

Written evidence submitted by Directors UK

About us:

1. Directors UK is the professional association of UK screen directors representing the creative, economic and contractual interests of over 7,800 members — the majority of working TV and film directors in the UK. We are a Collective Management Organisation, collecting and distributing royalty payments to TV and film directors. We are also a professional membership organisation providing a range of services to members including campaigning, commercial negotiations, legal advice, events, training and career development. Directors UK works closely with fellow organisations around the world to represent directors’ rights and concerns.
2. We welcome the opportunity to contribute to the *Treasury Select Committee: Jobs, Growth, and Productivity after Coronavirus*’ inquiry. We have focused our response on matters relating to the Screen/Creative Industries and regarding self-employment.

Questions addressed:

- How much difference can government policy make to economic growth?
 - How successful has the Government’s pandemic response been in protecting jobs to date, and how can it help reduce and mitigate the economic scarring effects of the pandemic going forward?
 - Is the “Plan for Growth” an adequate replacement for the “Industrial Strategy”?
3. Government policy can have a positive influence on economic growth. In the case of the film and TV sector, existing policy support in the form of tax reliefs has proven to be highly effective at attracting inward investment resulting in the UK becoming a highly profitable, world leading centre of production as well as contributing to the economy and to increased employment opportunities. The tax relief policies introduced for Film, High End Television and Animation have shown clear evidence of economic growth, with an increase of 62% in jobs and 73% in GVA between 2013-16¹.
 4. In financial terms the BFI² found that, overall, the economic impact of tax relief supported content in the UK screen industries created a total of £7.91 billion GVA for the UK economy annually (up from £4.18 billion in 2013), including £2 billion in tax revenues, generating 137,000 jobs. The Creative Industries Council³ specifies UK television alone creates £3.3billion of revenue.
 5. With the right policy support, the creative sector can bring the innovation, growth and job creation needed for the UK’s economic revival. Prior to the pandemic it was growing at four times the rate of the economy, contributing £116bn in GVA in 2019⁴ and helped build the significant ‘soft power’ the UK has sought to use on the global stage. Expanding creative industries tax reliefs will encourage strong economic growth. The Creative Industries Federation paper to the Chancellor ahead of the Spring Budget, explores this further.

¹ <https://www.bfi.org.uk/education-research/film-industry-statistics-research/reports/uk-film-economy> (2018)

² <https://www.bfi.org.uk/education-research/film-industry-statistics-research/reports/uk-film-economy> (2018)

³ <https://www.thecreativeindustries.co.uk/industries/tv-film/tv-film-why-the-uk>

⁴ <https://www.gov.uk/government/statistics/dcms-economic-estimates-2019-gross-value-added/dcms-economic-estimates-2019-provisional-gross-value-added>

6. Another example of positive government policy has been the Film and TV Production Restart Scheme. The impact of covid on the audiovisual sector at the start of the pandemic resulted in the immediate shut down of the TV and film production sector. The industry quickly had to develop new protocols to enable production to restart, which it slowly began to do last summer, supported by the Government's introduction of the Film and TV Production Restart Scheme, offering to underwrite production insurance to enable productions to confidently return to work. Without this policy intervention by the Government, it is likely that many productions would not have been able to return due to the large budget risk, and this would have had a significant impact on employment and the economic return arising from UK TV and film production. Only those companies large enough to carry the risk (e.g. big global companies) would have been able to restart. We encourage the Government to retain the scheme for as long as is needed and to consider similar insurance support for the live event sector.
7. We were pleased to see that the value of the creative industries, which had been part of the Industrial Strategy, was recognised in the recent "*Build Back Better, Plan for Growth*" and were highlighted as a priority sector. However, it is vital that the Government recognise the significance of the self-employed and freelance workforce to the success of the creative sector, and not just focus on businesses. The creative sector is dependent on the ideas generated by individual creators to provide the content that fuels the creative businesses. There is little to no recognition of the self-employed within the Plan for Growth, which talks more in terms of traditional employment opportunities and businesses.
8. The creative industries have a high proportion of self-employed workers: 33% (694,000) of the workforce in the creative industries and almost 50% (332,000) of the 676,000 in culture, compared to 15% (5 million) of the country's workforce as a whole. Over 20% of all the self-employed people in the UK work in the cultural and creative industries.
9. One of the real risks the creative industry is facing as a result of Covid, which we don't believe the Government has adequately addressed in its pandemic response, is in relation to the workforce. The creative Industries is highly dependent on its craft-led, skilled talent base, who are largely freelance or self-employed and have faced an extremely challenging year financially. In the audiovisual sector, as the TV and film production industry shut down, most of our members (TV and film directors) found themselves out of work and without income or support. Although the approved industry Covid protocols meant the industry was able to carry on during the latest lockdown, with the Film and TV Production Restart Scheme supporting large budget production to return, the reality is that for many the return to work has been slow, sporadic and exceptionally challenging as the impact of Covid lockdowns and new Covid protocols have impacted the amount and type of work that has been available.
10. A recent "one-year on" survey of Directors UK members found that **89% of respondents lost significant amounts of work** in the 12 months following the first lockdown (compared to an average 12 month period). The impact on their income has been very real with **89%** having lost income due to the pandemic. Yet only **11%** of respondents said they had been able to rely on government schemes to support their lost income (see box below for more findings). The eligibility criteria of the SEISS meant they were not able to access meaningful support, due to the various arbitrary cut offs, which those who are employed and supported through CJRS were not subject to.

11. Covid-19 has exposed the fragilities within the sector, which relies heavily on its creative workforce. Many have had to survive on savings or loans, or are leaving the sector altogether. The impact of the pandemic and the lack of support during Covid has left many creative freelancers questioning whether they want, or are able, to continue working in a freelance sector where they are carrying a greater personal and financial risk. They work outside traditional employment structures and do not benefit from the safeguards and employment rights and benefits of regular employees. They also experience patterns of employment that are insecure, unpredictable and their pay is often irregular. **88%** of respondents to our survey think the Government have not done enough to support self-employed/freelance workers in the creative industries. Their confidence in the Government's willingness to support them in a covid crisis rated an average of 3, on scale of 1-10.
12. If these workers leave the sector, due to the fear of insecurity, we risk losing the very talent and skills which drives and attracts the inward investment highlighted earlier. The gaps in support for self-employed workers during the pandemic has highlighted the inherent flaws in the current taxation and employment system that does not recognise the working model of the self-employed freelancer. The Government needs to understand how the self-employed workforce is being engaged in work and how it can be more effectively tracked and supported in the future, given this group of workers are growing faster than any others according to DCMS figures⁵. Tax and employment status needs to be reviewed to reflect the modern world of work in order to ensure this lack of parity of support cannot happen again, and that future taxation does not further penalise those who have not been helped.
13. Going forwards, if the Government wants to reduce and mitigate the economic scarring effects of the pandemic and protect jobs and growth, it needs to better understand the growing freelance and self-employed workforce – in all sectors - and ensure they offer parity of protection and support in future. Government needs to develop a greater understanding of the employment and business models involved in the creative sector in order to support and build on its success. As a respondent to our survey said: *"They don't understand how we work."*
14. Along with fellow organisations representing 350,000 individual creators we have been calling for the establishment of a "UK Creators Council" to work with DCMS to help inform and assist policy-making, enabling government to hear the freelance creators voices directly.
15. Other areas of policy which would further support and enhance growth in the creative sectors are in relation to research and development (R&D), and intellectual property (IP). The Creative Industries are defined by the UK government as *"those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property"*. In its current review of R&D Tax relief we support calls for the Government to broaden the definition of R&D tax relief to include the creative industries, this would support and encourage the huge potential for innovation that exists in the creative industries and empower our world-leading creative sector in future project generation and employment creation.
16. As well as providing support for R&D to encourage innovation, maintaining a strong copyright and IP regime is also critical to the success of the creative sector, particularly the audiovisual

⁵https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/811903/DCMS_Sectors_Economic_Estimates_2018_Employment_report.pdf

sector. It is essential to our creative economy that copyright protection remains fit for purpose for the digital age. As consumption trends change, strengthening and enforcing the IP framework effectively for the digital world will protect these important industries and revenue streams, and incentivise our creators and our industry to continue to achieve innovation and success. It is also important that the high standards of copyright enforcement and protection in the UK are reflected and protected in future trade deals, as holding onto intellectual property is good for the sector as the rewards are reinvested into domestic interests.

17. Finally, regarding the Government's plan for improving skills and levelling up, we support the adaption of the apprenticeship scheme to allow for flexi-job apprenticeships. We urge the Government to ensure that creative subjects continue to be taught and supported as part of the school curriculum and higher education, and strongly object to the proposed 50% cuts to arts subjects funding for university courses. A reduction in funding could further damage the future talent pipeline. There is also a need for greater commitment to training and skills development in the film and TV production sector. In the last 15 years, as the production industry has moved away from a permanent staff-based model, and the use of freelance workers has expanded, we have seen a reduction in the training and career development opportunities being made available to freelance workforce, which is impacting on career sustainability and progression. If we want to see growth in the creative sector it is essential that we support and develop the talent supply both now and for the future.
18. Directors UK is also keen to ensure that access and inclusion is at the heart of the Governments' levelling up policy, in order to improve representation from across the nations and regions of the UK, and among those groups who are currently under-represented. In the film and TV production sector a great deal more work needs to be done to address the under-representation on and off screen of people of colour, women, and those with disabilities. Key to building a more diverse and equitable industry will be ensuring that education, training, employment and career development opportunities are genuinely open, accessible and inclusive and that guidance and practice around hiring and recruiting freelancers is improved.
19. Our key recommendations to the Government include:
 - i. Maintain and, where appropriate, extend Creative Industries Tax Reliefs.
 - ii. Review the gaps in government support for freelancers/self-employed including expanding the eligibility criteria of the SEISS to address the support needs of those who have been left out, including directors of small Ltd companies, those affected by the 50% rule and the £50,000 cliff-edge, and PAYE freelancers; seek ways of retrospectively supporting or compensating those who have been affected by the limitations.
 - iii. Reform tax and benefit rules to secure greater fairness in benefits and social security for self-employed workers.
 - iv. Remove the perceived barriers to applying for R&D tax reliefs; and broaden the definition of R&D to realise the huge potential for innovation that exists in the creative industries.
 - v. Protect, enhance and promote the UK's effective copyright system in the face of increasing digital exploitation.
 - vi. Establish a Creators Council to improve engagement with the freelance creative workforce, to assist policy making and recovery.

- vii. Establish a Future Workforce Commission to ensure the UK champions entrepreneurialism across government and industry.

The UK's creative industries are world leading, and with the right support from the Government they will continue to bring economic, employment and cultural gains to the UK and beyond.

Effects of the Pandemic – One Year On

A recent “one year on” survey of Directors UK members found that **89% of our members lost work** in the 12 months following the first lockdown (compared to an average 12-month period). **64%** worked for just 6 months or less, and a third (**33%**) worked for 2 months or less. **18%** said they had not been able to find work since the pandemic began.

The impact on their income has been very real with **89%** of members having lost income due to the pandemic. **19%** lost £10-20,000. **24%** lost £20-£35,000. **18%** lost £35-£50,000. **11%** lost over £50,000. When an average director's income per year is between £50-60,000 these are not inconsiderable financial losses.

Only **11%** of respondents said they had been able to rely on government schemes to support their lost income.

- **66%** of freelance members who work under PAYE said they **weren't eligible for furlough** under the CJRS as they weren't registered with HMRC by a PAYE employer on the relevant dates.
- Only **34%** were eligible and applied for support from the SEISS.
- **68%** weren't eligible for Universal Credit. Only **12%** applied and were eligible.

The reasons given for not being eligible for government support: **44%** earned over £50,000. **35%** earned the majority of their income in dividends. **32%** had savings in excess of the Universal Credit cut off; for many, these savings would have been used to pay tax bills or to plan for the future - saving up for a house, a maternity break, a wedding or children's education.

42% said they had to rely on a partner or savings. **8%** are in immediate financial difficulty. **20%** said they can only sustain themselves for another 2-3 months without further financial support, and a further **7%** can only sustain themselves for 1 month.

12% of respondents said they had to find work outside the industry. Of these, **50%** say they have left, or temporarily left, the industry, with **8%** having no plans on returning.

88% think the Government has not done enough to support self-employed/freelance workers in the creative industries. Their confidence in the Government's willingness to support them through the COVID crisis rated an average of 3, on scale of 1-10.

In their own words:

“The hard cut off for SEISS was soul destroying. I missed out on desperately needed support because I earned £9 over the threshold (£50,009). This cost me around £30,000 of help.”

“I think the £50,000 threshold is unfair to those living in London where housing costs are so high. I feel we are made out to be tax dodgers despite paying into the tax and NI system since age 16 through both PAYE and Self-Assessment Tax. Even a modest contribution on a sliding scale would make a huge difference.”

“There is no support from the Government. I've used all my savings now. I have no money to pay back the loan or my tax bill.”

"It's a shocking indictment that so many freelancers have been left to fend for themselves during this pandemic, whilst others are being supported financially."

"I am angry that the Government and the Treasury have not even attempted to understand the uniqueness of our business and the different ways people work and get paid within it. They just continued to peddle the line that anyone not being supported under SEISS must have earned over 50k and that simply was not the case. We self-employed freelancers continue to be branded by many as tax dodgers, when people forget that we do not receive many of the benefits people in full-time employment receive, e.g. sick pay, paid maternity/paternity leave to name just a couple."

"I feel let down and penalised for being a mum in TV production yet again. Penalised already financially for having a child and now by the bizarre clause in the SEISS refusing to acknowledge maternity leave in its assessment."

"Most self-employed / freelancers have been left to fend for themselves - I have applied for a small grant and it was refused - the system really makes it even more difficult for small indie freelancers - big companies have all benefited. I feel that my career has been destroyed."

"They don't understand how we work."

(Directors UK member survey conducted in March 2021, with over 500 respondents)

May 2021