# What Next? Brexit and the Creative Industries

## The creative sector: a national success story


- The creative industries (*fig.1*) are worth **£92bn** a year to the UK economy. This figure is **7% of total GVA** (5.3% of GDP).[1]
- This figure is larger than for the automotive, oil and gas, aerospace and life sciences industries combined and **has increased by almost 50%** since 2010.[2]
- Creative industries are **the fastest growing sector** in the economy, growing at **twice the rate** of the wider UK economy.[3]
- There are **2 million people directly employed** in the creative industries and **3 million employed in the wider 'creative economy'**[4] – which is **one in eleven jobs.**[5] In London, this is **one in six.**[6]

### The structure of the creative economy

- Creative jobs are regionally diffuse – **two-thirds of revenue was generated outside of London** and the south-east.[7]. The sector is **growing in every region in the UK**, often **faster than London**; from 2010 to 2016 as high as 47% in Scotland and the north-east, compared to 33% in London and the south-east (*fig.3*).[8]
    - Currently, **EU arts funding favours areas outside of London.** As an example, England's highest Leave-voting areas currently receive twice the EU cultural spending than its highest Remain-voting areas.[9]
    - The **European Regional Development Fund** (ERDF) allocated just under €6bn to the UK for the period 2014-20, which is directed overwhelmingly toward areas outside of London and the south-east. Cornwall and west Wales are set to receive over €1000 per capita, the Tees Valley €280, Yorkshire €150 and Hampshire, Surrey and Kent €31. After Brexit, these funds – which have promoted regional and local social cohesion and economic development since 1975 – will no longer be available.

## Why the Creative Industries are good for the UK:

- Quantitative data exist on the positive effects of creative engagement on an array of metrics; introspection, empathy, confidence, dealing with trauma, civic and community participation, physical and mental health, and academic attainment to name a few. The Arts and Humanities Research Council's comprehensive report 'Understanding the value of arts & culture' details many of these in a meticulous and nuanced fashion.[10]
    - To take calculable results from just two studies: teenagers who engage in the arts are **20% more likely to vote** as young adults, and children from lower-income families who engage in the arts at school are **three times more likely to get a degree** than their peers from similar backgrounds.[11]
- In the post-Cold War and post-colonial world, **soft power is perhaps the most powerful tool** Britain has to deploy in international politics.
    - Portland Communications' authoritative 'Soft Power 30' rankings placed Britain as the global leader in 2015. **We fell from the top spot in 2016 after the results of the referendum.** We currently stand in second place, behind France.[12]
- DCMS and the wider government's goal is to promote the use of soft power by maintaining the UK's international position in arts, culture and heritage. To impede the growth of the cultural economy and raise barriers to cultural exports is to make this goal far more difficult.

## What we want to maintain:

### Talent and skills

- The creative industries depend on European talent to sustain them.
    - **75% of Creative Industries Federation members employ EU nationals** and most say these jobs cannot be filled by British workers.[13]
    - There is a **demonstrable skills shortage** in the creative economy. The Migration Tier 2 Shortage Occupation List (jobs where the government will permit sponsorship of migrants in recognition of severe skills shortages) includes 17 creative industries occupations.[14]
    - Certain industries are completely reliant – UK games companies draw 30% of their staff from the EU and the visual effects industry draw 25%.[15]
- The creative industries **depend on the free movement of people and goods** across borders.
    - Film and TV production, festivals, and touring companies rely on international markets. EU countries offer geographical convenience and come without the administrative and financial burdens of visas, among other 'non-tariff barriers'. E.g. NoFit State Circus estimate that a US tour costs £46,000 more than an EU tour.[16]
    - Touring companies are defined as 'goods', for which a flat tariff under a 'no deal' Brexit would be prohibitively expensive.
    - Easy access to Europe has helped develop European audiences, which in turn generates revenue for the UK.
- International students are a vital pool of talent for the arts in the UK. Severing links to EU universities removes access to one of the most important pools of talent. 20% of students at the Royal College of Music, 16% at the University of the Arts London, and 13% at the Glasgow School of Arts were EU nationals.[17]

### EU funding

- The creative industries embody a mixed model of profitability and public funding, in which the EU plays a vital role.
    - **The UK receives more from Creative Europe than almost any other country** and was second only to Germany in the

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[1] *DCMS Sectors Economic Estimates 2016: GVA Sectors* (DCMS, 2017)
[2] Ibid.
[3] Ibid.
[4] Anyone employed in a creative role, regardless of the company.
[5] *Creative Industries: Focus on Employment* (DCMS, 2016)
[6] Christopher Rocks, *London's Creative Industries: 2017 Update* (GLA Economics, 2017)
[7] *DCMS Sectors Economic Estimates: Regional GVA* (DCMS, 2016)
[8] Ibid.
[9] *Arts Professional*, 'Loss of EU funding would hit pro-Brexit regions hardest', 2 March 2018
[10] Geoffrey Crossick & Patrycja Kaszynska, *Understanding the value of arts & culture* (Arts and Humanities Research Council, 2016)
[11] *The Value of Arts and Culture to People and Society: an evidence review* (Arts Council England, 2014)
[12] *Soft Power 30* (Portland: USC Center on Public Diplomacy, 2017)
[13] Ibid.
[14] *UK Tier 2 Shortage Occupation List* (Home Office, 2018)
[15] *Video Games and Brexit negotiations* (UKIE, 2016)
[16] *Brexit Report* (Creative Industries Federation, 2016)
[17] Ibid.

amount it receives from Horizon 2020, a similar £80bn innovation scheme.[18]

- The **EU schemes provide much more than funding**, they build international networks often vital for arts organisations. Creative Europe offers 78 creative networks across 20 subjects. Collaboration is the lifeblood of the arts, and these networks are a lifeline for many.
  - If the government matches the funding but withdraws, we still lose important networks for the dissemination of best practice, knowledge and experience.
  - This works both ways – for areas in which the UK is a leader, our creative organisations would not be able to lead on Creative Europe projects, despite our expertise being invaluable for prospective partners.

Trade and investment

- The success of creative exports has depended on membership of the common market. **21% of Creative Industries Federation members say 'no deal' would make them consider moving their business** abroad.[19]
  - **80% of exporting UK businesses trade with the EU** and it is a highly popular market for first-time exporters, microbusinesses and SMEs (Small to Medium Enterprises), providing an easily-accessible training ground for companies wishing to develop export markets.[20]
  - Creative goods and services make up 11% of UK exports, and this is growing faster than any other sector. **The EU receives 42.5% of UK creative service exports.**[21]
- The creative industries are comprised of precisely the sort of people that have traditionally underpinned the British economy: small businesses and innovators. Smaller organisations do not have the funds or manpower to shoulder the cost of leaving existing trade arrangements.
  - One of eight UK businesses are located within the creative sector, totalling 284,000.[22]
  - 95% employ less than 10 people, and almost 70% turn over less than £100,000 annually (compared to the UK average of 55%).[23]
  - **47% of creative workers are self-employed**, compared to 15% in the national workforce.[24]
  - This puts the creative sector in a far more dangerous position as it is far more **vulnerable to increases in cost or difficulty of travel**.
- Looking outside the EU toward BRIC (Brazil, India, China, and Russia) or Commonwealth countries is no replacement for the current arrangement.
  - The UK's trade with the BRIC countries (Brazil, Russia, India and China), at £30.8 billion in 2016, is only very slightly larger than trade with a single member state—Ireland—at £26.7 billion. Government analysis suggests free-trade deals with non-EU countries, if reached, would add less than 1% to the long-term growth of the UK economy.[25]

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[18] Ibid.
[19] Ibid.
[20] Ibid.
[21] Ibid.
[22] *DCMS Sectors Economic Estimates Business Demographics* (DCMS, 2018)
[23] Ibid.
[24] *UK Labour Market: February 2017* (Office for National Statistics, 2017)
[25] *The Times*, 'Boost from trade deals will not cover losses, Brexit leak reveals', February 8, 2018