

Creative Industries Federation – Written Evidence (LBC0113)

Creative Industries Federation

The Creative Industries Federation is the independent body which represents, champions and supports the UK's creators and creative industries. In September 2019, it announced its intention to formally unite with Creative England. The Federation's membership includes small and large businesses, charitable organisations, education providers, freelancers, trade and sector support bodies from across the creative industries and throughout the UK.

Hopes

The COVID-19 pandemic has been one of the biggest peacetime crises we have faced. Its significant health and economic impact has forced us to collectively reflect on the way in which society currently works and to consider how life could be improved for people and places across the UK. We can apply our country's creativity to this challenge and use this as the moment to reshape the way we work, foster research and innovation, and ensure opportunity and wealth are more evenly spread. We are an industry made up of creators, innovators, and most importantly, storytellers with the skills to reimagine the future and shape our culture, economy and society for the better.

It is for this reason that throughout June 2020, we convened over 600 members from across the creative industries and all parts of the UK to do exactly this. **The hopes and ideas that emerged through this consultation are summarised in "A Plan to Reimagine", which can be viewed [here](#), and which we strongly encourage the House of Lords COVID-19 Committee to read alongside this written submission.** Members highlighted that the creative industries, because of their existing economic and social contribution, will be vital to driving the UK toward recovery and prosperity, but more than this: that they will be crucial to supporting the next generation of diverse talent, to levelling up all parts of the country, and providing access and opportunity to those who are currently without.

Fears

The potential of the creative industries to realise these hopes has been challenged by COVID-19 which presents significant risks to both the UK's creative industries and our wider economy and society. These fears are:

- **The potential loss to our economy and 'levelling up' agenda:** Prior to the outbreak, the sector was growing at five times the rate of the rest of the economy and creating jobs three times as fast in parts of the UK. Existing

challenges faced by creative entrepreneurs and organisations in accessing finance and tailored business support across the country are now likely to be exacerbated, setting back the government's levelling up agenda.

- **The potential loss of opportunity faced by the next generation:** With significant job losses anticipated, there is a significant risk that we miss out on recruiting and nurturing the next generation of diverse creative workers. Young people are expected to suffer the most from unemployment and challenges regarding diversity and access, already acute before the pandemic, are likely to be exacerbated.
- **The potential loss to our society and communities:** Arts and culture have been so central to mental health, in bringing people together, and in being a catalyst for social change and innovation in places across the country. The loss of irreplaceable cultural assets and damage to the wider creative ecosystem could have significant negative impacts on social cohesion as well as the economic value they deliver to their locale.

The Impact of COVID-19 on the UK's creative industries¹

- Prior to the outbreak, the UK's creative industries were **set to contribute £122bn in GVA** to the UK economy and **reach employment levels of 2.15 million** by the end of 2020.
- Instead, the **sector's GVA is estimated to reduce by £29bn (26%)** in 2020 compared to pre-pandemic levels. This is twice as worse as the predicted 12.8% drop across the UK economy.
- **409,000 jobs (including self-employed workers) are expected to be lost** by the end of 2020 - a drop of 19%. This is the lowest level of employment in the sector since 2013.
- **122,000 permanent workers are expected to be made redundant** by the end of the year.
- **The impact on employment will be twice as worse for freelancers** with 287,000 contracts estimated to be terminated by the end of 2020.
- Of all UK nations and regions, **Scotland is expected to suffer the worst GVA impact** on its creative industries, with a drop of 39% by the end of the year.
- The **West Midlands is anticipating the highest relative loss of employment** in the sector - a 43% loss representing 51,000 jobs.
- **London is projected to have the worst overall impact** - losing 110,900

¹ [Report: The Projected Economic Impact of COVID-19 on the UK Creative Industries, Creative Industries Federation, 2020](#)

creative jobs (16%) and seeing a £14.8 billion (25%) drop in creative industries GVA.

The Role of the Creative Industries in Enabling Recovery

Following COVID-19, the creative industries will be integral to the UK's social and economic regeneration. As well as being a significant contributor to job creation and economic growth (generating £111.7bn in GVA) in all parts of the UK, the sector is also a vanguard for the future of work and industry - resistant to automation, built on innovation and with a high number of agile and entrepreneurial freelancers and small businesses. The sector has been central to the UK's soft power, in driving tourism and exports and has been instrumental in bringing communities together and fundamental to the nation's mental health.

KEY STATISTICS - PRE-PANDEMIC

- The creative industries contributed £111.7bn in GVA to the economy at the latest estimate which is larger than the aerospace, automotive, life sciences and oil and gas sectors combined.
- Almost 1 in 8 UK businesses are creative businesses and the sector is creating jobs at three times the UK average with an expected one million more jobs by 2030.
- Before the pandemic, the creative industries were growing at five times the rate of the UK economy as a whole and in all parts of the UK, growing by almost 60% in Scotland and 35% in the West Midlands between 2010 and 2017 (GVA).
- 34% of creative workers are freelancers and in some sub-sectors the figure is much higher, such as 50% in film and video production.
- 95% of creative enterprises are micro businesses with no or limited HR support or financial headroom
- Creative businesses represent over 5% of the UK economy and are responsible for more than 10%, or £27 billion, of the UK's annual service exports.

The UK will be best placed to recover from the pandemic with a booming creative sector that can play a significant role in reducing the impact of a surge in unemployment and in kickstarting the economy through new products and services and innovative ideas. However, to enable this we need to ensure that the barriers holding back the creative industries prior to the outbreak - many of which have now been exacerbated - are removed. We need to establish new ways of generating opportunities for the full diversity of individuals whose talent will lead us to economic success and social prosperity. This must be combined with facilitating

new ideas and realising their value through delivering investment that supports creative individuals and businesses.

Lessons on Shaping the Recovery

To maximise the creative industries' potential to contribute to the economic and social wellbeing of the UK, we need to learn the lessons of the 2008 financial crisis. New research by Cambridge Econometrics, released by the Creative Industries Policy and Evidence Centre and Creative England, reveals that prior to the last recession, the creative industries were growing in all parts of the country - urban and rural - but under economic duress, those burgeoning clusters shrunk, and concentration focused back on London and satellite clusters in the South East.² A significant opportunity for job-creation and growth in all parts of the UK was lost. **Leaving recovery to the market will entail a major setback in the levelling up agenda: UK-wide, devolved and local interventions are needed to ensure opportunity and wealth is spread more evenly.**

To maximise the creative industries' ability to contribute toward the UK's social, cultural and economic regeneration, any interventions must also account for the sector's unique characteristics. The creative industries are a diverse and interdependent ecosystem made up of majority micro-businesses (95%) and a significant freelance workforce (one-third of workers). They are highly innovative, entrepreneurial and agile, with an intangible asset base - an archetype of future industries and the future of work.

However, previous and recent policy measures have penalised rather than incentivised future industries like ours:

- Following the 2008 financial crisis, interventions such as the Regional Growth Fund were designed with more traditional models of industry in mind, rendering crucial finance and business support measures inaccessible for many small creative businesses.
- This approach has been reflected in more recent policy-making, such as the Apprenticeship Levy, which is not tailored to the short-term project-based nature of much work that takes place in the creative industries.
- It has also in part been carried forward into the design of government's COVID-19 support measures, which has meant that large parts of the creative industries have fallen through the gaps - particularly certain self-employed workers (who make up a third of the sector's workforce) and creative organisations unable to access mainstream loans due to lenders' lack of understanding of businesses based on Intellectual Property.

² [The importance of a UK-wide recovery plan for the creative industries, Creative Industries Policy and Evidence Centre, 2020](#)

Recommendations on transforming the UK's creative landscape

We now have an opportunity to work hand-in-hand with government to enable the creative industries to help deliver long-lasting positive impacts on our economy and society.

In addition to vital immediate interventions, long-term systemic change is needed across the UK's policy landscape to realise this. In "A Plan to Reimagine", we recommended that the role of a Chief Design Adviser is created to support this change, and to ensure policies and interventions are more tailored to future industries and the future of work. Other recommendations included:

- **People** - The sector's significant freelance workforce should experience greater fairness in the benefits and social security they are provided. They have a vital role in future industries like ours and their entrepreneurial nature will support the recovery and ensure the UK remains highly innovative and creative. To support entrepreneurialism, we must also seek to mitigate the initial risks for those starting creative businesses and provide mentoring to share the expertise of diverse and successful organisations and individuals.

In cultivating the next generation of creative talent, it is vital that we recognise the central importance of creative education and skills. Ensuring greater access, diversity and support into the sector for young people via industry-led initiatives like the [Creative Careers Programme](#) will also play a key part in achieving this. In addition, apprenticeship funding could be transformed to better reflect the flexible nature of work in the sector.

- **Ideas** - Bring creative work into the scope of public R&D funding and investment and expand R&D tax credits to include the creative industries. This will help boost the recovery of the sector while benefiting the wider economy and society, levelling up all parts of the country, and ensuring the UK re-establishes its world-leading role quickly. Creative industries tax-reliefs also play a significant role, driving vital inward investment. The extension and expansion of programmes such as Creative Scale Up will help creatives to grow their businesses further, in all parts of the country.

Investment in new products, services and business models for the creative sector generates ideas for health, education and environmental sustainability as well as contributing to the well-being and sense of identity of communities. We must enable these initiatives by combining them with a strong commitment to protect creators' IP and supporting them in monetising their content through digital platforms and streaming services.

- **Money** - Ongoing and ambitious public investment in culture and the arts will be vital to realising crucial economic and social outcomes for all people and places throughout the UK. To open up access to finance, a dedicated investment bank should be considered, following the example of other countries such as Germany's KfW Bank, working alongside sector-specific investors and

business support bodies. Patient capital must also be made available for creative entrepreneurs and businesses, recognising that ideas and creative content take time to develop and deliver.

The creation of a targeted regional investment programme in the form of the UK Shared Prosperity Fund to replace European Structural and Investment Funds will be crucial. Similarly, it is vital that we create a domestic alternative to replace Creative Europe funding which has played an integral role in supporting independent cinema and key cultural content.

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