

Creative UK response to the Welsh Parliament Finance Committee's 'A call for information – Welsh Government Draft Budget proposals for 2022-23

6. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on any of the areas identified below, particularly in light of the COVID-19 situation and how these should be reflected in the 2022-23 budget?

- *How resources should be targeted to support economic recovery and what sectors in particular need to be prioritised.*

Prior to the pandemic, the creative industries contributed £116bn to the UK economy – that's more than aerospace, automotive, life sciences and oil and gas sectors combined. New figures also reveal that the sector's pre-pandemic economic footprint multiplies to £178 billion when we consider the sector's direct supply chains.¹ And that is before any indirect impact that our creative talent brings to UK innovation and value creation is considered.

The creative industries in Wales are world-class and represent one of the UK's biggest success stories. From productions such as *Hinterland* and *His Dark Materials*, to games such as *Maid of Sker*, the creative industries contribute to innovation, social and economic prosperity, and 'Brand Wales' like no other. In fact, the creative industries generate £2.2bn for the Welsh economy, providing 56,000 jobs, with the sector exhibiting a strong growth trajectory.² Between 2011 and 2020, the nation's creative industries jobs grew by 22% and research by the Creative Industries Policy and Evidence Centre has shown the emergence of new creative clusters in places such as South Wales.

However, it is important to note that creative practitioners and businesses did not just contribute to the creative industries. Recent modelling shows the significant contribution of the creative industries to wider supply chains, with the multiplier effect in Wales being notably large: For every £1 that the Creative Industries contribute directly to the Welsh economy, they generate a further £2.50 in the wider economy in Wales.³ To illustrate the point – if a London-based film company decides to shoot in Wales, it might hire Welsh crew through an employment agency (rather than bringing people in from London) which supports economic activity locally.

However, recent independent modelling has painted a stark picture of the impact of Covid-19 on the creative sector. At the heart of this analysis is a hard but crucially important truth; that without strategic government investment and the right policy framework, certain parts of the UK's creative sector, people and places will be left behind, economically; those reliant on footfall and audiences, crucial parts of our workforce, including freelancers, and places - including Wales.

The Welsh creative sector lost £200m (-18%) due to the pandemic, with 1 in 10 creative jobs set to be lost by the end of 2021. This not only has the potential to be disastrous to the Welsh creative industries, but also has alarming connotations for the Welsh economy at large, due to the sector having a particularly strong multiplier effect. We are at a critical juncture: how government and industry choose to work together now will be key in determining the future successes of the Welsh creative industries and the social and economic prosperity of the nation as a whole.

However, with the right investment and support, the creative industries could recover faster than the economy as a whole, driving growth and regeneration. In order to successfully unlock the power

¹ The UK Creative Industries 2021, Creative UK

² <https://www.wales.com/creative-wales>

³ Oxford Economics modelling on behalf of Creative UK, 'UK Creative Industries 2021'

and the potential of the creative industries, it is vital that Welsh government maintains and implements ambitious public funding programmes (such as the Culture Recovery Fund) that provide flexible and streamlined access to finance. Research also demonstrates that investment into the creative sector should be accompanied by wrap-around business support. Initiatives such as mentoring, coaching, business advice, funding via grants and access to finance are all key in helping creative businesses to thrive. It is therefore vital that government maintains and expands strategic investment and support programmes to unlock the power and the potential of the creative industries – to the benefit of Wales’ economy, social prosperity and international reputation.

- *What specific support is needed in the budget for businesses, economic growth and agriculture, related to post EU transition.*

Whether it is through delivering world-class theatre shows and musical performances or exporting games, films and designer goods, Europe has long been the UK Creative Industries’ biggest trading partner. In 2019, the UK exported £20 billion in creative goods and £38 billion in creative services, and 32% of the UK’s £58 billion creative exports were to the EU. Talent from Europe has been critical to the success of the UK’s creative industries: 1 in 13 creative sector workers in the UK are from the EU. In certain subsectors, this is much higher. For example, prior to Brexit, 1 in 3 people working in the UK’s VFX sector were from the EU.

Through its creative industries, the UK has cultivated and attracted world-leading creative talent, generated and supported new ideas and innovations, and unlocked the export potential of British content and services. But it is precisely because of this that the majority of the sector was reluctant to leave the European Union at the time of the Referendum. The ease of movement of both people and goods had been crucial to the sector’s economic and global success. Negotiating and navigating the new relationship with the EU has brought with it both challenges and opportunities.

Arts Council Wales has recognised that ‘the UK’s departure from the EU will have significant implications for Welsh public bodies and the organisations and services that they support, as well as freelance and small companies working in the cultural sector.’⁴ As we navigate our new relationship with the EU it is vital that we secure the future of the UK creative industries. We must ensure that everybody who works in the sector, no matter their background, is able to access opportunities to contribute to the success of the creative industries. It is therefore critical that new processes and procedures do not de facto exclude emerging talent, due to insurmountable financial and/or administrative burdens. A similar challenge exists for freelance workers, who may not have access to the resources to navigate complex new regulations.

It is also important to state that currently Covid-19 restrictions are masking the full extent of the impact the new relationship with the EU will have on the sector. Careful thought should be given to the bias of any evidence given the current pandemic. Creative UK welcomes efforts made by organisations such as the four Arts Councils, which are working on pilot programmes to improve artist mobility and collaboration. Such programmes are generally small in scale and may not provide systemic solutions to mitigate challenges around the movement of people and goods between the UK and the EU. However, it is nonetheless vital that such schemes are maintained and expanded to support Welsh creative practitioners on the ground, particularly emerging talent and freelancers.

⁴ ‘Assessing the implications of Brexit for the arts’ An Arts Council Wales Briefing Note

- *What are the key opportunities for Government investment to support 'building back better' (i.e. supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations Act).*

Freelancers

The Welsh Creative Industries rely heavily on freelancers and self-employed people, who, even in normal times, have more precarious forms of work contracts than standard employment. The pandemic has both exposed and aggravated this precariousness, with several studies finding that self-employed people were more likely to have lost their job or experienced a drop in economic activity during lockdowns.⁵ While UK government support schemes for these individuals were incredibly welcome, and Creative Wales' additional targeted fund showcased genuine understanding of the issue, many creative practitioners still fell through the gaps. The Wales Freelance Survey states that 94% of theatre and performance freelancers in Wales lost work due to Covid-19, with 47% respondents receiving no financial support through the SEISS scheme.⁶ Given that self-employed workers make up almost a third of the UK creative industries workforce, it is vital that the government works to achieve systemic change and mitigate existing fragilities to ensure that the creative industries can drive social and economic regeneration. Securing fairness in the benefits and social security for self-employed workers, and incentivising and enabling entrepreneurs to start their own portfolio and business, is crucial. We therefore welcome the Manifesto for the Future's recommendation to pilot Universal Basic Income which could de-risk freelance work and entrepreneurialism, therefore spurring creativity and innovation forwards as we look to regenerate post-pandemic.

The pandemic has refocused attention on the issue of training and skills and it is vital that the self-employed are not de facto excluded, for instance due to a lack of HR support or structural employee advantages. New skills and qualifications are a gateway to higher earnings and career progression for the self-employed, but finding the time and money to undertake training is difficult. In fact, only 12% of the UK's solo self-employed have received job-related training in the last three months, compared to 26% of employees.

To unlock a more prosperous, more resilient and more equal Wales, government could make the cost of training and skills development tax-deductible for the self-employed. This would enable freelancers, particularly in sectors where demand has slowed or disappeared, to gain new skills and adapt their business offer to new markets.

Skills

As we look to the future, creative skills will be needed across all parts of our economy, to drive the next big idea, fuel entrepreneurship and generate inward investment. As more and more roles are replaced by machines, this need will only become greater. Creative jobs have been found to be future-proof for this reason: 87% of highly creative roles are resistant to automation. Emerging economies such as China, Singapore and South Korea are increasingly recognising the strategic importance of creativity and investing more in creative education as a result.

Creative skills are not just essential to the creative industries. They are needed across all parts of the economy. In a study across 35 million UK job adverts over a four-year period, research by the

⁵ See for example Blundell R, Costa Dias M, Joyce R, Xu X. COVID-19 and Inequalities, Fiscal Studies, 2020; 10

⁶ 'Rebalancing and reimagining: strategies to support arts and performance freelancers'
<https://www.cfw.wales/report>

Creative Industries Policy and Evidence Centre found that creative skills are in high demand across industrial sectors, well beyond the scope of the creative industries. The importance of creative skills will only increase over the coming decades.

Creative UK welcomes the Future Generations Commissioner's recommendation to use creativity to solve the world's biggest challenges. The contribution of the creative industries to the national and global effort against Covid-19 has undeniably demonstrated the power of the sector to respond to the world's most challenging and pressing issues. The UN's Sustainable Development Goals (SDGs) highlight that alongside the pandemic, the world faces a series of serious problems including social and health inequalities, climate change, and sustainable economic growth. Both the United Nations Conference on Trade and Development (UNCTAD) and the Sustainable Goals Fund have recognised that the creative industries have a critical role to play in the global sustainability agenda, and in recognition of this 2021 was declared International Year of Creative Economy for Sustainable Development as: "More than ever, we need creative thinking, innovation and problem-solving to imagine ourselves out of the challenges of inequality and vulnerability that we face daily. The creative industries, the lifeblood of the creative economy, are well placed to help."⁷

However, if future generations are to successfully contribute to the goals in the Well-being of Future Generations Act, they will need the creative skills to do so. Creative skills underpin critical work across many industries: from the application of innovative creative technologies in healthcare, to design thinking to promote and improve sustainability practices. It is therefore vital to recognise the strategic importance of creative, arts and design education, at all ages and all levels – taking a holistic approach to the training and education of the future workforce. This would complement other equally vital disciplines, such as STEM subjects, which are just as essential to our world-leading sector.

We support the recommendation to fund a shared national mission for education,⁸ bringing in the skills of business to be a core part of delivering the requirements of the new curriculum. Proactive engagement with industries and localities helps determine skills shortages and prepare for future demand. Successful strategic partnerships, such as the one existing between the University of South Wales and Netflix, should be encouraged to support the growth of prosperous creative clusters across Wales.

Clusters

To support a prosperous Wales with cohesive communities, Welsh government should act upon the Future Generations Commissioner's recommendation to develop and fund 'cultural corridors' across Wales that encourage public, private and voluntary sectors to connect cultural and creative sites, programmes and institutions.⁹

This activity has already begun through successful R&D programmes such as the Creative Industries Clusters Programme (CICP). This programme has been key to accelerating new cutting-edge ideas, drawing on the expertise of our world-renowned research institutions and the strength of creativity. The CICP comprises nine research and development partnerships, which are led by universities,

⁷ Marisa Henderson, UNCTAD's creative economy programme head, cited in: Creative economy to have its year in the sun in 2021 (UNCTAD, January 2021: <https://unctad.org/news/creative-economy-have-its-year-sun-2021>)

⁸ Recommendation 24: Manifesto for the Future <https://www.futuregenerations.wales/wp-content/uploads/2020/10/Manifesto-for-the-Future-FGCW1.pdf>

⁹ Recommendation 32: Manifesto for the Future

based around clusters in the four nations of the UK, one of which is the ambitious Clwstwr Creadigol programme. Clwstwr provides the link between academia, industry and government to create innovative new products, services and experiences in the screen and news sectors. Based in Cardiff, Clwstwr is creating a platform for small media businesses and freelancers to compete against the highly integrated global players.

Clwstwr's first funding call received 134 expressions of interest, which represents an £8m ask from industry. 23 companies were chosen to receive the programme's first £1 million, including National Dance Company Wales, Gorilla TV and Film Hub Wales. This funding was matched by the successful applicants. Many of these projects have the potential to create and develop IP that is made and based in Wales - crucial if the region is to make its highly-respected screen industry credentials more sustainable.¹⁰

Investing in creative IP, knowledge exchange and innovation across Wales will build creative ecosystems, with a significant positive knock-on effect for the Welsh economy at large, building communities back better and fairer.

Local authorities should be bold about the transformative and regenerative role that creativity and culture can play for local communities. Local cultural organisations are well-placed to promote civic engagement, with research suggesting that arts and cultural activities bring communities closer together, support public health improvement, deter crime and promote offender rehabilitation, restore trust and participation in the night-time economy, and help disadvantaged groups capture more of the benefits of other regeneration initiatives.¹¹

It is vital that decision-makers at all levels consider the wider benefits for local creative and cultural ecosystems when appraising investment opportunities. Cultural programmes increase footfall to local places and bring communities together. Partnerships between creative businesses and local education institutions also promote the attraction and retention of talent to these areas, further contributing to social and economic prosperity in Welsh regions. To further aid creative and cultural place-making, the Creative Industries Policy and Evidence Centre has also identified an opportunity for local authorities to work alongside cultural organisations to occupy vacant retail units over a longer term, support the reimagining of the high street and bring cultural programmes closer to local people.¹²

Welsh Language

The creative industries are uniquely well placed to support a Wales of vibrant culture and thriving Welsh language, and the Cymraeg 2050 goal of 1 million Welsh speakers by 2050.¹³ Arts Council Wales has acknowledged the vital role that the creative industries must play in enabling the Welsh language to thrive, by ensuring Welsh language arts activity is available to everybody across the nation.¹⁴ Investment into Welsh language creative content will be key to maximising cultural

¹⁰ [Clusters-Booklet-Story-So-Far-V12-web.pdf \(creativeindustriescusters.com\)](https://www.creativeindustriescusters.com/Clusters-Booklet-Story-So-Far-V12-web.pdf)

¹¹ UK Creative Industries 2021, Creative UK

¹² <https://www.pec.ac.uk/assets/publications/Placemaking-Culture-and-Covid-Insights-from-PECs-Industry-Champions-November-2021.pdf>

¹³ <https://gov.wales/sites/default/files/publications/2019-03/cymraeg-2050-a-million-welsh-speakers-annual-report-2017-18.pdf>

¹⁴ <https://arts.wales/news-jobs-opportunities/arts-council-wales-responds-wide-ranging-welsh-language-mapping-report>

potential in Wales, while simultaneously promoting the diverse and powerful cultural identities within Wales to an international audience.