Erskine Analysis

Report summary

Keeping the UK's creative industries globally competitive: a playbook to protect our future prosperity and security

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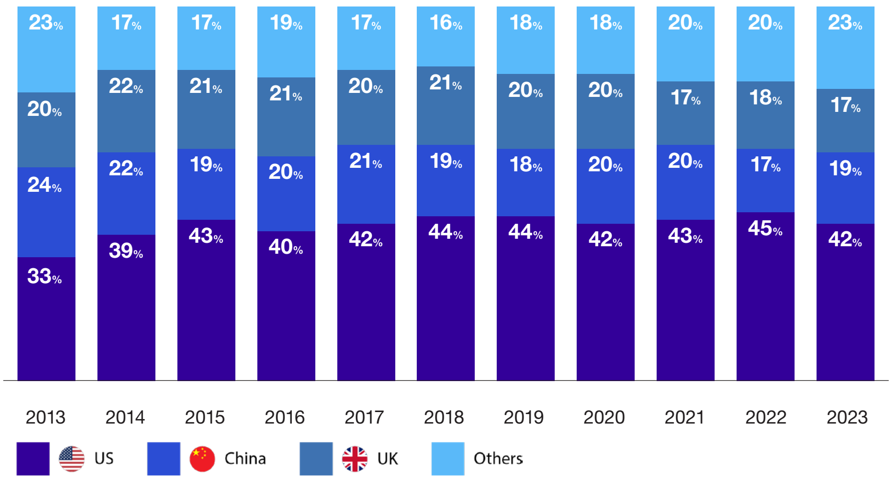
Report summary

The creative industries are at the heart of the UK economy, an exporting powerhouse and a vital employer. From fashion to film, music to museums, video games to visual arts, the UK's creative sector grew more than 60% faster than the wider economy from 2010 to 2019.[1] Provisional statistics suggest that in 2022, the creative industries contributed £124.6bn to the economy, accounting for 5.7% of UK GVA.[2] In 2021, exports in creative industries goods were estimated at £9.1bn (2.7% of UK goods exports) while service exports were valued at £45.6bn service exports (14.6% of UK service exports).[3]

In export terms, the UK enjoys comparative advantage in creative services over all countries except for the Republic of Ireland (although this has been eroding over time).[4] The UK's creative industries are attractive to international investors, having experienced a significant increase in inward Foreign Direct Investment (FDI) projects from 2013 to 2019 and now accounting for as much as 10% of total FDI projects into the UK.[5] Much of this value comes from the boom in creative tech but there are many economic unsung heroes within the wider sector. For example, the UK ranks third only to the US and China in the visual arts market, with 2023 sales worth $10.9bn (Fig 1).[6]

Fig 1: Global Art Market Share of the U.S., UK and China (% of sales) 2013–2023 © Arts Economics (2024)[7]



However, the sector's impact goes far beyond the economy. In a survey of 18-34 year olds in 19 of the G20 nations, 23% thought the UK was in the top three most attractive countries in the world as a source of arts and culture.[8] Many of the country's creative organisations are globally known: think of the Edinburgh Festivals (which welcomed 700,000 attendees in 2022)[9] or Glastonbury Festival (which sold 210,000 tickets in 2023 and had 7.6m people tune in to watch the headliner Sir Elton John on the BBC)[10]; Tate Modern (4,742,038 visitors in 2023)[11] or the British Museum (5,820,860 visitors in 2023).[12]

These numbers are globally competitive: the UK is home to 13 of the 100 most visited museums in the world, in terms of footfall; Edinburgh is the world's largest arts festival; Glastonbury is one of the largest and most prestigious outdoor music festivals in the world.[13]

You don't need to travel to be in the UK to experience the best of its creative industries: great British fashion, film, music, architecture, advertising, design, craft, games, books all have global audiences. Each of the UK nations - England, Scotland, Wales and Northern Ireland, have helped to shape international intellectual properties (IPs), from War Horse, to Harris Tweed, Game of Thrones to Dr Who.[14] Moreover, two of the organisations with the largest global reach in the world are from the UK: the British Council, which reaches around 650m people annually, and the BBC World Service, which reaches more than 360m people each week.[15] The British Icon Index found that the BBC ranks as the fifth most important UK brand in the eleven territories they surveyed and that UK film, music, fashion and the British Council were more globally recognised brands than the UK Monarchy.[16]

The creative industries help make the UK a more attractive place to visit or to live, but they also encourage international collaboration, understanding and respect. At their best, they demonstrate Britain's innovation, diversity, ambition and wit on a global stage, enabling conversations about a wide range of topics which can support the UK's global ambitions.

Higher Education Institutions are also among our best-known brands. In no area is the UK more successful than in training top creatives, international musicians, artists and designers. According to the Quacquarelli Symonds (QS) global rankings, the top global universities to study archaeology, art and design, art history, performing arts, architecture and the built environment are all in the UK.[17]

Similarly, despite having not yet harnessed the full potential of research and development across the UK's creative economy, creative businesses are embracing emerging technology, building a reputation for 'CreaTech' in areas such as animation and robotically enabled architectural innovation.[18]

Put simply, from our iconic heritage buildings to our cutting-edge design companies, the creative industries are fundamental to the United Kingdom's status and stability.

This success is now in jeopardy.

Britain's geopolitical situation has changed dramatically over the last decade, with Brexit and global unrest driving seismic changes in how industries have to operate. However, apart from some important tax incentives, few policies have been introduced which seek actively to support the UK's creative industries in this new world. This lack of strategic focus comes as governments in key competitor nations are investing in the sector at unprecedented levels.

Data is emerging to indicate what many on the ground have been whispering for years: the policy backbone which has supported our international standing in creative industries has weakened. Immigration, trade and diplomatic policies have contrived to leave the sector exposed to skills shortages, less able to sell goods and services and underestimated as a soft power asset.

Indicators include:

- Analysis by the Creative Industries Policy and Evidence Centre shows that exports of creative goods have experienced significant fluctuations since 2010, with large drops in 2016 and 2020.[19]
- The export of creative services as a whole is more resilient to outside shocks than other parts of the economy. In 2020, the UK's overall exports services fell by 13.3%, but creative services continued to grow over this period.[20] However, this was driven by growth in 'IT, software and computer services'. Across the wider creative sector the picture is extremely mixed with 2021 service exports still significantly below their peak in craft; design and designer fashion; film, TV, video, radio and photography; museums, galleries and libraries; music, performing and visual arts; and publishing sub-sectors.[21]
- The Anholt-Ipsos Nation Brands Index (NBI) measures perceptions of nations around the world. From 2008-2018 the UK consistently featured in the top three. However, this has not been the case since 2020.[22]
- The number of young people from the G20 engaging with UK arts and culture has fallen from 29% to 22% since 2016.[23]
- Figures from 2022 show that numbers visiting arts galleries in Paris and Seoul were almost back to normal, while London was struggling to reach pre-pandemic levels[24]

Polls indicate that many in the creative sector fear Britain is losing its global edge. While a third of businesses surveyed believe the UK is still world leading, almost three-quarters feel it is becoming less internationally competitive.[25]

This commission set out to discover ways in which foreign, migration and trade policy could be used to help the UK to remain a global leader in creative industry and use its soft power assets more effectively. To do so, we surveyed 90 creative businesses, conducting detailed interviews with more than 25 business leaders and analysing relevant data, academic and grey literature. We were supported in this endeavour by an advisory board of business, policy and academic leaders.

On foreign policy, we find :

- Confusion within the sector about which Whitehall department is responsible for soft power;
- Untapped opportunity to create 'soft power set pieces' supporting UK foreign policy objectives;
- The GREAT campaign does not currently represent the full diversity of the UK's creative sector;
- The global reach of the British Council and its work with the UK creative sector makes it a powerful bastion of UK values and soft power, but it has suffered economically as a result of the Covid-19 pandemic;
- The BBC World Service has long been part of our front line defence against disinformation and remains a much respected UK brand, but it requires an increase in funding to support its work, including to make a full digital transformation.

On migration policy we find:

- The UK creative industries have atypical skills gaps and working practices;
- Many visa systems are working poorly for the sector;
- Visas aimed at the sector can be outdated and need reviewing;
- Unresolved issues around touring after Brexit are heavily impacting the talent pipeline in some parts of the creative industries;
- The creative sector requires a more open dialogue with the Home Office about high profile cultural events, to avoid embarrassing U-turns around visas for artists.

On trade policy we find:

- A need for a clearer strategy, alongside funding and support, from the Department for Business and Trade;
- Concerns around the outcomes of future trade negotiations for the creative industries, based on the belief that there is a poor understanding of the importance and needs of the sector in Whitehall;
- A desire in the sector to embrace international partnerships, and specifically to join Creative Europe as a third country associate member and to increase support for the UK Global Screen Fund;
- An opportunity to increase foreign direct investment in creative industries by using levers which complement existing tax incentives.

Policy recommendations

Foreign Policy

To make use of the power of the creative industries in terms of foreign policy we recommend:

- **Establishing a single soft power team sitting in the Cabinet Office with strong links to both the Department for Culture, Media and Sport (DCMS) and the Foreign, Commonwealth & Development Office (FCDO).** This would be in charge of the GREAT Campaign, briefing embassies, and arranging cultural events for No10, visiting dignitaries etc. and would absorb the capabilities of the cultural diplomacy team (DCMS), the GREAT Campaign Team (the Cabinet Office), the International Hub (DCMS) and the Soft Power Unit (FCDO). The success of this department would be judged using a combination of economic and 'soft power' metrics (including those used in the section of the full report on the global position of creative sub-sectors).
- **Launching a Soft Power Council chaired by the Foreign Secretary.** This would be made up of artists, organisations and businesses who represent the diversity of emerging/established British talent, including those representing businesses, arms length bodies and other interest groups. To be effective, the council would need clear outcomes associated with it, which should include an ambition to provide recommendations for the focus of a 'soft power calendar' of global influencing opportunities over the year to the Foreign Secretary.
- **Rebranding the GREAT Campaign** to ensure it represents the breadth of British talent across the whole UK.
- **Strengthening the British Council and reinforcing its relationship with the FCDO by:**
    - Writing-off of the British Council's loan from the Government in order to allow this critical organisation to rebuild its strength following the devastating impact of Covid on its finances.
    - Introducing a series of secondments and lectures between the FCDO and the British Council to ensure that the British Council is fully briefed on the complexity of the changing geopolitical circumstances in the countries they are working in, and that there is a better understanding of the British Council's work in the FCDO.
- **Supporting the BBC World Service as a creative industries organisation with significant reach and a unique ability to tackle disinformation by:**
    - Funding the BBC World Service via parliamentary grant-in-aid administered by the Foreign, Commonwealth and Development Office, given that its primary objective is not to benefit licence fee holders but is rather to promote Britain's values and to tackle disinformation around the world, to the benefit of all UK citizens.
    - Granting the BBC World Service a one-off £50m digital fund administered by the Department for Science, Innovation

and Technology to enable them to make a full technological transition and remain one of the biggest news organisations in the world.

Immigration Policy

To ensure that UK creative businesses can continue to lead globally we recommend changes to the migration system including:

- **Establishing a comprehensive cross-government (Home Office, Department for Business and Trade, Department for Science, Innovation and Technology, the Department for Culture, Media and Sport and the Department for Education) skills review** of the skills shortages in the creative industries to inform workforce planning and skills investment. This should seek a more diverse sector with more equitable provision at its heart. Its findings should feed directly into the Home Office's Immigration Salary List.
- **Making requisite changes across the visa system to ensure it is fit for purpose for the creative industries:**
    - **To update the Creative Worker Visa:**
        - A full review of the codes of practice to consider whether they are fit for purpose for the sector today and are in line with other migration routes. This review could consider:
            - Removal of the need to perform searches of the resident labour market (the resident labour market test) to keep the visa in line with the Skilled Worker Visa (maintaining the minimum payment threshold). This might remove the unnecessary burden of proof on applicants and would help with applications for some specific talent (e.g. child actors who are unlikely to be able to demonstrate that they are internationally recognised).
            - Extension of the list of Senior Creative Grade roles which can be used in the film and television route.
    - **To update Permitted Paid Engagement:**
        - Implementing a Creative Freelancer route for non-visa-nationals, enabling frequent visits for engagements with multiple employers within any 12-month period.
    - **To update the High Potential Individual Visa:**
        - Inclusion of a specialist list of the top five non-UK creative specialist institutions each year on the qualifying list for HPI Visas, in recognition of these institutions' importance to the creative industries (which makes up around 5% of the UK economy). Like the global universities list, this could be updated each year. This calendar year that might have meant three institutions from the QS ranking for art and design (Rhode Island School of Art and Design; Parsons School of Design; Aalto University) and two from the QS ranking for the performing arts (Conservatoire national supérieur de musique et de danse de Paris and Universität für Musik und darstellende Kunst Wien in Vienna) being placed on the list.

- **To update the Global Talent Visa:**
    - Inclusion of a craft and design route, either as a standalone route to be endorsed by a relevant design organisation or a sub-route under the Arts Council England route with support from the Design Business Association (or another relevant organisation) in assessing the quality of the applicants.
    - Considering the expansion of the visa in type and number as part of a holistic skills review.
- **To update the Youth Mobility Visa:**
    - The Government considers whether an extension of the Youth Mobility Visa scheme to EU countries might alleviate skills issues and gaps in the creative sector.
- **To update the Innovator Visa:**
    - A creative industries specialist endorsing body is added to the list of endorsing bodies for the Innovator Visa.

- **An industry and government taskforce, including Home Office representation, is created to address issues regarding touring outside of the UK.** Responsibilities would include:
    - Looking to re-open negotiations with the EU on a bespoke Visa Waiver Agreement
    - Streamlining touring processes
    - Supporting the Government in their work on future bilateral agreements
    - Developing clarifying materials to address conflicting recommendations around existing agreements.
- **Introduction of a Cultural Sector Liaison Group** run by the Home Office which meets every six months and includes arms length creative industries organisations e.g. British Fashion Council, Creative Scotland, Arts Council of Northern Ireland, Arts Council Wales, Arts Council England, British Council, as well as relevant sporting bodies where appropriate.

Trade Policy

To ensure that UK creative businesses can continue to lead globally we recommend changes to trade policies including:

- **Co-designing with industry (as represented by the Creative Industries Trade and Investment Board) a funded and resourced trade strategy for the creative industries**, which looks at specific sub-sectoral opportunities, and considers changes needed to generic opportunities to make them fit for purpose for the creative sector. A focus could be the upcoming review of the Implementation of the EU-UK Trade and Cooperation Agreement, which may offer a timely opportunity to consider how UK/EU relations can be further improved.
- **Following in South Korea's footsteps, publishing an online calendar of creative events taking place globally** for which the Department for Business and Trade (DBT) provide support and access (or where that access is available at a national/regional/local level). This would include details about how to apply for funding support to take advantage of trade policy opportunities and specific trade shows which are eligible for DBT support.

- **Re-introducing the Tradeshow Access Programme**, which has proved critical in giving creative businesses access to trade shows (from Book Fairs to Fashion Weeks) around the world.
- To alleviate the sector's concern, and encourage ongoing investment in the UK's creative industries, the UK Government considers **developing specific and published high level negotiating objectives for the sector** for each Free Trade Agreement that the Government negotiates - rather than keeping objectives secret, or under Non-Disclosure Agreements, as happens at present. This is the approach taken by New Zealand. The UK could, for example, commit to the exclusion of audiovisual services from future Free Trade Agreements (FTA), thereby explicitly reflecting the de facto policy of exclusions and reservations which has been taken to date.
- The UK government and industry **work closely with EU colleagues to make the case for UK works continuing to be considered as European works for the purposes of AVMSD quotas**.
- Aiming to strengthen international collaboration with key partners including through **joining Creative Europe** as a third country associate member. If necessary, such associate membership could commence in 2028 when the next Creative Europe programme is scheduled to start.
- **Considering doubling investment to the UK Global Screen Fund** to £14m per year from 2026.
- **Maintaining creative industries tax incentives** at a level so as to remain internationally competitive, including ensuring arms length bodies have resources where they are part of the administration of these tax incentives (e.g. to ensure the BFI has the necessary resources effectively to administer cultural test and co-production assessments).
- **Ensuring the creative industries (including those who might benefit from philanthropic support) are a priority for The Office for Investment.**
- **Establishing stable long term funding models for specialist sub-sector initiatives like the British Film Commission.**

Endnotes

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