Equity submission: Spending Review 2021

This submission was prepared by Equity, the UK trade union for creative practitioners. We represent over 47,000 actors and creative workers including directors, designers, choreographers, dancers, singers, entertainers, comedians, stage management and audio artists. For more information please contact Liam Budd, Policy Officer at lbudd@equity.org.uk

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Introduction

Impact of Covid-19

The pandemic had a devastating impact on the creative workforce. The majority of Equity's members had all or most of their work cancelled due to Covid-19 restrictions. We welcomed the Treasury support schemes[1], the Cultural Recovery Fund (CRF) and other grants made available via funding bodies. However, the CRF was designed to support organisations and not individual workers. As a result, huge swathes of the creative workforce were excluded from the significant sums made available by the government to "rescue" the sector from collapse. 40% of Equity members were excluded from the Self-Employment Income Support Scheme (SEISS) and the consequences of this are well documented.[2]

The pandemic also exposed deep-rooted structural issues and compounded the arts' historical problem of elitism by disproportionately impacting under-represented groups, especially those from working class backgrounds. According to ONS labour market data, there was a 44% drop in BAME female workers in the arts sector between the third quarters of 2019 and 2020.[3] A recent Ofcom report also identified diminishing levels of diversity more broadly in the broadcasting sector. [4]

Value of the industry

Despite these challenges, the UK creative industry continues to be one of the great powerhouses of our times. Before lockdown, the creative sector was growing at five times the rate of the wider economy and contributed £111.7bn to the exchequer.[5] According to Oxford Economics: "With the right investment, the sector could recover faster than the UK economy as a whole, growing by over 26% by 2025 and contributing £132.1 billion in GVA – over £28 billion more than in 2020, and more than the financial services, insurance and pension industries combined. In that same timeframe, they could create 300,000 new jobs."[6]

[1] Over 40% of Equity members have not received help from the Self Employed Income Support Scheme. Only 9% of our members have received a grant or other funding from Arts Council England, Arts Council Wales, Arts Council Northern Ireland or Creative Scotland.
[2] https://www.equity.org.uk/news/2021/january/open-letter-to-chancellor-and-secretary-of-state-equity-members-need-financial-support/
[3] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/summaryoflabourmarketstatistics
[4] https://www.ofcom.org.uk/news-centre/2021/broadcasters-facing-diverse-talent-drain
[5] https://www.gov.uk/government/news/uks-creative-industries-contributes-almost-13-million-to-the-uk-economy-every-hour
[6] https://wearecreative.uk/#

Beyond purely economic benefits, creativity and culture provide a social infrastructure that binds every nation and region together. We see the significant benefits of cultural activities in relation to people's physical and mental health, as well as tourism, skills creation, employment, and local regeneration. Our industry is also central to UK soft power and our position on the world stage.

Moreover, the electorate strongly support investing in the arts. According to a survey by Arts Council England, 79% of people see the arts as important.[7] Another poll by Ipsos MORI revealed that 63% of people in the UK want to see their local council spend at least 50p per person every week on the arts, museums and heritage.[8]

10 core asks

Whilst the worst of the pandemic is behind us, the economic effects of Covid-19 are still being felt. The upcoming Spending Review is therefore a vital opportunity for the government to protect people's jobs and livelihoods, whilst putting the creative industries at the very heart of its strategy to Build Back Better. Ahead of the 2021 Comprehensive Spending Review, we call on the government to:

1. extend and amend the Film & TV Production Restart Scheme through to 2022 at the least, and amend the Live Events Reinsurance Scheme;
2. extend the 5% VAT rate for live event tickets and abandon the planned increase;
3. abandon the planned £20-a-week cut to Universal Credit, reverse the reintroduction of the Minimum Income Floor, extend the uplift to legacy benefits, and extend support to those on tax credits;
4. abandon the National Insurance Contribution (NIC) increase for employees and the self-employed;
5. introduce a minimum income guarantee for creative workers;
6. increase UK government expenditure on 'cultural services' from 0.2% to 0.5% of Gross Domestic Product (GDP) in line with average European levels;
7. deliver an equitable balance of funding, without cuts to established areas, through a restructured national, regional and local funding system, and establish a more inclusive artistically and socially based criteria for funding;
8. abandon the funding cut for art and design higher education courses in England;
9. provide an emergency funding package to compensate for additional costs creative workers face undertaking work in Europe;
10. ensure all publicly funded arts bodies have robust sustainability criteria to all project grant applications.

Build Back Better by supporting jobs

We support the government's desire to get people back to work as the economy opens up. Ensuring the safe and fair reopening for the whole of our workforce is Equity's key priority. However, we believe that policy decisions taken by the government in relation to insurance, VAT, social security, and National Insurance, undermine this objective.

[7] ACE – The Conversation, 2018
[8] https://www.nationalmuseums.org.uk/news/50p-culture-campaign-launched/

Insurance

During the pandemic Equity campaigned for a comprehensive government backed insurance scheme for film and TV, as well as live events to remove what was a significant barrier preventing creative practitioners from returning to work. The Film & TV Production Restart Scheme launched at the start of the pandemic was a much-needed intervention, facilitating the production sector's return to work. Whilst we welcomed the bespoke package offered for performers aged 70 and over in response to discussions between DCMS and Equity, the scheme is limited covering only 2 people on a production. Crucially, losses with only be covered up until 31 December 2021. This is concerning as the financial impact of Covid-19 on the production sector has not been eradicated and this may take many years to recover. In the absence of the commercial insurance industry stepping into the vacuum, we urge the government to extend the restart scheme through to 2022 at the least. We would also like to see improved provisions for those aged 70 and over by increasing the number of performers outlined in Annex 4.

The long-awaited Live Events Reinsurance Scheme was a welcome intervention. However, the scheme as it currently stands is completely unworkable for the theatre industry and for many others in the live events sector. Firstly, the current model is too expensive for most productions. Moreover, insurance can only be taken out on each specific performance, rather than for the full run of a show. This is completely impractical and incompatible with how the industry operates, as some productions can run for months at a time. Crucially the scheme only covers cancellations in the situation of a full lockdown. It does not cover cancellations (1) caused by outbreaks of Covid-19 within performance and production teams or (2) future regulations that make events financial unviable (e.g. social distancing or lower capacity audiences).

We call on the government for a comprehensive and flexible insurance scheme which can be used by the majority of the live events sector. This would give producers and theatres, including those in towns and regions outside of London, the confidence to stay open by reducing the financial risk. The government would also benefit from a stronger insurance scheme through increased tax income. Finally, it is important to note that the £750 million committed to the scheme is 150 times the amount in grants made available to Equity members. It seems that insurers are viewed by the government as more worthy recipients of taxpayer money than the artists and entertainers who make the creative industries.

VAT

The recovery of our industry is threatened by the scheduled increase of VAT for live event tickets (from 5% on 12.5% on September 30, before returning to the full 20% next March). As outlined above, the economic impact of Covid-19 is ongoing despite the lifting of restrictions. The reduced rate continues to help encourage producers and venues get shows up and running, whilst supporting jobs, struggling business, and the wider supply chain. The Digital, Culture, Media and Sport Committee recommended that ticket-sale VAT should be kept at 5% for three years to support the full recovery of our industry. We agree and call on the government for a long-term extension of the 5% rate.

Social security

Ensuring our members can access adequate financial help through the social security system remains a key priority. We are extremely concerned that the government's proposals for Universal Credit could plunge thousands of Equity members into poverty. Whilst a considerable volume of professional work in the arts and entertainment industry has now resumed, activity is still significantly lower than pre pandemic levels. As a result, many creative practitioners, including those in work, continue to rely on Universal Credit as a vital safety net. We recently conducted a survey of our members to assess the impact of the changes being made to Universal Credit[9]:

- 65% of respondents currently rely on Universal Credit and other welfare options to stay in the industry;
- 53% of claimants would experience financial hardship and 41% would not be able to meet housing and other essential costs with the removal of the £20 uplift;
- 50% of respondents were concerned that they could be forced out of the industry due to the reintroduction of the Minimum Income Floor.

One Equity member commented: *"It's difficult enough to break into the creative industry, I have always had to work other jobs to support me and this feels like another way of preventing low income individuals from having a career in creative industries."*

<u>We call on the government to abandon the planned £20-a-week cut and reverse the reintroduction of the Minimum Income Floor for Universal Credit and extend the uplift to legacy benefits (the working age means-tested benefits being replaced by universal credit) and tax credits.</u>

<u>National Insurance</u>

Alongside these changes to social security, the government is proposing an increase to employee's Class 1 NIC to 13.25% (from 12%) and to Class 4 NIC for the self-employed to 10.25% (from 9%) to address the underfunding crisis in health and social care. The evidence is very clear that this will disproportionately affect lower income workers, those in insecure work as well as young people, who are the driving force behind our industry. The financial burden should not be borne by working people who are being hit by a double whammy of tax rises and real-terms pay cuts.

<u>We urge the government to abandon the NIC increase.</u> Instead, the government should investigate counter-policies for raising funding from those who have profited from the pandemic. Potential cost savings could be realised by re-integrating public services – including by ending disguised profits, consultancy contracts, and artificial management fees in the care sector.

Employers in our industry will also be impacted by the proposed increase in employer's Class 1 NICs to 15.05% (from 13.8%). This will particularly affect smaller theatres and production companies which may operate on low profit margins but are more likely to provide crucial opportunities for new talent and marginalised groups, such as disabled workers, entering the industry.

<u>Beyond Covid-19</u>

In the longer term, the government must pursue a strategy which delivers employment and job creation across the UK for a broad range of creative workers, with a particularly focus on increasing opportunities for marginalised demographics. The Self-Employment Income Support Scheme and the Coronavirus Job Retention Scheme ends on 30 September. However, the Government must recognise that the lives of artists and arts workers of all disciplines is inherently precarious. <u>Equity is calling for the introduction of a minimum income guarantee for creative workers as a long-term way to remedy low and no pay, and barriers to access to creative professionals.</u>

[9] Of the survey's 780 respondents, 69% are Universal Credit claimants.

We note that the Government of Ireland, as part of their Economic Recovery Plan, will soon be running a three-year pilot of a universal basic income in the arts, culture, audio visual and live performance and events sector.[10] This simple, universal, payment for artists and cultural workers based on the national Minimum Wage (€10.20 an hour) would be in lieu of other welfare payments, allowing creatives to earn other income separately when work was available. The government could explore a similar model. Finally, we must hold organisations to account and create obligations on employers to deliver environmental sustainability, employment and create jobs for marginalised groups. We urge the government to explore the Cultural Contract in Wales as a good model.[11]

Levelling up across the UK to increase and spread opportunity

Levelling Up Fund

We support the government's commitment to level up opportunity across the UK and welcomed the Levelling Up Fund announced at the 2020 Spending Review. We hope that bids submitted by local authorities who can take spaces into public ownership for cultural investments, such as upgrading and creating new cultural and creative spaces, are successful in every region and nation. Whilst capital investments are welcome, there is often an over-emphasis on large buildings as opposed to smaller or itinerant organisations that may serve a wider community better. Moreover, the government's primary focus should be about people not places. For our industry, true levelling is about investing in secure jobs, advancing diversity to achieve fully inclusive representation for creative practitioners and audiences alike.

Funding landscape

The culture funding landscape is very precarious. The latest Arts Index figures revealed that investment via public funding for the arts per head of population – via the Lottery, local and national government – dropped by 35% since 2008, with local government funding for the arts falling by 43%. Business sponsorship of the arts is down 39% since 2013, equating to tens of millions of pounds disappearing from the arts economy.[12]

As a result, UK culture funding falls way behind European levels.[13] According to Eurostat Statistics, UK spend on 'cultural services' as a percentage of GDP was 0.2% in 2019, which ranked the second lowest rate for all European countries. The European average was 0.5%.[14] We call on the government to raise spending on cultural services in line with the average European level. This would boost work opportunities and pay rates.

Total government expenditure for cultural services as a percentage of GDP

Estonia	1.1
Hungary	1.1
Iceland	1.1
Latvia	1
France	0.7
Croatia	0.7
Lithuania	0.7

[10] https://www.gov.ie/en/publication/49b23-overview-of-economic-recovery-plan-2021/
[11] https://gov.wales/securing-the-future-of-wales-culture-sector#:~:text=The%20cultural%20contract%20will%20build%20on%20the%20Welsh,4%20Health%20and%20arts%20initiatives%205%20Environmental%20sustainability
[12] https://forthearts.org.uk/wp-content/uploads/2020/07/Report-from-Somewhere-Over-the-Rainbow-open-space.pdf
[13] https://www.equity.org.uk/media/3370/equity_arts-policy-2019_final-web.pdf
[14] Eurostat Statistics, 2019 (Last updated 22-03-2021)

Malta	0.7
Poland	0.7
Norway	0.7
Czechia	0.6
Denmark	0.6
Slovenia	0.6
Slovakia	0.6
European Union - 27 countries (from 2020)	0.5
Belgium	0.5
Luxembourg	0.5
Austria	0.5
Finland	0.5
Sweden	0.5
European Union - 28 countries (2013-2020)	0.4
Bulgaria	0.4
Germany (until 1990 former territory of the FRG)	0.4
Spain	0.4
Netherlands	0.4
Romania	0.4
Switzerland	0.4
Italy	0.3
Portugal	0.3
Ireland	0.2
Cyprus	0.2
United Kingdom	0.2
Greece	0.1

Tax increases, especially on big business and high earners, could cover general increases in public spending. The government should also consider extending the 25% tax relief for some theatres, orchestras and film production – this, of course, would be extra to raised public funding and most tax relief should be earmarked for actual creative production.

The cultural sector also faces wildly inequitable distribution of public funding, which must be addressed as part of the government's levelling up strategy. Whilst we acknowledge the importance of London as a major cultural centre, the strength of the UK's creative industries is spread across every region and nation. Our members also work across a broad range of settings, from local and national theatres as well as in the community such as schools and care homes. <u>We call on the Government to deliver an equitable balance of funding through a restructured national, regional and local funding system, and the establishment of more inclusive artistically and socially based criteria for funding.</u>

Without cutbacks to London arts organisations, and through rebalancing funding within a substantially increased arts allocation as above, we believe per capita spending should be raised in the regions outside London, to London levels in the long-term. Lottery spending should also be immediately equalised, so that a major new cultural investment programme is begun across the country to reach all those areas currently under-resourced. These measures would help to restore local authority arts services. However, to spread opportunity across the UK, <u>arts spending should become a statutory requirement along with health and education in England.</u>

Ensuring strong and innovative public services

We support the government's pledge to make people's lives better across the country by investing in our education system. However, in stark contrast to this commitment, the government is moving ahead with plans to cut funding for art and design courses by 50% across higher education institutions in England. The Office for Students (OfS) confirmed that the subsidy for each full-time student on an arts course will be cut from £243 to £121.50 in the next academic year (2021/22). The former Education Secretary suggested that halving the grants going to "high cost" subjects would prioritise funding to "subjects vital to the economy and labour markets".

This decision is very alarming and fails to recognise the enormous value of creative education socially and economically. The creative arts are the fifth most studied subject across the UK, with creative training not only securing future generations of creative economy workers but providing transferable training and skills to workers of other industries. This measure will limit the availability of affordable training in our industry and see potential future artists financially edged out of the creative workforce. The Russell Group calculated that affected courses will run at an average deficit of £2,870 per student per year when other cuts and financial pressures are taken into account, which could make many courses unviable. Moreover, the institutions most vulnerable to these cuts are those with a higher number of under-privileged students.[15] <u>The government must cancel its proposed cuts and help protect an industry in which we are world leaders.</u>

Advancing Global Britain and seizing the opportunities of EU Exit

We acknowledge the government's commitment to advance Global Britain and seize potential opportunities from our departure from the EU. However, the reality is that the UK/EU Trade Deal has made it virtually impossible for many UK creative professionals to work in the EU. Expensive visas, different work permits for different countries and inconsistent tax and social security rules are just some of the obstacles workers now face. In fact, our member survey found that:

- 31% have seen job advertisements and/or casting breakdowns asking for EU passport holders only to apply;
- 14% have been asked by their agent to confirm if they are an EU passport holder for the purpose of finding work.

Earlier in the year the Prime Minister made a firm commitment in front of the Parliamentary Liaison Committee earlier in the year to fix the crisis facing the creative sector. As an urgent priority, <u>the government must provide an emergency funding package to compensate for additional costs creative workers now face undertaking work in Europe. In addition, we call on the government to provide a domestic alternative to Creative Europe.</u> The UK Government has funded a replacement for the Creative Europe MEDIA programme, but not the cultural programme.

Leading the transition to Net Zero across the country and globally

The human-caused climate emergency is the gravest threat we currently face, contributing to extreme weather events and loss of biodiversity across the globe. Global emissions continue to rise despite warnings of the dire consequences of exceeding 1.5ºC warming and the need to halve global carbon emissions by 2030. The climate crisis is a social justice issue, with those who have done least to cause the crisis and those least able to address it facing the worst impacts.

[15] https://russellgroup.ac.uk/news/russell-group-response-to-ofs-consultation-on-202122-recurrent-funding/

We acknowledge the government's commitment to lead the transition to Net Zero across the country and globally. However, the government's target of net zero by 2050 is insufficient to avoid global temperatures rising above 1.5ºC. The upcoming COP26 meeting is a key opportunity to agree a viable strategy for addressing the climate emergency. But the success of such a strategy depends on having a skilled and diverse workforce to deliver it. The opportunity to invest in climate jobs, a just transition and a fairer society must be seized. Workers and unions must be at the heart of the broader fight for climate justice and the decision-making process to deliver a just transition that protects jobs.

The arts and culture sector have an important role to play here. We believe all publicly funded arts bodies should have robust sustainability criteria to all project grant applications. Art and culture institutions have an opportunity to lead by example and to utilise their public funding in support of a just transition in their workplaces. Criteria could include mandatory insulation in flagship theatres, ensuring a living wage for their front of house staff, installing heat pumps for a cleaner, greener energy supply and a pledge to recycle their sets and costumes.