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September 2021

Spending Review 2021: UK Music submission

Music Industry Strategic Recovery Plan

Introduction

The UK music industry has gone through an incredibly tough 18 months – however, we are determined to recover, rebuild and return to being successful and self-reliant net contributor to the economy that we always have been.

With the right support the music industry can help drive the post-pandemic cultural and economic recovery and be a major UK success story over the next decade.

As the Government prepares for the future there will be a focus on the resilience of different sectors to respond to the shock of future pandemics. There will also be a spotlight on delivering the Government's levelling-up agenda and building a post-Brexit business environment to allow the UK to flourish on the global stage. Finally, there will be a focus on the environment as the Government prepares to host COP26.

As the Government prepares for the 2021 Spending Review and transitions into the phase of post-pandemic recovery, we present the Music Industry Strategic Recovery Plan. This plan establishes how the music industry can play a key role in building back better and delivering a recovery across the whole of the UK.

UK Music sets out three key principles to ensure that music plays a full a role as possible in the post pandemic recovery.

1) **Securing Our Talent Pipeline** by providing funds to enable freelancers to recover, creating opportunities through music education and enabling investment in the next generation of British music success stories.

2) **Supporting and Incentivising Infrastructure** by protecting live events from further pandemic disruptions, extending the Culture Recovery Fund (CRF) while the sector recovers, permanently reduce VAT on hospitality services and ensuring a boost for touring through fostering investment from within the industry.

3) **Encouraging Exports Abroad and Fostering Investment** by boosting successful exports schemes including the BPI-adminstered Music Export Growth Scheme (MEGS) and and PRS Foundation's International Showcase Fund (ISF), alongside introducing a package of fiscal incentives to supercharge the industry's export potential, a Transitional Support Package and establishing a music export office.

These principles encompass what is required to support the sector through the current pandemic-induced crisis, as well as the measures that will set the industry on course for recovery, promote long-term growth across the sector and enable it to help drive the UKs post-pandemic revival.

1) Securing Our Talent Pipeline

Recovery Funds for Freelance Workers

The pandemic has reinforced just how much the UK music industry workforce is dependent on freelancers, with 72% of the sector self-employed. This includes musicians, producers, and sound engineers but also many other vital professions across the sector including crew and support staff.

Much of the work in the sector is based on discrete paid engagements at recording studios, live music venues, festivals and other sites where the output of the sector (the music and experiences we sell) is created. In 2019, live performances were estimated to account for 49% of professional musicians' income, compared to just 3% for recording. Many workers choose self-employment as it provides greater opportunities for flexible working and the opportunity to work on projects they are passionate about. It allows individuals to work on multiple jobs at once, which helps grow the economy, and gives people creative control. However, there can be disadvantages such as no sick pay, no pension and very little support in time of crisis.

This became particularly evident during the first lockdown. Given the way many employment positions are structured within the industry, a large number of people have not been able to benefit from the Self-Employment Income Support Scheme (SEISS). Self-employed people were often excluded on grounds that did not apply to the employed. For example, self-employed individuals earning over £50,000 were excluded from SEISS, yet for the Coronavirus Job Retention Scheme (CRJS) there was no wage limit for applicants, only a cap on the pay-out. Government figures show that across the arts, entertainment, and recreation sector, only 53% of those who were assessed for SEISS were eligible. This is far lower than the average proportion that were eligible across all sectors (67%) and significantly lower than transportation and storage, where 82% of those assessed were eligible.

Furthermore, the Universal Credit savings cap of £16,000 meant many people in the music industry were not eligible for any means of Government support. Self-employed indviduals are more likely to have large savings in case of business costs or to pay tax later in the year, but the rules around discounting these savings were inconsistent and complicated to understand. Gaps in government policy for the self-employed has left many people with significant financial challenges following up to 18 months without work.

The income crashes in certain sub-sectors of the music industry where the vast majority of businesses are sole traders or self-employed has been catastrophic. According to LIVE, technical supply companies for events saw their income fall by 95% in 2020. The Musicians' Union found that 75% of musicians received less than a quarter of their usual work in 2020.

Furthermore, while the CRF was undoubtedly vital for the sector, DCMS has admitted that it was focused on venues and organisations rather than freelancers. This was a criticism of the scheme by the House of Commons Public Accounts Committee. This decision was made as the key priority was ensuring that freelancers had somewhere to return to work, however the needs of the pandemic meant very little work went ahead in March 2020 – July 2021, leaving many freelancers to go without.

We now run the very real risk of a brain drain of skills away from the music sector and into sectors that are considered more "secure". Even as we return the most difficult period for the sector economically is likely to be after the CRJS and SEISS are withdrawn. It is therefore vital that freelancers are supported as far as possible into what could be a 3-year recovery cycle for the sector.

A recovery fund for creative industry freelance workers is therefore essential to support those at risk of leaving the industry and to help rebuild incomes post-pandemic. As music is an ecology, activity stimulates other activity: a gig requires a range of businesses to stage it and an artist looking to record can engage session musicians and studios which in turn stimulates further spending. Research shows every £10 spent in a gig is worth £17 to the broader local economy.

The fund should also sit alongside increased public funding for the arts sector through Arts Council project funds and other initiatives.

Programmes for a freelancers recovery fund could take a range of forms. For example, it could be akin to the Canadian private-public partnership FACTOR which distributed £11 million in 2019, supporting 1,194 tours both domestically and internationally and covers up to 100% of export costs for an artist.

Similarly, the German Export Office runs a variety of programmes including Künstleförderang which funds album releases and large tours, Infastrukturförderung for infrastructure, and the Kürtzourföderung which supports touring - covering up to 50% of travel costs and a lump sum for promotion covering up to 5 touring dates.

It could focus on increasing the skills of freelancers, just as Arts Council England currently does with the 'Developing Your Creative Practice Fund'. This provides £2,000 - £10,000 to artists and creative practitioners to research and develop opportunities, UK Music would welcome this being extended to explicitly cover technical staff who work in the creative industries.

A final option would be creating a scheme similar to France's special unemployment benefit (intermittent artists status) which provides a stipend for creative freelancers with a certain level of work in the sector to support them between jobs. This could be introduced on a time limited basis to encourage people to stay in the sector as it recovers.

It is important that we make every effort to support the workforce of the music industry after a particularly challenging and disprutive time. Alongside the impact of the pandemic, the sector is also coming together on harassment in the industry to ensure we can prevent, protect and monitor bullying and discrimination in the sector.

Boosting Funding for Music Education

UK Music has long warned of challenges in the UK's talent pipeline as Music GCSE and A-Level participation declines. Data from Ofqual shows that in 2014, approximately 47,125 pupils took Music GCSE. But in 2021, only around 39,000 studied the subject; a 17% decrease over 7 years. There are also considerable socio-economic barriers and disparities between pupils from state and fee-paying schools. In 2018, 17% of music creators were educated at fee-paying schools, compared with 7% across the population as a whole.

These divisions may only be worsened by the pandemic. Exams watchdog Ofsted has found that the pandemic has made teaching practical music increasingly difficult. This could accelerate the decline outlined above over the next few years and makes this a desperately urgent issue.

Music represents a test case for whether the Government will apply its levelling up agenda to all sectors, by ensuring that wherever there is music talent in England there are music opportunities. We would welcome increased funding for music education, including a guarantee to meet the costs of learning a musical instrument, as has happened in Wales and Scotland. This could take the form of funding for instruments or lessons.

Accepting the importance of early years education, there is a key argument for increasing funding for music education at primary level. This will help expose pupils to the benefits of music and the possibility of music education from a young age. The Government must also consider reversing the decisions to cut Higher Education funding at following recent recommendations by the Office for Students. This funding cut will disproportionately impact pupils from state schools and lower socio-economic backgrounds. Finally, there is stalled progress on initiatives such as the Arts Premium from the Government.

We also need equal access to free or heavily subsidised music education across the UK to ensure a diverse and inclusive talent pipeline. Research shows that 46% of music creators received financial help from family and friends at some point in the development of their professional career. Those who can't get help from family are at risk of being left out of the sector all together, which would cause the UK to lose out on significant potential talent. Such a support package would also nicely compliment the Government's commitment to the levelling up agenda.

2) Supporting and Incentivising Infrastructure

Protecting Live Events From Further Pandemic Disruptions

Key music infrastructure like performance venues face an uncertain and potentially difficult winter. The £750 million government-backed insurance scheme announced in July 2021 is a welcome first step to ensure events can be planned. However, given this scheme only covers cancellation in the event of a full lockdown, it is crucial that the Government avoids a return to enforced social distancing at events at all costs. If we find ourselves in that situation then restrictions should be based around certification and testing protocols – not enforced social distancing and capacity limits, which are not viable for our industry.

The Events Research Programme (ERP) established that events can run safely at full capacity with certain mitigations, such as testing, face masks and staggered entry times in place. Successful pilots at events like the BRIT awards found no Covid-19 cases following it. It's important to make use of this expert research should cases or hospitalisations increase, rather than resorting to the blunt instruments of capacity restrictions and social distancing, which are catastrophic for the live industry.

Should enforced social distancing or capacity limits be reintroduced, event organisers will continue to be vulnerable, making the insurance scheme itself redundant. If this were to happen, we risk losing some festivals and music events forever. We also risk damaging music tourism which contributed £4.5 billion in spend to the economy pre-pandemic and sustained 45,530 jobs. Promoters, venues and festivals provide a backbone to our industry and need to plan with certainty.

Government should therefore follow the scientific evidence set out in the ERP and make a clear statement that in the event of any further restrictions being required, these would take the form of certification protocols, rather than capacity restrictions and social distancing.

Continuation of the CRF

The CRF has been a vital lifeline to many shuttered music businesses during the pandemic. To date, over 5,000 organisations and sites have been awarded funding from the CRF. This scheme was welcomed by the industry as it provided crucial support for venues which might not otherwise have survived the pandemic.

However, we believe a mechanism for support needs to be available until full recovery. This will be particularly important if venues are not able to match previous profits because of closures due to positive Covid-19 cases or the need for performers, staff or a large number of customers to self-isolate. Similarly further government support may be needed if public confidence in attending events remains low in the autumn and winter months, until a full recovery out the pandemic is made. It is also important that the full £2 billion promised to the cultural sector is allocated by DCMS and delivered in a timely manner to applicants.

It is also vital that the Government commits to the principle that if any future restrictions are introduced economic support will continue to be offered to the music sector. This is important not just for the rest of this pandemic, but for possible future ones too.

Permanent Reduction to VAT on hospitality

The government announced on July 8th 2020 that it intended to apply a temporary 5% reduced rate of VAT to certain supplies relating to hospitality, hotel and holiday accommodation and admission to certain attractions. It was aimed at supporting the reopening of the economy following the outbreak of the coronavirus pandemic. This reduction acknowledged reducing VAT can support businesses, protect jobs and boost the economy. HMRC stated 'this measure is expected to boost cash flow and viability of businesses in the hotel, hospitality and tourism sectors'. Yet the Government intends to raise it to 12.5% in September 2021 and then 20% in March 2022.

UK Music believes VAT should be kept at a permanently reduced rate for hospitality to incentivise recovery in the live sector. A permanent VAT freeze make staging events more profitable, thereby encouraging more events to be organised.

Also, by keeping VAT low the Government will be allowing more money to be invested in venues, which will result in them recapitalising and paying off pandemic debts. Such a policy would therefore incentivise investment in the vital grassroots of our sector that provide a foundation to the entire music ecosystem. It would also allow continued employment for the large number of people who work in the live music sector.

3) Encouraging Exports Abroad and Fostering Investment

Enhance Music Export Funding and Support

The UK is the largest exporter of music in the world after the USA; around 1 in 10 of all tracks streamed globally are by a British artist. This contributes hugely to the economic value of the UK music industry. It also contributes to the soft power of British music, with artists from the UK being played on radio stations and featuring on Top 10 Charts around the world. While historically successful, the UK faces challenges to maintaining and growing its music export market share. The challenges include the growth of Spanish language music, the rise of Indian artists on YouTube, and heavily Government backed music sectors like South Korea and Canada, putting the UK at a potential competitive disadvantage.

Government funding for export support should be doubled. The BPI-administered Music Export Growth Scheme (MEGS) is a vital part of this success, enabling independent labels and artists to penetrate new markets overseas. Government should invest now to take advantage of the explosive growth in the global market for recorded music, doubling its funding for the Scheme so that independent British artists can target more export markets, preventing the UK losing global market share in the face of intensifying competition. Another excellent example of the work to help boost overseas trade is the PRS Foundation’s International Showcase Fund (ISF).

There are also clearly defined problems arising out of the EU-UK Trade and Cooperation Agreement for the music industry that hinder international touring. International touring contributes massively to the music sector’s export value, both financially through ticket sales but also by allowing UK artists to grow a following overseas which translates in to increased streaming and merchandise sales. According to data from PRS, in 2019 British artists played over 20,000 dates across the EU, employing more than 30,000 musicians and crew. It also helps contribute to the UK music scene being known as a global powerhouse.

As a sector music has not been supported with financial help to manage Brexit implications in the way other sectors, such as fishing, have. While the Government must look to negotiate new bilateral and multilateral agreements with the EU and member states on issues such as visas, work permits, carnets, CITES and cabotage, they must also urgently deliver a Transitional Support Package (TSP) to cover new and additional costs for touring artists, musicians, crews and businesses arising from leaving the EU while new restrictions are clarified and resolved.

A music export office should also be set up to provide long term, strategic support for music exports, supporting commercial and economic returns as well as cultural goals. An export office should have a defined remit to look at international examples of sector support in other nations and make recommendations to Ministers. A cohesive exports strategy means funding from MEGS and ISF working together with advice from an exports office. The body could closely resemble similar agencies in Australia and Canada, which provide advice on export logistics and strategy to artists, as well as helping them to expand into new markets and increase their exposure. An export office would support future talent by allowing new artists to access international audiences and continue the great historic success of UK music abroad. It would be a partnership between industry and government with all relevant sector organisations involved.

Fiscal Incentives Through Tax Relief

Unlike many other creative sectors in the UK, such as film, TV, video games and animation, the music industry as a whole does not currently benefit from a fiscal incentive, such as a tax relief scheme. This is a missed opportunity for Government given the benefits it could potentially bring, particularly in relation to export revenue.The UK has a world class music sector, however we have become increasingly reliant on pre-2000s acts, with a rising experience profile for festival headliners, and no UK artist from the 2000s apart from Ed Sheeran making the Billboard Top 20 Tours of 2019. To address this we can de-risk investing in new talent and new work by lowering the breakeven point, reducing risk and increasing potential profits.

The creation of a tax relief to stimulate UK content creation and attract inward investment would be welcomed by the music sector and help support exports, create new talent, build and retain skills, and boost the economy across the UK. It could incentivise investment in the next generation of world class music talent in the UK, and encourage inward investment into capacity building, professionalisation, and growth.

Furthermore by mandating the use of UK based companies and freelancers (at least to a certain proportion) we can ensure that UK music creators and businesses benefit throughout the supply chain. The French equivalent, the ‘credit d’impôt phonographique’ was found to have increased the proportion of French produced albums in the French top 20 from 70 to 90%. 65% of companies responded to a survey stating that the credit freed up investment for new artists, even where they were not eligible for the credit directly.

A fiscal incentive would be useful to the large number of SMEs, microbusinesses and sole traders in the sector who need particular support coming out of this crisis. A tax relief would correct existing market failures within the UK sector, help re-capitalise Covid-19 stricken businesses looking to bounce back, boost the attractiveness of investing in UK based content against our international competitors, support new UK talent and incentivise activity in all parts of the UK commercial music sector.

The film tax relief is an excellent example of how fiscal incentives create jobs, generate investment and increase export capability. Research from the BFI highlighted an estimated investment of £632 million in tax relief seeded £3.16 billion in direct production spend in 2016, a 17% increase on 2015. UK-made productions generated £7.9 billion of the screen sector’s overall economic contribution (GVA), including £2 billion in tax revenues. Production spend which would not take place without the tax reliefs doubled GVA to £4.1 billion in 2016.

Specific tax incentive schemes for music production or composition are common in other countries with strong music sectors, most notably France, many US and Canadian states, Australia, and Ireland. Without a tax relief on offer the Government risks putting the UK at a disadvantage to these countries and misses the opportunity to gain a competitive edge against nations that do not have such an incentive. With the UK looking to deliver an export-led recovery as we emerge from the pandemic, a fiscal incentive for the music industry should be a key part of the Government's strategy for economic growth.

Conclusion

The music industry has been hit incredibly hard by Covid-19 but remains resilient and determined for the part it can play in the post-pandemic recovery. At UK Music, we appreciate the ongoing efforts of our members who have supported many of those in the music industry through this terrible time. We are now focussed on ensuring the music sector can continue to thrive just as well as it did before March 2020.

Through **Securing Our Talent Pipeline** government can support young and emerging artists, ensuring the next generation of successful musicians and British stars of the future are properly cultivated by our music education system and invested in by the commercial music industry. A recovery fund for freelancers will also allow the artists we know and love to get back on their feet doing what they do best at home and abroad.

Likewise, by **Supporting and Incentivising Infrastructure** government can ensure venues and the ecosystem of the music industry – including the near 200,000 people employed within it – are supported in this next phase of economic recovery. Permanent reduction to VAT, a continued commitment to the CRF, and protecting live events from further pandemic disruptions will allow music to be at the forefront of the UK's efforts to build back better.

Finally, **Encouraging Exports Abroad and Fostering Investment** in the UK through a music tax relief will allow the music industry to flourish on the global stage in a post-Brexit business environment, By maintaining existing export support, forming a Transitional Support Package, establishing a UK music export office and creating new fiscal incentives we will position ourselves at a competitive advantage alongside other countries and continue the great soft power of British music.

According to our research, 57% of adults said music had helped them cope with lockdown and 43% of the public are interested in going to a live concert, gig or festival this year. By showing its commitment and confidence in the music industry in this Spending Review the Government can tune in with the mood of the public and allow friends, families, and communities to enjoy the benefits of our great sector.