## Equity submission

## Invest 2035: The UK's Modern Industrial Strategy

## November 2024

### About

Equity is the largest creative industries trade union with 50,000 members united in the fight for fair terms and conditions across the performing arts and entertainment. Our members are actors, singers, dancers, designers, directors, models, stage managers, stunt performers, circus performers, puppeteers, comedians, voice artists, and variety performers. They work on stage, on TV sets, on the catwalk, in film studios, in recording studios, in night clubs and in circus tents.

### Consultation response

The following response addresses the consultation questions relating to the creative industries as one of the government's growth-driving sectors.

**1) How should the UK government identify the most important subsectors for delivering our objectives?**

- Target subsectors for the government's industrial strategy should mirror those currently in receipt of government creative industry tax reliefs and expenditure credits.

- Creative industry reliefs are currently targeted at production in film, animation, high-end TV, children's TV, video games and theatre. These represent a significant and successful investment on the part of consecutive governments to support the growth of these subsectors, a policy that Equity backs. Every £1 of tax revenue foregone through reliefs in film and high-end television in 2019 generated an average of £7.30 in additional Gross Value Added (GVA), for example (Olsberg SPI & Nordicity, 2021).

- But tax reliefs can only complement, not replace, an industrial strategy. Active government intervention could ensure that foregone relief revenue goes even further in delivering strategic objectives. For example, receipt of creative industry tax reliefs should be contingent on passing a 'labour test' demonstrating engagement in industry-standard collective bargaining practices. This is especially necessary in the video games industry, where no collective agreements are in place, and poor labour practices are rife. It would also support the wider strategic government objectives expressed in the Employment

Rights Bill.

- In regards to the government's multi-indicator assessment of UK subsector strengths, the creative industries as a whole grew 1.5 times faster than the wider UK economy between 2010 – 2019 (UKRI, 2024). We already have a significant comparative advantage in film, television and theatre. As a global arts and entertainment centre, with a highly-skilled workforce, integration with US markets through shared language and industrial relations frameworks (but distinct collective agreements), significant inward investment and exports, as well as a mature base of intellectual property assets.

**2) How should the UK government account for emerging sectors and technologies for which conventional data sources are less appropriate?**

- Artificial intelligence (AI) is a critical emerging sector and technology in the creative industries, but one which poses threats as well as opportunities.

- The UK's copyright and intellectual property framework has been developed over decades, including through collective bargaining with the sector's unions. It underpins investment in the creative industries and provides the workforce with vital income in the form of royalties and residuals. Any moves to give generative AI companies broad or preferential access to the intellectual property protected by this framework without the proper licensing and remuneration would place severe downward pressure on the growth of the creative industries.

- Generative artificial intelligence companies should therefore be treated as an emerging sector within the creative industries and further regulation put in place, including the enforcement of the existing GDPR regime, as well as an extension of performers' rights to address AI directly.

**3) How should the UK government incorporate foundational sectors and value chains into this analysis?**

- As detailed below, we believe that theatre and live performance should be considered a critical foundational sector in the creative industries, due to its role in developing both professional performer talent and wider intellectual property. Live performance is also an important economic sector in its own right.

**4) What are the most important subsectors and technologies that the UK government should focus on and why?**

- Among the subsectors, it is clear that film and television are strong prospective creative industry subsectors for an industrial strategy. DCMS estimates that *'film, TV, video, radio and photography'* have the highest output per hour of any subsector in the creative industries at £47 per hour, and *'film, TV and music'* at the highest output in the cultural sector at £57 per hour (Moyce, 2024). Film and television are also among the highest output growth sectors - DCMS statistics have GVA output in *'Film, TV, video, radio and photography'* growing by 5.4% between 2021 – 2022 (Moyce, 2024).

- But alongside film and television, it is vital that live performance is also included among the target subsectors. Film, television and theatre have shared labour markets for performers and creatives (and many overlapping skills requirements), as well as the shared development and use of intellectual property. Creative projects often transition intellectual property between these sectors to generate additional value. For example, the multiple award-winning British show *Fleabag* was written for the stage and first performed at Edinburgh Fringe Festival, before being developed into two hit television series by the BBC. The creator has now signed a $60m deal with Amazon Studios. The show also accelerated the careers of several successful British performers.

- In this regard, theatre could be considered both a 'foundational sector' for film and television production - in providing vital skills development and training, as well as nascent intellectual property development – and an important subsector *in its own right.* A creative industries industrial strategy will be most effective if it considers the film, television and theatre subsectors as one industrial ecology, as well as individually.

**5) What are the UK's strengths and capabilities in these subsectors?**

- The critical UK strength across these subsectors is the workforce. Through investment by public institutions over decades, the UK has developed a highly-skilled pool of creative talent, including Equity's 50,000 members. Film, television and theatre producers from across the world all rely on the UK's world-leading, English language workforce as the fundamental basis of their investment.

- Across the economy, an element of 'creativity' is consistently the most significant predictor for an occupation's chance of growing (Easton & Djumalieva, 2018), demonstrating the broad applicability of these skillsets across future labour markets. These jobs are also expected to be more resilient to automation (Osborne, Frey and Bakhshi 2015), despite the negative potential AI impacts on the remuneration rights framework.

- As mentioned elsewhere in this submission, the UK's long-established industrial relations framework also provides stability, improves equity between engagers and the workforce, and supports flows of investment and talent between the UK and other markets in which similar collective bargaining systems are in place e.g. the United States.

**6) What are the key enablers and barriers to growth in these subsectors and how could the UK government address them?**

- A key enabler of growth in the film, television and theatre subsectors is our mature industrial relations framework. Equity has collective agreements covering the overwhelming majority of production in film, television and theatre. Collective bargaining provides a stable, negotiated business environment for investment, one that United States investors are familiar operating within from experience in their domestic context. It ensures that the workforce achieve a higher share of the value that they create. Wherever possible, the industrial strategy should seek to extend, strengthen and protect the existing model of free, direct collective bargaining between engagers and trade unions, as is being pursued through the government's Employment Rights Bill and wider package of labour reforms.

- Declining direct public investment in the arts and entertainment is a key barrier to growth. Public investment is critical to guaranteeing the talent pipeline, providing supply-side production capacity, and developing new intellectual property.

- Through the Public Service Broadcasters, screen agencies and arts councils, UK and devolved governments 'crowd-in' private investment into the creative industries. For example, Public Service Broadcasters (PSBs) play a vital role in the production ecology by providing production capacity, training the workforce, and offering significant opportunities for decent work that allow creative practitioners to sustain careers. Policy measures that have diminished the BBC over the last few years, for example the previous government's cuts to the BBC's annual budget worth £1bn - roughly 30% in real terms since 2010 (Davie, 2021) will have a negative effect on the attractiveness of the UK film and television market to outside investors. Some of the largest streaming services operating in the UK openly state how important the BBC is in forming, developing and sustaining the British market they are operate within. This also applies to ITV and Channel 4, the latter of which was forced to temporarily halt commissioning last year due to rising costs and the uncertainty created by government proposals to privatise the channel.

**7) What are the most significant barriers to investment? Do they vary across the growth-driving sectors? What evidence can you share to illustrate this?**

- The supply of highly skilled labour in our creative workforce is critical to maintaining ongoing investment in UK performing arts and entertainment. Netflix's production chief emphasised recently *"if we don't have the talent it's going to be quite hard to make the content."* (Burrell, 2022) Production companies – especially those in receipt of public subsidy through the tax system - must go further in reinvesting in education and skills development of the workforce. For example, Netflix invested £1.2m in their Grow Creative UK workforce development programme out of a £1bn UK content budget (Netflix, 2021) and despite claiming millions in tax reliefs from HMRC (BBC, 2020). Meanwhile the BBC invested £100m in skills and training over the four years to 2021 (KPMG, 2021) Public funding therefore remains an essential part of the skills funding mix.

- Artificial intelligence can provide significant opportunities for the creative industries, and job creation as well as displacement. However, as this technology develops it is essential to retain a strong framework for the protection of intellectual property rights. Reported government proposals to introduce an 'opt-out' Text and Data Mining Exception are a significant threat to investment in the creative industries and to the workforce. Stronger moral rights, such as through the adoption of Beijing Treaty, will make the UK a more attractive place to produce work.

- The *Broken Promises* by the Writer's Guild of America West demonstrated the market power being amassed by a small group of companies via mergers, acquisitions and vertical integration of production and distribution. Disney, Netflix and Amazon are named in the report as demonstrating particularly aggressive tendencies towards monopoly, turning their streaming services into *"a walled garden for self-produced content – a model built for and dependent on restricting the availability of independent content from competing producers, underpaying creators, and, above all, making future consolidation the name of the industry game"* (WGAW,2023). Consolidation and intellectual property capture drive further reductions in the benefits of inward investment to the UK economy and workforce.

- The rapid shift towards monopoly by these US-based companies poses significant challenges to UK film making. By acquiring and shutting down production companies, controlling significant shares of distribution, and centralising financing, these consolidated global producers are already driving structural changes in the UK entertainment industry. Disney has reduced its film output by 65% since 2009, despite studio acquisitions worth over $100bn (WGAW,2023). UK industry reliance on inward investment increasingly means dependence on a handful of transnational companies that are likely to return profits to the US, and vulnerability to corporate decisions over which neither the UK industry nor government have influence.

- Equity believes there are serious competition issues within the UK advertising industry. We have evidence to suggest that downward pressure is being applied to terms and conditions in the industry, through rate-setting. We believe that this breaches UK competition law and are pursuing a review of the commercials market by the Competition and Markets Authority.

**8) Where you identified barriers in response to question 7 which relate to people and skills (including issues such as delivery of employment support, careers, and skills provision), what UK government policy solutions could best address these?**

- As mentioned above, the overwhelming majority of investment in skills in the creative industries come from the public sector, including via Public Service Broadcasters. UK arts councils also play an important role here in supporting live performance productions, which operate as a critical site of professional training and development for performers and creative teams.

**9) What more could be done to achieve a step change in employer investment in training in the growth-driving sectors?**

- Alongside these, the BFI Skills Review recommended that at least 1% of production budgets should be invested in skills and training (BFI, 2022). Several skills and training initiatives are already in operation in the UK creative industries, but the government should use its soft power to ensure that commercial producers are contributing their fair share, rather than using public sector budgets to meet all of their skills needs.

- This is especially important in the technical elements of the industry, which are seeing increasing skills shortages due to exodus, in areas where the trade union BECTU largely represents workers (see Priestley, 2024 for e.g.).

**10) Where you identified barriers in response to question 7 which relate to RDI and technology adoption and diffusion, what UK government policy solutions could best address these?**

N/A

**11) What are the barriers to R&D commercialisation that the UK government should be considering?**

N/A

**12) How can the UK government best use data to support the delivery of the industrial strategy?**

N/A

**13) What challenges or barriers to sharing or accessing data could the UK government remove to help improve business operations and decision-making?**

- As outlined above, audiovisual data is a valuable asset to the creative industries, and it is critical the government defends and enforces the existing intellectual property, copyright and GDPR frameworks. We believe that the introduction of a Text and Data Mining Exception, even with an 'opt-out' element, would cause severe damage to the creative industries in the UK, undermining the wider growth objectives of this industrial strategy.

- To this end, we wish to see the government better enforce the existing GDPR regulatory framework. In most instances, performance data is personal data as it contains identifiable features such as the likeness, voice or motion of a performer. We are witnessing industrial scale infringement of performers' intellectual property and data subject rights in the development and application of generative AI models already, requiring much stronger government enforcement action through the ICO, to guarantee transparency, consent and ultimately remuneration for rightsholders.

**14) Where you identified barriers in response to question 7 which relate to planning, infrastructure, and transport, what UK government policy solutions could best address these in addition to existing reforms? How can this best support regional growth?**

- Regular, safe and affordable public transport underpins the nighttime economy. Analysis of the impacts of London's night tube found that it increased journeys by 12%, generating an additional £190m GVA per annum and £1.54bn over 10 years, as well as nearly 4,000 jobs (London First & EY, 2018) Local bus and train services nurture demand and participation in arts and entertainment events. They also enhance the safety of our members travelling to and from work. Public investment in transport infrastructure and services is fundamental to the growth of the performing arts and entertainment, especially outside of London.

**15) How can investment into infrastructure support the industrial strategy? What can the UK government do to better support this and facilitate co-investment? How does this differ across infrastructure classes?**

- There is a growing requirement for capital investment in the creative industries to support continued growth and prevent the ongoing deterioration of existing capital assets.

- The government is already aware of the supply-side constraints in film and television production around studio capacity, with welcome support for growth of production capacity outside of London, including the recent announcement of funding for Crownworks. This should be continued and extended.

- Meanwhile live performance venues are in desperate need of capital investment in repair and restoration, with a particular emphasis on adequately sized theatres and producing houses. These could have serious consequences for workforce and audience safety, in a critical part of the production ecology. The RAAC issues at Preston Guild Hall and Charter venues, and the capital investment necessary at Oldham Coliseum are two prominent examples, but UK Theatre has found that without significant investment in the next five years 40% of theatre venues risk closure (UK Theatre, 2024). This would necessitate a shrinking of the sector.

- The standard of accommodation for workers in live performance under the ‘theatre digs’ system is antiquated, of extremely poor condition, and presents serious threats to the health, safety and wellbeing of the workforce. Regulation and licensing of short term lets could go some way to addressing this problem, though will not tackle the structural issues around the supply of housing and accommodation. Theatre-owned accommodation that is accessible, affordable and operates as an asset would end this dangerous system and decrease revenue costs.

**16) What are the barriers to competitive industrial activity and increased electrification, beyond those set out in response to the UK government’s recent call for evidence on industrial electrification?**

N/A

**17) What examples of international best practice to support businesses on energy, for example purchase power agreements, would you recommend to increase investment and growth?**

N/A

**18) Where you identified barriers in response to question 7 which relate to competition, what evidence can you share to illustrate their impact and what solutions could best address them?**

- As part of the industrial strategy, the government must urgently review the increasing concentration of film and HETV production in the United States, to better understand its impacts on the UK market, especially upon independent UK film production, domestic television production including the continuing drama sector, and our exhibition sector. This would better ensure that the industrial strategy can mitigate or adapt to any risks arising from the high proportion of UK film and HETV production that is reliant on inward investment.

- Continuing drama in particular has played an important role in regional production, and often provided a point of access into the industry for performers from working class backgrounds. The closure of programmes such as Doctors not only reduces investment in the West Midlands, but ends a critical route into the industry for many less privileged actors. One recent study found that in the film, TV, video, radio and photography workforce, under 10% of people were from working-class backgrounds (McAndrew et. al., 2024).

**19) How can regulatory and competition institutions best drive market dynamism to boost economic activity and growth?**

- The video games sector currently benefits from significant government support through the Video Games Expenditure Credit, despite record profits. The sector's refusal to engage in industry-standard practices of collective bargaining leads to very poor terms and conditions for the workforce, and increases market concentration among a few highly-profitable companies.

- The Employment Agency Standards Inspectorate is an important, though under resourced, regulatory institution in ensuring that supporting artists' rights are respected. We would welcome further resource for this work, both in its current form, and as part of a future government single enforcement agency.

**20) Do you have suggestions on where regulation can be reformed or introduced to encourage growth and innovation, including addressing any barriers you identified in question 7?**

- Equity wishes to see tax reliefs and expenditure credits linked to decent labour practices through the introduction of a ‘labour test’ alongside the existing ‘cultural test’. This is especially important in the video games sector, which so far refuses to engage in industry-standard practices of collective bargaining, despite significant profits, taxpayer support through Video Games Tax Relief, and very poor existing labour practices.

**21) What are the main factors that influence businesses’ investment decisions? Do these differ for the growth-driving sectors and based on the nature of the investment (for example buildings, machinery and equipment, vehicles, software, RDI, workforce skills) and types of firms (large, small, domestic, international, across different regions)?**

N/A

**22) What are the main barriers faced by companies who are seeking finance to scale up in the UK or by investors who are seeking to deploy capital, and do those barriers vary for the growth-driving sectors? How can addressing these barriers enable more global players in the UK?**

N/A

**23) The UK government currently seeks to support growth through a range of financial instruments including grants, loans, guarantees and equity. Are there additional instruments of which you have experience in other jurisdictions, which could encourage strategic investment?**

- Decent public funding is the critical factor in thriving creative industries in most other countries in the world. On average European countries invest an average of 0.5% of GDP into the arts and culture (Zayed, 2023). The UK government should set out a roadmap under this strategy to reach the European average of public funding over a decade, restoring arts council, PSB and screen agency budgets, as well as local authority arts expenditure.

**24) How can international partnerships (government-to-government or government-to-business) support the industrial strategy?**

- The free movement of artists is an important demand for the UK live performance workforce, who have seen a notable decline in opportunities to tour productions in Europe since the UK's exit from the European union. Equity members are seeking a UK-EU VISA waiver for performing artists to facilitate access to this market for UK artists.

- The ability to export UK intellectual property in the form of film, television and live performance is an integral part of the creative industries success, and its significant contribution to UK exports. Ongoing trade talks should seek to maximise access to global market for UK-produced creative content.

**25) Which international markets do you see as the greatest opportunity for the growth-driving sectors and how does it differ by sector?**

- The UK creative industry trade unions have strong relationships with the United States, as well as our European sister unions. This reflects the deeply integrated production and labour markets across these nations. Clearly, the UK retains a comparative advantage in markets with strong demand for english – language creative content, though UK intellectual property has retained strong global export appeal across film, television and theatre.

**26) Do you agree with this characterisation of clusters? Are there any additional characteristics of dimensions of cluster definition and strength we should consider, such as the difference between services clusters and manufacturing clusters?**

- The arts and entertainment industries have a vital role in place-based economic renewal. Producing theatres and regional film and television production have multiple benefits to local economies, through local jobs growth, local investment multipliers and increased tourism. For every £1 spent on theatre, another £1.40 is generated in the local economy, for example (Sound Diplomacy, 2023).

- There is a significant east-west split in terms of arts and entertainment activity across the UK, with most production centres located in the West of the four nations. The North West, West Midlands and Bristol in the South West have traditionally been arts and entertainment production centres, to the detriment of the North East and East Midlands etc (DCMS, 2024). London and the South East is an exception.

- Equity wishes to see a place-based arts and entertainment industrial strategy including through the use of regional creative clusters. Indeed, creative clusters are already being developed at city region level – for example at Digbeth in the West Midlands. Clusters should be developed around key, well-resourced national arts anchor institutions in each region (PEC,2022), such as Media City, the National Theatre, Opera North or the Birmingham Royal Ballet. These can act as centres of creative production on decent terms and conditions, inform local skills pipelines to provide opportunities for local people, and attract further private investment. Touring of live performance productions between and among anchor institutions could offer a national audience to productions from every region. The Creative Industries Policy and Evidence Centre has produced research addressing the importance of 'microclusters' and corridors too, which provide useful insights into where the industrial strategy might be able to foster new growth (Siepel et. al., 2023).

**27) What public and private sector interventions are needed to make strategic industrial sites 'investment-ready'? How should we determine which sites across the UK are most critical for unlocking this investment?**

N/A

**28) How should the industrial strategy accelerate growth in city regions and clusters of growth sectors across the UK through local growth plans and other policy mechanisms?**

- The UK government already has significant levers to drive an integrated, place-based, strategic approach to the performing arts and entertainment in England via partnerships with city and local administrations. Improving the governance and integration of public funding by the Public Sector Broadcasters, screen agencies and Arts Council England are critical to this. By focusing funding on long-term settlements for regional clusters and anchor institutions, arms-length arts and entertainment funding sources could drive quality production on decent terms and conditions in every region of the UK, improving meaningful supply-side capacity, and attracting private investment.

**29) How should the industrial strategy align with devolved government economic strategies and support the sectoral strengths of Scotland, Wales and Northern Ireland?**

- Medium term funding stability and stronger co-ordination between the UK government and national governments would support creative industries' growth and investment across the UK. A UK-wide arts and entertainment funding roadmap would tackle the severe inconsistency in arts funding prevalent recently among the devolved national administrations, providing stability for investment. National governments should be consulted throughout the development of the creative industries sector industrial strategy.

**30) How can the Industrial Strategy Council best support the UK government to deliver and monitor the industrial strategy?**

- Equity wishes to see increased trade union representation on the Industrial Strategy Council. The previous government's Industrial Strategy Council (disbanded in 2021) included only one trade union representative, and no creative industries trade union representation. As the largest sector- specific union in the creative industries, we would be glad to nominate a representative from Equity for membership of the Industrial Strategy Council.

**31) How should the Industrial Strategy Council interact with key non-government institutions and organisations?**

- As above, we would welcome a review of the governance and administration of arts funding bodies across theatre, film and television. These should be brought together towards shared strategic aims, and place-based economic renewal through creative clusters.

**32) How can the UK government improve the interface between the Industrial Strategy Council and government, business, local leaders and trade unions?**

- Equity wishes to see improved trade union representation on the Industrial Strategy Council itself, as well as on the sector teams developing sectoral plans. Engagement with the Department for Culture, Media and Sport has so far been very poor across all of the sectoral trade unions.

**33) How could the analytical framework (for example, identifying intermediate outcomes) for the industrial strategy be strengthened?**

N/A

**34) What are the key risks and assumptions we should embed in the logical model underpinning the theory of change?**

N/A

**35) How would you monitor and evaluate the industrial strategy, including metrics?**

N/A