EQUITY

Equity Submission to the Spending Review: Phase Two

February 2025

1. About Equity

Equity is a trade union of 50,000 performing artists and creative practitioners, united in the fight for fair terms and conditions in the performing arts and entertainment industry. Our members are actors, singers, dancers, designers, directors, stage managers, stunt performers, puppeteers, comedians, voice artists, and variety performers.

2. Summary

- The government has rightly identified the creative industries as one of its eight priority sectors for UK growth. The arts and entertainment industry are a particular success story, in large part owing to its exemplary model of collective bargaining.
- The industry's success is largely in spite of recent government policy, which has enacted deep cuts to arts funding. To reverse recent shrinking of the industry, the government must develop a long-term strategy for the arts, which will increase funding to 0.5% GDP and invest in the industry across regions on a strategic basis.
- Many large employers in the industry receive millions of pounds in tax relief but refuse to engage with collective bargaining or meet minimum employment standards. The government should introduce a 'labour test' as a condition for tax relief and grant funding.
- In view of the potential economic harm to the industry, the unique treatment of performing arts workers for tax and National Insurance ought to be preserved under any introduction a single worker status in employment law.

3. Creative industries workforce as an engine for UK growth

The UK's creative industries are an economic success story. They generated £126bn in gross value added to the economy and employed 2.4 million people in 2022, accounting for 6% of UK output.[1] In its Creative Sector Vision, the previous government wrote that "from 2010 to 2019 [the creative industries] grew more than one and a half times faster than the wider economy." British film, video and television production have doubled in size since 2000.[2]The government's "Invest 2035" strategy identifies the creative industries as one of eight priority sectors for growth over the next 10 years, on account of the UK's world-leading reputation for arts and entertainment.[3] The arts and entertainment not only generate significant investment; they also stimulate consumer spending: research commissioned by the Society of London

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[1] Evenett, H (2024) 'Contribution of the arts to society and the economy', House of Lords Library

[2] Cowdery, C & Shafik, M (2023) Ending Stagnation: A New Economic Strategy for Britain, Resolution Foundation

[3] https://www.gov.uk/government/consultations/invest-2035-the-uks-modern-industrial-strategy/invest-2035-the-uks-modern-industrial-strategy

Theatres and UK Theatre found that for every £1 spent on theatre, another £1.40 is generated for the local economy.

The success of the arts and entertainment industry is because of its workforce: as the government acknowledges, the UK is the third largest exporter of creative services, with exports worth $87 billion in 2022. The UK's screen sector generated £4.23 billion of spend in 2023, 78% of which derived from inward investment. Productions come to the UK because of its arts ecosystem which nurtures talent, both performers on screen and creative workers off screen.

Essential to that success story is the exemplary model of collective bargaining on which its world-leading workforce is based. On behalf of its 50,000 members, Equity negotiates collective agreements which set minimum terms and conditions with engagers covering the vast majority of UK theatre, film and television production. These established and embedded industrial relationships create a stable industry and drive long-term domestic and inward investment. In the commercials sector, they ensure that the workforce can benefit from a higher share of the profits which they create. In the subsidised sector, they prevent the worst excesses of poor pay and conditions. Due to long-established relationships with employer associations in the industry, our coverage of mostly sectoral collective bargaining is virtually unparalleled in the private sector.

There are, of course, exceptions, especially the videogames and commercials sectors, both of which adopt anti-trade union policies, and seek to drive down terms and conditions, sometimes in a manner which we believe may be anti-competitive. These sectors are addressed below in relation to tax relief schemes.

The success of the industry has come largely in spite of recent government policy, which has enacted deep cuts to public funding, combined with a shift towards tax reliefs. While government support through tax reliefs is welcome support for the industry, it is not an adequate substitute for an industrial policy for the performing arts and entertainment, backed by public grant funding.

The lack of government support for the arts is having a demonstrable economic impact. Equity's analysis of GDP figures at the end of 2024 showed a concerning decline in the arts and entertainment industry. Data from the ONS showed an average reduction of 3.7% a month in business activity in the industry over the four-month period to the end of 2024.[4] The industry shrunk by nearly 5% in October. The government must take steps to understand why, despite the industry's enormous value and strength, it has shrunk on its watch.

4. Strategic arts funding

The concerning decline of the industry towards the end of 2024 demonstrates the urgent need for a long-term strategic plan for public arts funding, not least if the industry is to be one of the government's eight priority sectors for growth. First, the government must reverse the long-term

[4] https://www.equity.org.uk/news/2024/equity-exclusive-creative-arts-and-entertainment-shrink-by-nearly-15-since-july

decline in arts funding, which is hindering talent and inward investment. A long-term strategy for arts funding must support key national institutions alongside strategic investment in regional and local arts. Funidng must also reflect that the industry's itinerant workforce is central to the arts ecosystem and the relationship between the various arts, including theatre, film and TV.

a. A pathway to 0.5% GDP on arts funding

According to the Campaign for the Arts 2024 report, DCMS core funding of arts and cultural organisations has fallen by 18% since 2010.[5] Equity's analysis shows 16% real terms cut in funding by arts councils UK-wide.[6] This is further compounded by nearly £1bn in cuts to arts and culture funding by local government across the UK.[7] As such, the UK now spends only 0.2% of GDP on arts and culture, compared with a European average of 0.5% of GDP. This puts us among the lowest levels of public arts and culture spend in Europe.[8]

Equity welcomes the Secretary of State's recent announcement of £60 million to support the creative industries, including £16.3 million for the Create Growth Programme, £5.5 million for the UK Games Fund and £7 million for the UK Global Screen Fund.[9] However, these initiatives represent only a modest start at reversing the decade of deep decline in arts funding. Equity wishes to see the government set out a roadmap to achieving the European average of spending 0.5% GDP on arts over the next two parliamentary terms. This would require spending to be increased by over £6bn a year in today's prices, demonstrating how far the UK has fallen behind our neighbours. This increase would be sufficient to restore local and national arts spending, as well as public sector broadcaster budgets and screen agency funding.

It is crucial that the government's plan for arts funding forms part of a coherent industrial strategy, developed alongside the current review of Arts Council England, and providing long-term security to creative workers and institutions. The recent funding announcement of £60 million does not appear to allocate funding in a strategic way because it does not take account of existing public or private initiatives and investment in particular regions. For example, while the regional focus of the funding is welcome, it does nothing to support film and TV production in the Midlands, at a time when a new studio is opening in Birmingham[10] and the West Midlands Mayor plans to establish a special unit to encourage productions to come to the region.[11]

The government must also give thought to how it can provide support directly to creative workers who are the backbone of the industry's success. The creative workforce was severely affected by the pandemic, with many leaving the industry altogether, particularly those already underrepresented. Any strategy for increasing arts funding must prioritise funding directly to artists, so that the UK remains a world-leader in developing talent and skills in the performing

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[5] Ashton, H. et al. (2024) The State of the Arts, Campaign For the Arts
[6] Equity (2024) Arts Funding Tracker, equity.org.uk
[7] Zayed, Y (2023) Arts Funding, House of Commons Library
[8] Ibid.
[9] https://www.gov.uk/government/news/60-million-boost-for-creative-industries-to-turbocharge-growth
[10] https://www.bbc.co.uk/news/articles/cqed5vjm03ro
[11] https://www.bbc.co.uk/news/articles/c07n9dyr0z4o

arts. Funding agreements for institutions should require grantees to abide by minimum pay and conditions for employees and freelancers whom they contract with, including observance of union agreements where relevant – see section 5.

b. National and regional arts strategy

Arts funding should also balance long-term funding of key national arts institutions alongside a strategy for arts which is regionally-focused and empowers local workers and communities in funding decisions.

Key national arts institutions, such as the National Theatre and English National Opera, should receive long-term funding settlements on the basis that they are important "anchor" institutions for UK performing arts and recognised centres of excellence.

However, the funding of regional arts should be decentralised, with more power devolved to local communities to make decisions about how arts funding is spent in their area. Equity welcomes that the review of Arts Council England will consider "ACE's role in the wider cultural funding ecosystem, and mechanisms to strengthen the role of local voices in decision making."[12] Equity would like to see regional arts councils set up to work directly with local government, funding bodies and community representatives to make decisions about local arts funding – a move away from centralised funding based on a national portfolio.[13]

Local theatres are a vital employer and incubator of talent but are facing ever more challenging conditions in which to survive. Research from SOLT/UK Theatre last year found that two in five theatres are at risk of closure unless they receive significant capital investment in the next five years.[14] While the West End has recovered strongly from the pandemic, local theatres outside London are facing impossible financial conditions. It is crucial that an arts funding strategy recognises that local theatre is an important regional employer – of performers, crew, the creative team, front-of-house and management roles. It also generates a multiplier effect in the local economy and stimulates consumer spending.

Of course, local theatres are also an integral part of the UK's arts ecosystem: calling for more support for theatre outside London, Imelda Staunton has spoken about getting her start in the industry in local repertory theatre.[15] The same is true of countless other performers. Without urgent support to sustain local theatre, the UK risks losing its reputation as a world-leader for talent in the performing arts and the private investment which this generates.

c. An integrated strategy for film, TV and theatre

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[12] https://www.gov.uk/government/news/independent-review-to-ensure-access-to-high-quality-arts-and-culture-in-every-region

[13] https://www.equity.org.uk/campaigns-policy/policy-work/performing-arts-for-all

[14] https://www.thestage.co.uk/news/situation-critical-two-in-five-theatres-at-risk-of-closure-without-cash-boost

[15] https://www.thestage.co.uk/news/production-news/imelda-staunton-and-daughter-bessie-to-star-in-mrs-warrens-profession

An integrated funding strategy for the arts means one which accounts for the strong links between subsectors of the UK's arts and entertainment industry, not least in terms of the workforce. The government is keenly aware of the economic powerhouse of the UK's screen sector: DCMS estimated in 2022 that film, TV and music had the highest per-hour economic output in the creative industries, at £54 per hour.[16]

While we welcome investment in film and TV, arts funding strategy must acknowledge that live performance is also an essential part of the performing arts ecosystem, both as an art form which shares a workforce with film and TV, and as a subsector in its own right. 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. Arts funding will be most effective if it considers the film, television and theatre subsectors as one industrial ecology, as well as individually.

d. Decline of local theatre spaces

There is an urgent need for arts funding to address the deterioration of theatre and live performance venues across the country. Cuts to funding have contributed to the closure of hundreds of theatres and local venues, limiting the spaces in which young talent can be nurtured for the future success of the industry. Those venues that do remain open struggle to maintain safe, accessible and high-quality facilities without proper funding from central and local government. The decimation of local government funding has led many councils to sell publicly-owned venues to private operators.

Many theatres are in dire financial straits and struggling to refurbish old and crumbling facilities. The discovery of RAAC in some venues – such as the Preston Guild Hall[17] Harlequin Theatre in Redhill[18] – has forced them to close and thrown their long-term future into doubt, as venues and local councils struggle to find the funding to carry out the necessary repairs.

5. A 'labour test' for tax relief and grant funding

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[16] https://www.gov.uk/government/statistics/dcms-and-digital-sector-productivity-2022-provisional/dcms-sectors-economic-estimates-productivity-2022-provisional

[17] https://www.bbc.co.uk/news/uk-england-lancashire-68093921

[18] https://www.artsprofessional.co.uk/news/future-theatres-unclear-amid-prolonged-raac-closures

Equity has collective agreements across most of TV, film and theatre, including the subsidised sector. In most instances these ensure that productions are made on trade union terms and conditions. However, there are significant sections of the arts and entertainment industry which receive public support through the tax relief system, yet refuse to engage in collective bargaining, driving down terms and conditions in the sector. This includes some commercial, fringe and independent theatre where producers benefit from subsidy via Theatre Tax Relief without meeting industry-standard terms and conditions, effectively undercutting the rest of the industry through poor treatment of the workforce.

The video games sector is another key example. Video Games Tax relief is estimated to have cost the Treasury £220m in 2023, with relief overwhelmingly claimed by a small group of large, highly profitable firms (in 2019 half of all relief was claimed by four companies). The industry is growing by nearly 5% a year, valued at £7.82bn,[19] yet for the most part refuses to engage with Equity as the appropriate trade union for the sector. This has seriously eroded performers' rights, wages and conditions.

We support the use of tax reliefs across our industry but believe that public money – either in the form of grant or foregone tax revenue – should not be used to reward companies that refuse to abide by minimum employment standards and engage in long-established collective bargaining processes. HM Treasury should review options to link both public grant and tax reliefs in the arts and entertainment to employer observance of minimum employment standards, including those set by union agreements, and engagement with collective bargaining. We recommend a "labour test" across all arts tax reliefs, in the way that a cultural test is currently applied to applications for the Film Tax Relief and AVEC.

6. Maintain performers' special tax arrangements under a single worker status

Equity supports the government's plan to extend additional rights to workers through the introduction of a single worker status. Through our existing collective agreements, we already negotiate many of the additional rights enjoyed by employees for our members, where our members generally have "limb (b)" worker status. The costs of these rights are met by employers, through collectively bargained contractual arrangements, even where some of those costs would normally be offset by the state if they were given as part of an employee status.

We are concerned that without clear government guidance, a change to employment status classification may precipitate uncertainty and instability around performers' status for the purposes of tax and National Insurance.

A change of tax status has the potential to severely disrupt the current system of secondary payments, which form a significant part of performers' remuneration in film, TV and commercials. Engagers may be less inclined to agree to secondary payments, should performers and creatives be reclassified as employees. There are very few industries where employees bargain ongoing payments for intellectual property, the rights to which are generally

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[19] Poole, N. (2024) 2023 Video Game Industry Valuation, UKIE.org.uk

held by the employer. It would also create vast administrative challenges across our system of trade union and collecting society remuneration.

It would also add Employer National Insurance contributions to wage costs, and to royalties and secondary payments which are of decreasing size and often paid in perpetuity - significantly increasing the cost of UK production in a highly mobile, transnational industry, and reducing ongoing income for workers. This would be a significant deterrent to inward investment which the industry relies upon, with knock-on effects for the workforce and entire industry.

Should proposals for the single worker status be brought forward, Equity urges HM Treasury to work closely with HMRC to ensure that the policy does not precipitate instability or change in the treatment of performers for tax and NI purposes, which should remain the same irrespective of employment law reforms.

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