



British Screen Advisory Council

'Bringing the audiovisual industries together'



Submission to:
Migration Advisory Committee
Call for Evidence

*The economic and social impacts of the UK's exit
from the European Union and how the UK's
immigration system should be aligned with a
modern industrial strategy*

20 October 2017

Contents

Executive summary 4

Background 6

Employment in the sector 8

Migrant employment in the sector 11

**Aligning the immigration system with a modern
industrial strategy 13**

Executive Summary

The British Screen Advisory Council (BSAC) is an independent, industry-funded umbrella group bringing together many of the most influential people working across the value chain in the audiovisual and interactive entertainment sector, including television, film, video games and digital media, and leading technology firms and ISPs¹. We welcome the opportunity to respond to the Migration Advisory Committee (MAC) call for evidence.

The interests represented within BSAC form a key part of the Creative Industries which have been included within the Building Our Industrial Strategy Green Paper as one of the key sectors identified for a potential ‘sector deal’. The audiovisual and interactive entertainment sector has demonstrated strong growth and aims to achieve an even larger share of the global market for audiovisual goods and services, driving growth and jobs within the UK, and exports and ‘soft power’ influence abroad.

In our work in relation to Brexit and in support of a sector deal² we have consistently stressed the importance of access to the right talent as a prerequisite for a successful audiovisual and interactive entertainment sector. We therefore strongly support aligning the UK’s immigration system with a modern industrial strategy designed to support continued growth. To make world-class content and sell it globally, we need education, skills and migration policies which, in combination, provide:

- creative, technical and business skills;
- cultural capital and understanding;
- the right creative team for the project in hand; and
- the ability to create across borders.

The Creative Industries employ almost 2 million people and have been the source of strong jobs growth in recent years, with employment in the sector growing by 25.4% in 2011-16 compared with a national average of 7.4%.

This workforce is ‘high skill’ in nature with 62% of Creative Industries employees educated to degree level (or equivalent) compared with 34% across the economy as a whole.

The Creative Industries are proactive in attempting to address relevant domestic skills shortages, including through the work of Creative Skillset, the Digital Schoolhouse Programme and the Future Films Skills Programme recently launched by the BFI and the Film Industry Task Force.

The Creative Industries are highly successful in creating jobs for UK nationals, employing 215,000 more UK nationals in 2016 than in 2011. In the most recent year (2015-16), the

¹ See a full list of BSAC’s Membership on our website, at <http://bsac.uk.com/membership-list.html>

² See BSAC’s previous papers, ‘Building our Industrial Strategy: Priorities for a Sector Deal: supporting continued growth in the UK audiovisual and interactive entertainment sector’ (2 August 2017) and ‘Recommendations to Government on the UK’S new arrangements with Europe’ (21 October 2016), respectively at <http://www.bsac.uk.com/wp-content/uploads/2017/08/BSAC-Industrial-Strategy-Sector-Deal-FINAL.pdf> and <http://www.bsac.uk.com/wp-content/uploads/2016/10/BSAC-Recommendations-to-Government-on-Brexit-FINAL.pdf>

increase in employment of UK nationals in the Creative Industries was 4.1% compared with a national average of just 0.3%.

Taken as a whole, the Creative Industries workforce does not contain an unusually high number of migrant workers, with non-UK workers accounting for 12.4% of the workforce, compared with a national average of 10.8%.

In certain parts of the Creative Industries – such as video games, animation or visual effects (VFX) – acute domestic skills shortages have been recognised in the Skills Shortage Occupations List and have given rise to significantly higher uses of migrant labour than for the sector as a whole. For example, amongst programmers and software developers employed within the sector – key roles in areas such as video game development, film and TV post-production and VFX, and new and emerging audiovisual sectors such as Virtual Reality (VR) and Augmented Reality (AR) – the workforce is 76% UK and 24% non-UK. Use of migrant labour has enabled such companies to maintain their ability to compete successfully in a highly competitive global market.

Although the Creative Industries as a whole are not unusually dependent upon migrant workers, the value of creative projects being able to draw on the right global talent – at the right time – in order to create world-class content cannot be overstated. We need a skills pipeline that delivers UK talent with the right skills, and we also need access to the best talent the world has to offer, whatever the nationality. Without this, our ability to continue to generate more high-skill jobs for UK nationals will be compromised: modelling by Oxera³ suggests that loss of freedom of movement from and within the EU (for both short term and long term employment) would by itself be likely to reduce overall employment in the screen sector⁴ alone by 6,700.

Addressing domestic skills shortages is necessary, but would not remove the need to be able to employ the right global talent to fit the particular creative proposition or that will help to sell content globally. In addition, global distribution of cultural content and services relies on local/cultural knowledge of other countries, which by its nature cannot readily be taught or trained. The Creative Industries need to be able to employ people with these skills. As single pieces of audiovisual content (such as TV programmes and feature films) are often created in multiple geographical locations, we also need to be able to move creative teams – often at short notice – across national borders.

A migration policy aligned with a modern industrial strategy would enable the Creative Industries to access (and move) the global talent it requires, for both project work and for the long term, with the minimum of bureaucracy (in terms of cost, time, paperwork and approvals needed). This might, for example, involve a simplified visa model with class licence/self-certification provisions for Creative Industries companies and/or creative projects that meet relevant criteria.

3 See Oxera, 'Impacts of leaving the EU on the UK's screen sector' (6 January 2017), at <http://www.bfi.org.uk/sites/bfi.org.uk/files/downloads/bfi-impact-leaving-eu-uk-screen-sector-2017-v1.pdf>

4 The 'screen sector' is defined by Oxera as: film, TV, video games, animation programming, and post-production and VFX.

Background

The British Screen Advisory Council (BSAC) is an independent, industry-funded umbrella group bringing together many of the most influential people working across the value chain in the audiovisual and interactive entertainment sector, including television, film, video games and digital media, and leading technology firms and ISPs. BSAC works closely with policymakers across UK government departments and the relevant Directorates of the European Commission to provide an informed lead on emerging business trends and to provide advice on policy.

BSAC – along with others in the audiovisual sector and the Creative Industries more broadly – has long argued for greater recognition by successive Governments of the Creative Industries’ importance to the economy and the value of our sector’s soft power on the global stage. We have therefore strongly welcomed the inclusion within the Building Our Industrial Strategy Green Paper of the Creative Industries as one of the key sectors that is identified for a potential ‘sector deal’. Given the importance to our sector of access to the right talent, we further welcome the opportunity to respond to the MAC’s call for evidence in relation to the impact of Brexit and on how the UK’s immigration system should be aligned with a modern industrial strategy.

The UK’s Creative Industries represent a global success story in both economic and cultural terms. In economic terms, they account for 5.3% of the UK economy (£87.4 billion Gross Value Added), generating £20 billion in exports and almost 2 million jobs, after having grown for each of the last five years as a proportion of total GVA.

In its most recent quarterly GDP estimates, the ONS cites ‘Motion picture activities’ (which include film production and distribution) as the second biggest contributor to headline GDP growth, growing by 8.2%⁵. The latest ONS figures also show that since 2014 the economic value of the UK’s film, TV and music industries has grown by 72.4%, compared with just 8.5% across the European Union⁶.



5 See ONS, ‘GDP preliminary estimate, April-June 2017’ (26 July 2017), at: <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/grossdomesticproductpreliminaryestimate/aprtojune2017>

6 See ONS, ‘Monthly economic commentary, July 2017’ (26 July 2017), at: <https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/articles/monthlyeconomiccommentary/july2017>

The audiovisual and interactive entertainment sector is an important and hugely successful part of the Creative Industries: for example, the UK is the world's second most successful TV content exporter (after the USA)⁷ and a world-leading hub for visual effects (VFX) production, whilst the games sector comprises more than 2,000 firms. 95% of UK games companies export at least some of their products and services to overseas markets, while 78% of UK YouTube Creators' viewership comes from outside the UK. Audiovisual content also provides cultural and social value. Overseas, this is a vital driver of soft power. British stories and characters – such as James Bond, Bridget Jones, Harry Potter, Luther, Sherlock Holmes and Paddington Bear – entertain audiences around the world. These and other brands showcase the UK's creativity, innovation and unique sense of humour. They help to promote British culture and storytelling, while the BBC and other British news organisations also promote openness and democratic values.

Our rich and flourishing culture is an essential component that drives the success of the audiovisual sector: it acts as the source of inspiration for the talent of today and tomorrow, helping to ensure that we have the skills and the ambition to seize commercial opportunities and create wealth for the UK. For example, many leading British filmmakers were first inspired by the films they saw at independent cinemas around the UK. In this way, a thriving culture and the development of an industry exporting British IP are inextricably linked. That thriving culture is nurtured through active engagement with the best and most innovative creative talent that the UK and the world have to offer.

This creative culture, and the success of the audiovisual sector, is strengthened when we draw on the talents of people from all groups in society, so that we reflect the diversity of the UK both on- and off-screen. Industry diversity initiatives – such as the BFI's 'three ticks' criteria for Lottery-funded film productions, and Project Diamond, the TV industry's diversity monitoring scheme – are intended to help monitor and improve the representation of people from diverse backgrounds in the sector. It is also strengthened when we have access to the best talent the world has to offer, regardless of its nationality.

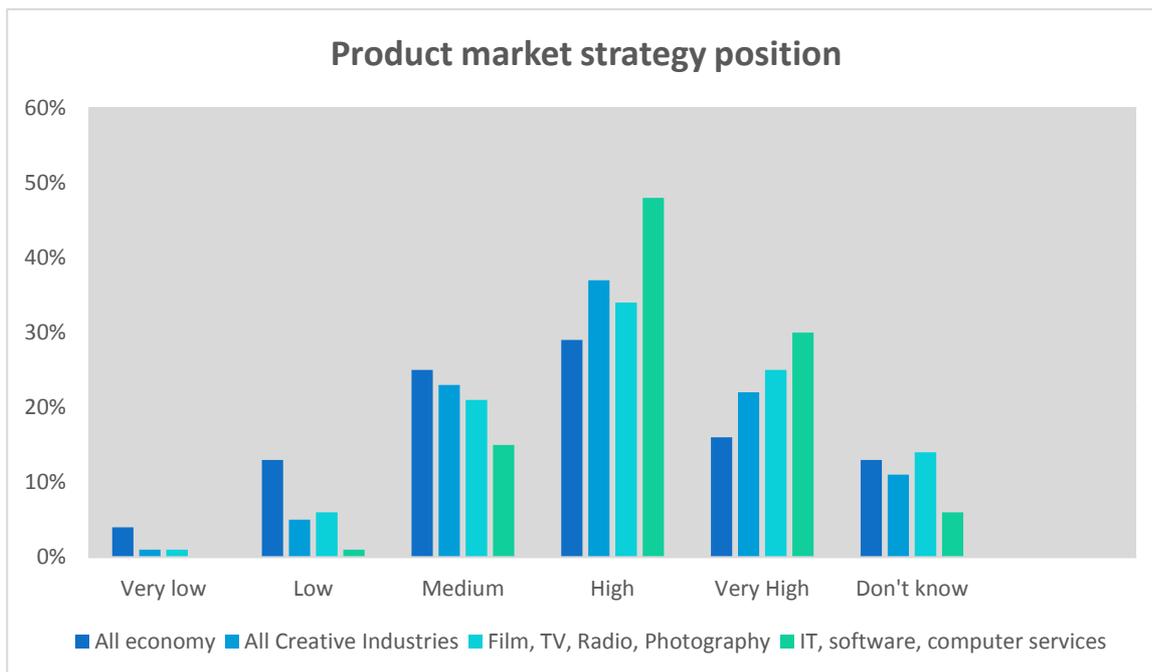
The sector aims to achieve an even larger share of the global market for audiovisual goods and services, building on our recent successes in order to continue the upward trajectory we have established over the last few years. This relates both to content for which the IP is owned and exploited by British companies, and content that is made in the UK (including inward investment). The success of the sector will also help to strengthen the UK's soft power as new trade deals are sought with countries outside the EU. To further develop this world class sector and drive growth, jobs, exports and influence, we need access to foreign markets and to finance; the ability to create across borders; and an effective copyright and enforcement regime. Crucially, we also need access to the right talent. To enable audiovisual and interactive entertainment companies to make world-class content and sell it globally, we need creative, technical and business skills; cultural capital and understanding; the ability to put together the right creative team for the project in hand; and the ability to create across borders.

⁷ Source: EURODATA TV / Relevant partners – reproduction forbidden, all rights reserved by MEDIAMETRIE. Figures relate to the period 1 March 2015 to 28 February 2016.

Employment in the sector

The Creative Industries employ almost 2 million people and have been the source of strong jobs growth in recent years, with employment in the sector growing by 25.4% in 2011-16 compared with a national average of 7.4%. In the most recent year (2015-16), the increase in employment in the Creative Industries was 5%, compared with a national average of just 1.2%.

The Creative Industries are creating the high-skill jobs of the future. The UK Employer Skills Survey (UKESS) has found that use of high value-added product market strategies is more common for employers in the Creative Industries than for the economy as a whole: 59% of Creative Industries employers have a high or very high product market strategy against a national average of 45%⁸. Within the Creative Industries, ‘film, TV, radio & photography’ and ‘IT, software and computer services’ contain a disproportionately large number of companies with very high product market strategies (see chart below). The UKESS assigns a composite score based on a range of factors including pricing strategies, innovation and nature of the relevant market, with high scores associated with companies that lead and innovate, that tend not to compete on price, and that offer a premium and/or highly customised service. This is significant because employers with higher valued added marketing strategies can be expected to employ staff with higher skills and qualifications.

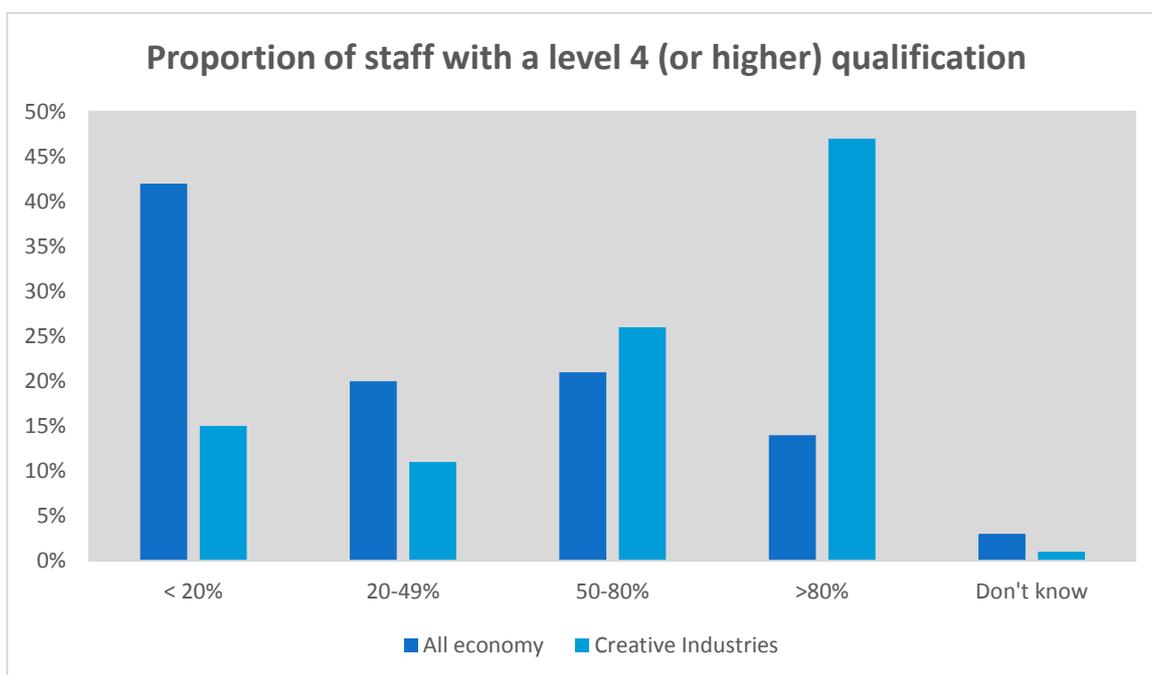


The link between high value product market strategies and skills is evident in the Creative Industries. 62% of employees in the Creative Industries are educated to degree level (or

8 See ‘UKCES Employer Skills Survey 2015’ (28 January 2016), at <https://www.gov.uk/government/collections/ukces-employer-skills-survey-2015>

equivalent) compared with 34% across the economy as a whole. When those with higher education qualifications are included, the figure rises to 70% compared with 43% across the economy as a whole. The number of degree level employees in the Creative Industries is also increasing more quickly than in the economy as a whole, with numbers rising by 8% in this sector in 2015-16, compared with a national figure of 5.2%⁹.

The most recent UKES figures confirm this picture, showing that 47% of Creative Industries employers report that more than 80% of their staff are educated to degree level (or equivalent), compared with just 14% across the economy as a whole. Conversely, only 15% of Creative Industries employers report having a workforce with fewer than 20% of staff educated to degree level (or equivalent), compared with 42% across the economy as a whole (see chart below).



The Creative Industries are highly successful in creating jobs for UK nationals, employing 215,000 more UK nationals in 2016 than in 2011. In the most recent year (2015-16), the increase in employment of UK nationals in the Creative Industries was 4.1% compared with a national average of just 0.3%.

As a growing, high-skill sector, the Creative Industries are proactive in attempting to address relevant domestic skills shortages, including, for example, through the work of Creative

⁹ See 'DCMS Sectors Economic Estimates – Employment – Creative industries Sub-sectors' (July 2017), especially Table 8, at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/632833/DCMS_Sectors_Economic_Estimates_Employment_Creative_Industries_Subsectors.xlsx

Skillset, the Digital Schoolhouse initiative and the Future Films Skills Programme, which was recently launched by the BFI and the Films Industry Task Force.

Creative Skillset's Skills Investment Fund (SIF) receives funding through a voluntary industry levy as well as DCMS match funding for investment in skills development across the film, high-end TV, animation, games and VFX sectors. This has supported traineeships with companies across the UK, supporting 1,680 learners in 2015-16. It has also enabled awards totalling £6.0m (up from £4.2m in 2014-15) through the BFI Lottery Delegation, supporting over 2,000 beneficiaries with a strong focus on diversity through schemes, such as the leadership programme for those with BAME backgrounds, led by the national Film and Television School (NFTS). In addition, Creative Skillset's TV Skills Fund – used to address skills gaps and shortages in the freelance market – saw a 25% increase in funding between 2014-5 and 2015-16. Further project awards and bursaries enabled, among other things: internships for BAME and other minority groups in the Creative industries; new entrants programmes in television and apprenticeships in social media in the North of England; traineeships in the digital media sectors; and film studio management training. In total, over 6,000 participants benefitted during 2015-16.

The Digital Schoolhouse Programme uses play-based learning to engage the next generation of pupils and teachers with the new Computing curriculum (which began on 1 September 2014). Digital Schoolhouse is delivered by the UK games industry trade body Ukie and was originally seed funded by the Mayor of London's Schools Excellence Fund (LSEF). Each Digital Schoolhouse is based in a school, college or university and aims to work with a growing network of local primary and secondary teachers to deliver creative and cross-curricular computing lessons. Through this, the new Computing Programme of Study for the National Curriculum is supported in a way that leaves pupils and teachers feeling inspired and engaged.

The BFI Future Film Skills Programme reflects the work of the Film Skills Task Force, which brought together the BFI, Creative Skillset and industry professionals across the sector. It also takes into account an independent skills audit conducted by the Work Foundation, with a primary focus on the craft and technical skills that are fundamental to every production. Over the next five years, the programme aims:

- to improve the quality of film industry-related careers advice for all ages, to attract new talent;
- to build bridges between education and industry to ensure the training is industry relevant;
- to support relevant professional development for the sector, to retain workers and attract existing craftspeople;
- to enhance the provision of film craft education and training within further and higher education; and
- to ensure the industry's workforce represents its UK audience.

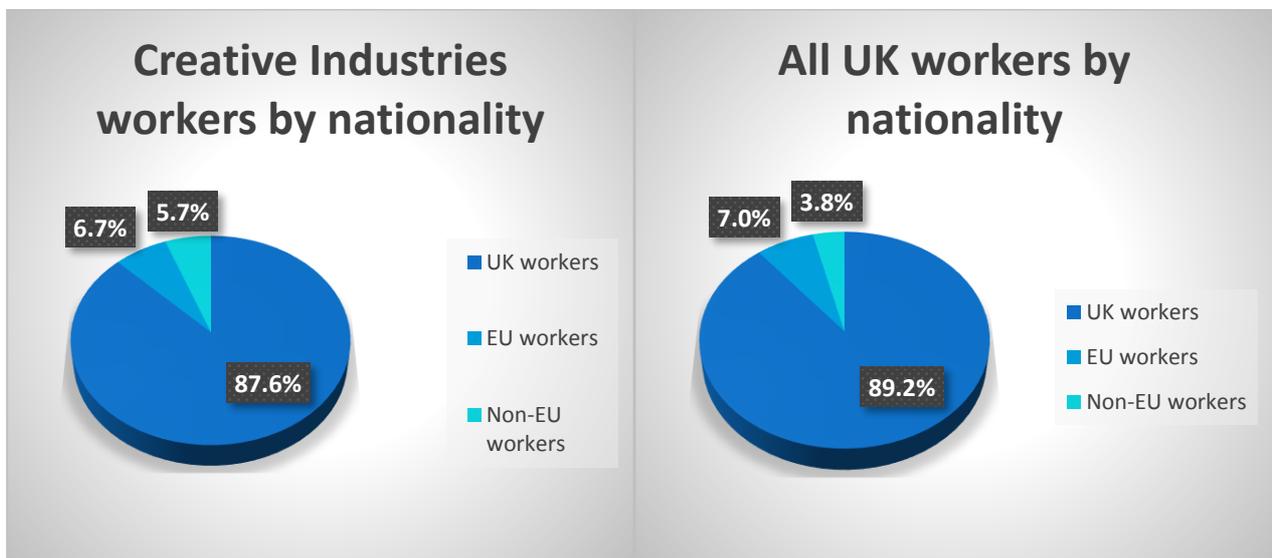
Overall, the Future Film Skills Programme is designed to make it easier for young people to pursue a career in the film and adjacent industries; to create opportunities specifically for

those who are harder to reach and who would encounter additional obstacles; and to enable film businesses to recruit a skilled workforce that is representative of modern Britain.

BSAC considers that there is more to be done in this area, especially through the development of closer links between the Creative Industries and the education sector, including the nurturing of young creative talent and development of courses that better meet industry sector needs. It is also necessary that new schemes designed to support training and skills development – such as the Apprenticeship Levy - are reviewed once they have been in place for 12 months to assess the extent to which they are succeeding in relation to the Creative Industries.

Migrant employment in the sector

In terms of overall numbers, the audiovisual sector as whole is not unusually dependent on workers from outside the UK. That said, the video games sector has a high reliance on non-UK workers, especially for new and/or specialist skills, whilst across the sector more generally acute skills shortages currently exist in certain technical roles (such as visual effects and computer animation for film or TV). For the Creative Industries as a whole, 6.7% of workers are from other EU Member States and 5.7% are from countries outside the EU, compared with national averages of 7% and 3.8% respectively¹⁰.



¹⁰ All figures are taken from DCMS, 'Sectors Economic Estimates: Employment – Creative Industries sub-sectors' (July 2017), at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/632833/DCMS_Sectors_Economic_Estimates_Employment_Creative_Industries_Subsectors.xlsx

These headline figures mask significant variation between different Creative Occupations within the Creative Industries. For example, among programmers and software developers employed within the sector– key roles in areas such as video game development, film and TV post-production and VFX, and new and emerging audiovisual sectors such as Virtual Reality (VR) and Augmented Reality (AR) – the workforce is 76% UK and 24% non-UK¹¹. The concentration of non-UK workers in certain highly specialist sub-sectors is even more marked: a 2016 survey by UK Screen Alliance suggests that among leading UK VFX firms, 43% of employees were from outside the UK or Rep of Ireland, with 30% coming from other EU Member States.

Acute domestic skills shortages in these areas are recognised in the current visa regime for non-EU migration: The Migration Tier 2 Shortage Occupation List (jobs where the Resident Labour Market test requirement does not need to be met by a sponsoring employer) includes no fewer than 13 roles within visual effects and 2D/3D computer animation for the film, television or video games sectors.

Despite this, the cost of employing non-EU migrants in the sector has risen significantly in recent years, especially given the introduction of the Immigration Skills Charge in April 2017. An extension of the non-EU visa regime to EU migrants filling skill shortage vacancies would be extremely damaging to the sector given the direct and incorrect costs involved. Modelling by Oxera¹² suggests that loss of freedom of movement from and within the EU (for both short term project work and long term employment) would by itself be likely to reduce overall employment in the screen sector¹³ alone by 6,700. In relation to project work, although the European Convention on Cinematographic Co-production and the UK-France bi-lateral treaty will continue to be valid once the UK leaves the EU, in practice very few UK co-productions make use of these agreements and crucially they do not guarantee free movement for relevant personnel. Neither applies at all to TV co-productions.

Although the sector is not unusually dependent on migrant workers, the value of creative projects being able to draw on the right global talent – at the right time – in order to create world-class content cannot be overstated. We need a skills pipeline which delivers UK talent with the right skills, and we also need access to the best talent the world has to offer, whatever the nationality. Addressing domestic skills shortages would be a very positive development, but would not remove the need to be able to employ the right global talent to fits the particular creative proposition or that will help to sell content globally. There will always be content in which, say, a US star is needed to sell the product to the US. This is not just about A-listers: for some content, its creative proposition will justify bringing in other (e.g. emerging) talent from overseas that is best suited for the project.

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- 11 See 'DCMS, 'Sectors Economic Estimates: Employment Occupations – Creative Industries and Digital Sector' (July 2017), at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/632081/DCMS_Sectors_Economic_Estimates_Employment_Occupations.xlsx
- 12 See Oxera, 'Impacts of leaving the EU on the UK's screen sector' (6 January 2017), at: <http://www.bfi.org.uk/sites/bfi.org.uk/files/downloads/bfi-impact-leaving-eu-uk-screen-sector-2017-v1.pdf>
- 13 The 'screen sector' is defined by Oxera as: film, TV, video games, animation programming, and post-production and VFX.

In addition, global distribution of audiovisual content relies on local/cultural knowledge of other countries, which by its nature cannot readily be taught or trained. This is true in relation to a range of ‘back office’ roles, including legal, sales and marketing positions, as well as for the teams creating content designed to appeal to audiences in different territories. For example, the UK is Europe’s leading hub for international television channels, hosting more broadcast channels than any other EU Member State (1,400 channels compared with our nearest rival, France, with just over 400 channels), with over half of UK channels broadcasting to markets outside the UK. As a sector, multichannel broadcasters employ 12,000 people¹⁴ and represent a GVA of more than £4 billion¹⁵. The EU represents around 22% of global broadcasting revenues¹⁶. Such broadcasters require significant numbers of staff with very deep understanding of specific European markets, including a deep cultural understanding. A 2016 survey of Commercial Broadcasters’ Association (COBA) members revealed that 14% of staff were wholly engaged in activity relating only to EU territories while a further 40% were engaged in activities relating to both UK and EU territories. Deep cultural understanding is not readily acquired through training and so the requirement will typically need to be met through the employment of people who have direct, long-term experience of the relevant culture. In such circumstances, the fact that COBA Members report that 15% of their workforce are EU nationals is evidence not of a skills-gap that could be filled by appropriately trained UK workers, but of their fitness to compete successfully in those international markets. The needs of UK-based international broadcasters for staff with a deep cultural understanding of non-UK territories is replicated throughout the audiovisual and interactive entertainment sector.

The Creative Industries need to be able to employ people with these attributes without undue costs (whether direct or indirect). Without this, the sector’s ability to deliver further growth, including export growth, will suffer.

Aligning the immigration system with a modern industrial strategy

Aligning the UK’s immigration system with a modern industrial strategy would therefore require:

- reduction in the direct and indirect costs of recruiting migrants to fill skills shortage occupations in the audiovisual and interactive entertainment sectors, for as long as domestic skills shortages persist;
- better alignment between the education and training available to UK nationals and the needs of priority industrial sectors, including the audiovisual and interactive entertainment sector, to focus on dealing effectively with domestic skill shortages;

¹⁴ See Creative Skillset, ‘2015 Employment Survey – Creative Media Industries’ (March 2016), at: http://creativeskillset.org/assets/0002/0952/2015_Creative_Skillset_Employment_Survey_-_March_2016_Summary.pdf

¹⁵ See Oliver & Ohlbaum for COBA, ‘Economic Impact Report 2012 – The Contribution of the Multichannel sector to the UK Economy’ (September 2012), at: <http://coba.org.uk/our-sector/download/coba-2012-economic-impact-report>

¹⁶ Source: COBA

- mechanisms that allow audiovisual and interactive entertainment sector businesses to have access to the right global talent, whether for a particular creative project or in able to support the creation and export of audiovisual content and services for markets beyond the UK, with the minimum of bureaucracy and cost; and
- mechanisms that allow audiovisual content to be created across borders, including frictionless movement of creative teams engaged in cross-border creative projects involving the UK.

This might, for example, involve a simplified visa model with class licence/self-certification provisions for Creative Industries companies and/or creative projects that meet relevant criteria.

For more information about BSAC

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The British Screen Advisory Council (BSAC)

Submission to Migration Advisory Committee (MAC) Call for Evidence on the economic and social impacts of the UK's exit from the European Union and how the UK's immigration system should be aligned with a modern industrial strategy

20 October 2017