and creative sector be looking for?

Shira Jeczmiem: Again, not to repeat myself too much, but I would say early-stage specialist development funding and greater investment in that, for example in organisations like Creative UK, which has the skillset, knowledge and expertise to not fall for the myth that we are a high-risk sector, because in reality this is simply not true.

I would also second what Sally mentioned around investing in young people and young talent. A really good example that I can give you from our own experience from SCREENSHOT Media is that our business might not be here today if it was not for the Kickstart programme that was launched in 2020 during covid. It took a national crisis or an international, global crisis to create a programme for a business like ours that helped us scale.

We were very young at the time. We were just a couple of individuals, and we were able to hire young talent or individuals who were eager to kickstart their career. For those of you who do not know, the Kickstart scheme was about subsidising three days of work at national minimum wage for six months. That allowed us to hire about 15 individuals and scale our business organically to what it is today. Many of those initial kickstarters are still working with us today in senior roles in the company.

Q184 **Douglas Chapman:** That kind of intervention is really important for a lot of SMEs as well in terms of giving them that step up.

Shira Jeczmiem: Yes, certainly. Why does it need to take a global crisis for a programme like that to take place? I know of many SMEs that have also benefited from that. I would encourage the Committee to look at solutions and programmes like this.

Q185 **Douglas Chapman:** In your neck of the woods and your industry, what would you say would be of value from a Government intervention point of view or in terms of an industrial strategy?

Sally Jones: We have the privilege—I think James would probably see it in a similar way—of being able to take a view of the whole of the economy, because our clients represent the whole of the economy. We can understand quite well what is working and what is not. It seems to me that one of the problems we have right now is that we are trying to be everything to everybody and we are spreading ourselves too thin, like butter spread on too much toast. We need to pick those high-growth sectors. The Chancellor got it broadly right when he picked digital, life sciences, creative and so on. I forget what the five were, but green



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services was one. Advanced manufacturing was another. I have got all five. He was broadly right with those.

Anthony, you asked earlier if we have an industrial strategy. My answer to that is no. What we have at the moment are some little pieces of very well-formed strategy around advanced manufacturing or semiconductors or resilient supply chains or whatever it might be, but they are like baubles without a Christmas tree to hang upon. We need the Christmas tree. Once we have the Christmas tree, which is the holistic approach that is cutting across the Departments and across the parties, then the whole of the economy can grow based on those growth sectors, including ours. From there, the productivity will flow.

Q186 Douglas Chapman: Tim, what does your Christmas tree look like?

Tim Fassam: In terms of things we have not covered already, it is about developing a clearer investment pipeline. What I mean by that particularly is infrastructure and net zero transition. We have a huge pool of capital and, as a driver of growth, it is available. There are not enough projects to invest in at the moment, particularly on the green transition, but there is huge need. We know that in terms of both housing, infrastructure and transition. Building the pipeline between the capital is going to be critical to enable growth in the economy, but also to allow the investment sector to grow.

The other area I would highlight that is of particular interest to us is the response to the ageing society. Right now, we have not fully grasped and embraced the scale of change that is going to come for UK society, both in terms of the macroeconomics, but also how it will culturally shift. Identifying things like how we embrace longer working lives and how we embrace a population with potentially more ill health and more caring needs will be absolutely critical to a successful 21st century economy.

James Palmer: If I can just add on those points, this point about the strategy for long-term health and pension needs of the UK has been parked for too long. The cross-party support for the steps that have been taking place recently is welcome, but we need a lot more.

When I talk to foreign investors about the UK as a whole—by the way, it is not just the UK; other countries in Europe face the same challenges—just as when they appraise a company, they look at whether it has thought about its long-term liabilities and whether it has a strategy for those. They look at the UK and they do not necessarily see the fundamental grip of those challenges. We have started talking about it, which is great, but it is about following through with that. The more we have cross-party consensus around significant elements of that, the more powerful that will be as a signal for the UK.

Q187 Douglas Chapman: One or two of you mentioned regionality as well. In terms of fintech and green finance, Scotland is the home of the European Charter of Excellence in fintech, I believe. Is there space there to focus



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more on regional or national economies within the UK to guarantee that growth in the future? Does taking things out of London and the south-east enhance our opportunities to put the foot to the floor on growth for the whole of the country, as opposed to smaller, more distinct sectors?

James Palmer: We have no choice. We have to.

Tim Fassam: Many of my colleagues work for Standard Life, a fantastic Scottish business up in Edinburgh, so of course we think there are great opportunities for financial services in Scotland, but many of these productive investments are inherently place-based. The roles of metro mayors and devolved Government are going to be incredibly important in convening the people that are needed to get that physical investment into their local economies.

Sally Jones: I totally agree.

Shira Jeczmiën: I also very much agree.

Q188 **Anthony Mangnall:** James, have there been any countries you think have done it right around the long-term liability around pensions?

James Palmer: There are numerous examples. Tim will be even more steeped in them, but I am spending some time looking at this too. Australia and Canada are widely cited. They are not as perfect as they sound, but there are a whole load of countries that have significant funding for state pension obligations. The UK has relatively good levels of funding compared to a lot of other countries for private-sector pensions, but that is still not close to being enough. Regarding the auto-enrolment point that Tim makes, it is obvious, if you look at the maths, that we have to do something on that.

Q189 **Anthony Mangnall:** Sally, you have just mentioned this. Cross-party, cross-Department and cross-industry, there must be an organisation or body within Government that could be used on this. Do we start looking to revamp the Board of Trade? Do we start looking to try to create the structure that gives you that long-term certainty about the direction of travel?

Sally Jones: I would absolutely welcome that. That sense of cross-party, cross-Government, cross-Department co-ordination just is not there in the way we need it to be right now.

Q190 **Charlotte Nichols:** The Resolution Foundation and LSE Centre for Economic Performance have argued that the UK's services specialism can form the bedrock of a growth strategy, and all of you have spoken today about the important role that services play in the economy and what they could do for growth. I just wanted to come on to some of the specific points you have raised. Sally, you talked before about the statistics and a potential lack of trust in them. Do you think it is an issue of measurability or an issue of definability? Do the Government understand what it is you do?



Sally Jones: The short answer is yes. The longer answer is that they would understand it much better if we did not have such a churn of Ministers and officials. Many times I have had an enthusiastic official phone me and say, "I am the new head of services at DBT. What do I need to know?" I say enthusiastically the first time, "Let me tell you about our professions. Here is a paper." Then three months later I get another call with a new bright, shiny-eyed official saying, "I am the new head of services at DBT." You start to be a little bit world-weary. You dust out the paper you wrote three months ago and you send it across, and you explain again about the profession. By the time that has happened half a dozen times, you tend to become tarnished.

There is enthusiasm there. The officials are bright people who are enthusiastic and wish to understand and learn, but some continuity would be an enormously helpful thing.

James Palmer: I completely agree with Sally. Government is so big and so complex, so you can find one part of Government where you have people who are very supportive, but it is huge. I am not trying to criticise anyone because it is much more complicated than everybody in the outside world thinks it is.

One of the challenges I see is we can have support at MoJ, where we have a very strong relationship as a sector. They have been very supportive. We bought into long-term investment in the courts and so on, which is fundamental, not just for exports, but for society. Then we have proposals, which are really well intended, come out of the Home Office or a different Department for something where there has been no serious consideration of the business or investment implications.

There are an awful lot of measures against areas. We have had the "failure to prevent fraud" offence that came in, which exempted small companies, thankfully, because it would have just been a crushing burden for them. We have a regime that criminalises negligence by companies, not intentional criminality. That is pretty counter to the general principles of law. It came in in a rush, and there was no consideration of the cost of it. The evidence base for it was very limited. I am sure it was sincerely meant and there were some identified problems, but that coming in is probably going to cost businesses—I do not have evidence of this—several hundred million pounds a year.

Q191 **Charlotte Nichols:** Shira, you spoke before about half of young people wanting to be content creators. Sally, that was a point that you picked up on. I do not mean to demean the skills involved. Party comms from all parties, we can all agree, could do with being better, and there are far too many MPs and ex-MPs with terrible podcasts and very cringey social media use, so I do not demean it as a skill, but what does this mean for the other sectors that we also need and the resilience for the UK wider workforce?



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Shira Jeczmiem: Content creation also goes well beyond podcasts, TikTokers and young people dancing on TikTok. I am talking about game development, TV production and development, film, media and journalism. There is a huge breadth of what we mean when we talk about content creators and the desire of young people to be part of that broad, giant industry that includes tech development, et cetera.

In terms of what that means for other sectors, I am not sure I can speak about that, but it is imperative that we understand that there is that desire, and that we facilitate that in the best way possible by, again, supporting businesses, early-stage career development programmes, education and universities. There is still a bit of a stigma around the creative industry that it is not a viable or sustainable career path. Let us also put advertising, by the way, into the creative industries. That is a massive industry in the UK.

In terms of looking at the risks to other sectors, we should not be looking at that, but rather at the opportunity if we did act upon this and facilitate that.

Sally Jones: Let us be clear. None of my three sons is going to be a content creator. None of them is talented enough. If my 13 year old does not stop narrating his entire life as if he is on YouTube, I am going to have him adopted.

The desire to be part of a glamorous, interesting sector is important, but the really important part here is making sure people understand what they can and cannot do, where their skills are, and fostering the skills that they have.

Q192 **Charlotte Nichols:** I am glad that you picked up about video games there. We have a lot of video game development in my constituency. Do you think the creative sectors do enough to talk about the transferable skills and other places where they can be used? There is a value in all of these skills, but we see, for example, with video game design that you can use it in creating virtual environments for defence or in civil nuclear and all these sorts of things.

Does the way that we talk about skills in sectors like yours pigeonhole them into something that can only be used in those places instead of, again, as part of a broader piece about skills?

Shira Jeczmiem: It depends. If you go into the industry itself, there is a lot of social mobility. We encourage that mobility, especially in SMEs. If you are looking all the way into university degrees in education—I do not know if I am digressing—there is very much a one-way vision of these skills and career development. There could be a lot more to be done there to show the breadth of career opportunities that there are.

Tim Fassam: There is a really important element of this, which is that, as society ages, we are going to have multiple careers. The importance of transferable skills is only going to go up. We currently have 500,000



economically inactive over-50s who want to get back into the workforce, so getting them to develop the skills of the future is equally important.

We have done a lot of work through our think tank, Phoenix Insights, with an organisation called Careers can Change, which is specifically about trying to help people in later stages of their career retrain and look at other opportunities.

Q193 Charlotte Nichols: James, you spoke about the legal framework and some of the issues where different Departments do something that they may consider to be helpful but turns out not to be. Is this trade in legal services always a good thing? There have been a lot of concerns raised recently about strategic lawsuits against public participation and libel tourism, for example. How can we support the legal sector to trade while also making sure that we are upholding the rule of law in the UK and the rights of UK citizens to participate?

James Palmer: It is a great question. Historically, the focus of TheCityUK Legal Services Group, which I chair, was on competitiveness. When I took over as chair, I said that we have two focuses: competitiveness and trust and reputation. Going to the Harrington point about a bedrock, which you have mentioned as well, it is about trust and expertise with these professional services. It is about both of those things. Trust in the UK is still very high. We talk about loss of trust in financial markets and so on over some event, but it is not true. Trust is very high globally. Those reputational issues matter hugely.

It is quite complicated. I believe that people should be accountable for what they do. As regulated professions or sectors like Sally's and mine, we all have an accountability, which is healthy. It allows people to speak up when there are issues that they should be challenging, but we do not have perfect visibility on every client who comes along. We try to and want to take ethical decisions around that, but it is not completely straightforward.

The regulators have continued to focus on those things and, where people have acted entirely inappropriately, they should be accountable for that. It is a very important point. That reputational issue is part of our strength.

Q194 Antony Higginbotham: I want to touch on emerging technologies and the way they could shape the services sector moving forwards. If we take something like artificial intelligence, I still think there is an unknown about whether it will be as transformative or not compared to expectations. With AI as an example, do you see that as being all about productivity improvements, or could it displace entire sectors of the service economy? How do we manage that transition, depending on which side it is on?

Sally Jones: I agree with you. I am not sure that it is going to be as transformative as people think. What we have found so far is that it is



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fantastic at analysing very large datasets to spot trends that the human eye simply cannot see. We are using it in our forensics practice when we are looking at hundreds of contracts for unusual contract terms. I suspect our audit practice will probably end up using it as well to spot the anomalous transactions that might otherwise inevitably slip through the net.

Where we are finding it currently less useful is around areas where judgment is needed, where you are applying a certain law, regulation or situation to facts and circumstances to try to determine what the best outcome might be. We are not seeing it currently as being a displacement. It is about being much better than we otherwise would be with the same resources available to us rather than displacing staff or activity.

James Palmer: Sally is probably more expert on it than I am, and I am definitely not a guru on it, but the way I look at it is it feels to me like one of those classic things that is going to change less in the short term than people think, but more in the long term.

It will have some displacement impact, if we are honest about it. From our sector's perspective, the rest of the world has this technology. The cost and efficiency benefits and outcomes of AI will be there. It will have good consequences and negative consequences. If we do not engage with the good, we are going to lose out to others.

One of the challenges for us in professional services is cost. Going back to this bedrock point for attracting other investment and industries into the UK through our capability, if we cannot be competitive and the UK is just too expensive to do business in relative to other places, it will ultimately struggle. We have to use it and find principles-based ways to engage with it.

Q195 **Antony Higginbotham:** Do you get the sense that the Government are looking at it in that way, trying to support the amazing services sector we have now and encouraging them to use AI to do all of those things, or are we looking too much at it as this innovative technology that we need to look at in isolation?

Sally Jones: My biggest concern right now is that, as far as I can tell from the documents published by the Government, they are looking at how to regulate the outputs. The bigger question is how to regulate the inputs, because until you know exactly what is going in, first, you cannot make sure that the creative industries get the copyright protection that they deserve. Secondly, how can you regulate the output until you know how the large language models and similar have been trained? It is not that we are looking at AI incorrectly; it is that there is a big chunk of our thinking that is currently missing.

Q196 **Antony Higginbotham:** I will move on very briefly to something else that I will call an emerging technology, e-sports. This is more in the



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creative sector. We know that that is a very valuable commodity. It is growing across the world. How do we make sure that young people see that as a viable career and that our careers advisers, universities and colleges recognise it for what it is and do not put it in that box as something that every young person wants to do and no one is going to do it? I am going to come to you, Shira, because you are the creative on the panel.

Shira Jeczmiem: I have to say that e-sports is not exactly my forte, but it goes back to exactly what we were talking about before. It is about creating enough educational opportunities and early-stage career opportunities for young people to allow them to understand the various pathways and different careers within the e-sports industry and, again, not pigeonholing it into one thing that might deter them from entering. I might pass this on to someone else if they have anything to say to that.

Sally Jones: I do not know what e-sports are, so I really should not comment.

Chair: Thank you very much. We will treat that as an opportunity to draw this session to a close. I have a couple of takeaways, particularly the point Sally made about the need for continuity and contact with Government. If there is going to be a strategy, then Government need to understand what the sector is, and that needs to be ongoing through a period of time.

You reminded us about the issue of poor data. Nonetheless, James, you reminded us that services are under the radar and make up 80% of the economy, and that is why we have just done this very important session. Thank you very much indeed.