

Response to the Green Paper On Building Our Industrial Strategy April 2017



The Society of Authors exists to protect the rights and further the interests of authors. It has 10,000 members writing in all areas of the profession.

*Look around you: I mean it. Pause, for a moment and look around the room that you are in. I'm going to point out something so obvious that it tends to be forgotten. It's this: that everything you can see, including the walls, was, at some point, imagined. Someone decided it was easier **to sit on a chair than on the ground and imagined the chair. This room and the things in it, and all the other things in this building, this city exist because, over and over and over, people imagined things. They daydreamed, they pondered, they made things that didn't quite work, they described things that didn't yet exist to people who laughed at them.***

And then, in time, they succeeded.

Neil Gaiman, Council member of the Society of Authors¹

Executive Summary:

The Society of Authors (SoA) is delighted that the Government has identified the creative industries as one of five "world-leading sectors" for special attention. We are responding to the invitation to approach the Government with proposals to boost the creative industries. Our members work in the publishing sector and also in broadcasting, performance, education, the technical sector and many other industries.

The SoA welcomes the Government's ten pillars and gives detailed comments below. The SoA is concerned to ensure that the strategy is wide-ranging and creates an environment which supports creators and fosters imagination because innovators are the bedrock of successful industry. The SoA believes that the focus should be on the following areas:

- **THE CREATIVE INDUSTRIES**
The creative industries are highly successful growth areas and we believe that they should be explicitly mentioned in the "ten pillars."
- **CREATORS AND FREELANCE WORKERS**
The creative industries depend on creators. Creators are often freelance or work alone and the Government needs to ensure that its support reaches these micro-businesses and helps creators throughout every stage in their careers. Such support would include training opportunities, including digital training, a reasonable tax regime, a fair benefits system, laws on fair contracts, and reduced bureaucracy.
- **COPYRIGHT**
A strong copyright regime is essential to all industry (not only the creative industries) to incentivise innovation, encourage investment and allow them to protect and exploit their work. The last few years have seen detailed and rigorous review and debate of copyright legislation both domestically and in Europe. The result for the UK is a legislative framework that is balanced in respecting the rights of users and creators and well able to deal with the complexities of the 21st Century. It is important that we maintain a strong copyright regime, harmonised with the rest of Europe to ensure that we can still export to major markets- and it is important that the rights of creators be supported so they can benefit from their creations and thereby continue to produce innovative, informative and creative works that are in demand worldwide. The SoA therefore urges the UK to continue to follow future EU copyright law and the EU's Digital Single Market Strategy which represents a significant initiative for UK rightsholders and innovators. Stability for application of **existing EU Regulations and transposition of EU Directives which form part of our copyright law must be maintained as part of the Great Repeal Bill.**

¹ <https://readingagency.org.uk/news/blog/neil-gaiman-lecture-in-full.html>

- **CONTRACTS AND A FAIR SHARE OF REWARD**
Authors need a fair playing field when their work is exploited, in line with the SoA's CREATOR principles.² In particular we urge the Government to enact the provisions in relation to transparency and fairness announced in the Draft Directive on copyright in the Digital Single Market ("the Directive") Articles 14 to 16.
- **LIFELONG LEARNING AND THE CULTURAL LANDSCAPE**
We need to ensure that broad education is open to all, covering STEM subjects and digital skills, improving literacy and communication skills, teaching creative arts, fostering the imagination, broadening the mind, and encouraging reading for pleasure. Lifelong learning should encompass those subjects and should also assist in business and professional skills. Libraries are key to this.
- **CERTAINTY AND STABILITY**
Authors and the UK publishing industry are vitally important to the UK, both in terms of revenues (both internal and export) and cultural significance. We are concerned that there is no current plan in force to replace and maintain our EU markets during Brexit. It is unlikely that exports to USA could ever replace our vital EU markets. We are positive that British creativity and culture will remain in demand; however economic uncertainty is damaging to investment in new projects and distribution opportunities for rights holders and their businesses. Furthermore, economic uncertainty tends to make businesses more conservative and less likely to invest in new talent and ideas, leading to a reduction in cultural diversity. This is extremely concerning, particularly if linked to a closing of our borders to vibrant talent from Europe.
- **DIVERSITY AND INCLUSIVITY**
We must take steps to open the creative industries more widely and welcome new entrants irrespective of class, race, nationality, age, gender, disability or sexual orientation. Innovation depends on fresh ideas- and to ignore currently under-represented groups, both nationally and internationally, is a waste of talent and potential.
- **FREEDOM OF MOVEMENT**
Any industrial strategy depends on a free flow and sharing of ideas. The industrial strategy must protect free movement for EU workers already here and UK nationals living abroad. Difficulties in obtaining visas or tax and other barriers, combined with the parochial impression of being out of Europe will create may make Britain a less attractive place for writers, scholars and students to visit or settle in. This is bad for diversity and our cultural heritage which has been shaped and enriched by visitors and settlers from many other cultures and lands. And our own authors will suffer if they are unable to move freely in Europe, losing possibilities for live performance and the links which have enriched so much of our literature.

² <http://www.societyofauthors.org/Where-We-Stand/C-R-E-A-T-O-R-Campaign-for-Fair-Contracts>

Questions for consultation and SoA response

1. Does this document identify the right areas of focus: extending our strengths; closing the gaps; and making the UK one of the most competitive places to start or grow a business?

These are important areas on which to focus. However, we are concerned that some of the implicit assumptions in the Green Paper lead to a narrow approach rather than the broad view which is necessary to foster success. For example we would question the emphasis on GROWING business rather than SUSTAINING AND SUPPORTING it. Authors, in common with many other creators, are self-employed freelancers. They do not typically employ others, nor do they wish to do so. However the work that they do enables the entire publishing industry which depends on authors' imaginations. We must ensure that the industrial strategy supports such micro-businesses and their inventiveness- it is on these that growth and success ultimately depends.

2. Are the ten pillars suggested the right ones to tackle low productivity and unbalanced growth? If not, which areas are missing?

The pillars are discussed below- before our response to the specific questions. What is missing is an emphasis on the conditions needed to foster innovation, which include stability, incentive, opportunity and a diverse and inclusive society. We discuss these further below.

The Ten Pillars

1. *Investing in science, research and innovation – we must become a more innovative economy and do more to commercialise our world leading science base to drive growth across the UK.*

We agree - but it must be recognised that innovation does not only include science and technology. Britain's creative industries generate £84.1bn a year for the UK economy³ and the creative economy employs one in every 11 working people. We believe that the creative industries should be explicitly referenced in the ten pillars, along with science, research and innovation.

2. *Developing skills – we must help people and businesses to thrive by: ensuring everyone has the basic skills needed in a modern economy; building a new system of technical education to benefit the half of young people who do not go to university; boosting STEM (science, technology, engineering and maths) skills, digital skills and numeracy; and by raising skill levels in lagging areas.*

While we fully accept that the skills stated above are important, they must not be promoted at the expense of other skills critical for innovation (necessary also in the STEM sector), including literacy and communication skills, creativity, a wide creative education, a diverse cultural landscape and an emphasis on lifelong learning. English is the global language including for science, and English Language Teaching needs support and investment.

3. *Upgrading infrastructure – we must upgrade our standards of performance on digital, energy, transport, water and flood defence infrastructure, and better align central government infrastructure investment with local growth priorities.*

Agreed.

4. *Supporting businesses to start and grow – we must ensure that businesses across the UK can access the finance and management skills they need to grow; and we must create the right conditions for companies to invest for the long term.*

Agreed. This must pay due attention to the needs of freelancers and individual self-employed people who should be given free access to management, finance and digital training. Complexity in

³ (2014 figures from CIC).

tax and benefit claims should be reduced and there should be a fair and incentivised tax regime for creators and the self-employed.

5. *Improving procurement - we must use strategic government procurement to drive innovation and enable the development of UK supply chains.*

Agreed - and this includes the Arts Council and other investment in creators.

6. *Encouraging trade and inward investment - government policy can help boost productivity and growth across our economy, including by increasing competition and helping to bring new ways of doing things to the UK.*

Agreed. This includes maintaining strong links with Europe which is a highly important market for Britain's publishing industry.

7. *Delivering affordable energy and clean growth - we need to keep costs down for businesses, and secure the economic benefits of the transition to a low-carbon economy.*

Agreed. Providing clean low cost energy and reducing waste is essential for a healthy, efficient and sustainable economy.

8. *Cultivating world-leading sectors - we must build on our areas of competitive advantage, and help new sectors to flourish, in many cases challenging existing institutions and incumbents.*

Agreed. See more detailed comments below. This must include fostering imagination and providing fair contract terms for creators. The creative industries are world-leading and we must continue to strengthen and support them. Freedom of movement for UK nationals and good trade links with Europe are a vital part of this.

9. *Driving growth across the whole country - we will create a framework to build on the particular strengths of different places and address factors that hold places back - whether it is investing in key infrastructure projects to encourage growth, increasing skill levels, or backing local innovation strengths.*

Agreed. Creativity and growth should be encouraged across the whole country and amongst the whole population. It is also important that we are not insular: we must continue to learn from the best national and international experience to spark creativity and imaginative collaboration - and this requires freedom of movement for creators.

10. *Creating the right institutions to bring together sectors and places - we will consider the best structures to support people, industries and places. In some places and sectors there may be missing institutions which we could create, or existing ones we could strengthen, be they local civic or educational institutions, trade associations or financial networks.*

Agreed. These include collective organisations such as trade unions which can help support creators and share good practice. Authors also need sources of funding to buy time to write, creative networks and access to business training and support.

Investing in science, research and innovation – we must become a more innovative economy and do more to commercialise our world leading science base to drive growth across the UK.

Innovation does not only include science and technology. Britain's creative industries generate £84.1bn a year for the UK economy⁴ and the creative economy employs one in every 11 working people. We are delighted that Government has identified the creative industries as one of five "world-leading sectors" recognised in the report, but more must be done to support creators and sustain an environment where innovation and creativity can flourish.

3. Are the right central government and local institutions in place to deliver an effective industrial strategy? If not, how should they be reformed? Are the types of measures to strengthen local institutions set out here and below the right ones?

Innovation cannot flourish without a strong cultural environment which encourages and rewards imagination and creativity. Neil Gaiman says:

I was in China in 2007, at the first party-approved science fiction and fantasy convention in Chinese history. SF had been disapproved of for a long time. At one point I took a top official aside and asked him what had changed? "It's simple," he told me. "The Chinese were brilliant at making things if other people brought them the plans. But they did not innovate and they did not invent. They did not imagine. So they sent a delegation to the US, to Apple, to Microsoft, to Google, and they asked the people there who were inventing the future about themselves. And they found that all of them had read science fiction when they were boys or girls."⁵

We would urge that the Government urgently considers increasing and ring-fencing funding to public libraries which are essential gateways to information, culture and imagination. For further information see the SoA's submissions to DCMS on the Culture White Paper of December 2015⁶, and on Libraries (72012).

We also believe that it is essential to foster reading for pleasure and encourage literacy – we comment further on this below.

4. Are there important lessons we can learn from the industrial policies of other countries which are not reflected in these ten pillars?

Countries with a successful industrial policy reward and encourage imagination from the earliest stage, encourage diversity and support creativity. It is also essential to support entrepreneurs when they are starting out and throughout their careers. The Government should look at the model of Israel which now has more start-up companies and attracts more venture capital than anywhere else in the world due to its Government's investment, education which encourages creative thinking and risk-taking, a mix of cultures and a highly literate society.⁸

We would also suggest that Government looks at the policies for copyright and supporting creators and innovators which exist in France and Germany.

5. What should be the priority areas for science, research and innovation investment?

⁴ (2014 figures from CIC).

⁵ <https://www.theguardian.com/books/2013/oct/24/neil-gaiman-face-facts-need-fiction>

⁶ <http://www.societyofauthors.org/SOA/MediaLibrary/SOAWebsite/Submissions/Culture-White-Paper-Submission-December-2015.pdf>

⁷ <http://www.societyofauthors.org/SOA/MediaLibrary/SOAWebsite/Submissions/CMS-Select-Committee-Inquiry-into-Public-Library-Service-submission-2012.pdf>

⁸ https://thenextweb.com/insider/2015/07/07/5-reasons-behind-israels-startup-success/#.tnw_1uyo0dlv

Priority areas for innovation are education and libraries, training in business skills and tax breaks for start-ups and entrepreneurs.

VAT on ebooks should be reduced to zero rate in line with physical books.

UK published material, including our world renowned scientific journals and textbooks for the classroom, is sought after globally. UK publishing sets a benchmark for quality – it promotes a culture of excellence amongst academic research and acts as an inspiration for others to follow. By supporting publishing, there is a great opportunity for the UK to lead and join together its world-leading content industries with its tech know-how.

6. Which challenge areas should the Industrial Challenge Strategy Fund focus on to drive maximum economic impact?

See above.

We are concerned that programmes delivered by the Industrial Challenge Strategy Fund will not benefit individual innovators and creators. The fund will be industry-led and powered by multi-disciplinary research and business academic collaboration. The scope of the fund is wholly insufficient to encompass freelancers directly - it would therefore only be open for freelancers to apply via the commissioning party, which may exclude many truly radical ideas and run the risk that innovators will lose rights and not be fairly remunerated. Any business/academic collaboration should be carefully structured so that any IP arising from commissioned R&D is either exploited or reserved by the creator (**any “IP grab”** should be carefully resisted) and that the creator is fairly remunerated for that exploitation in the university / institution / SME / author relationship.

7. What else can the UK do to create an environment that supports the commercialisation of ideas?

Intellectual Property

A strong intellectual property regime is essential to all industry (not only the creative industries) to incentivise innovation, encourage investment and allow them to protect and exploit their work. The last few years have seen detailed and rigorous review and debate of copyright legislation both domestically and in Europe. The result for the UK is a legislative framework that is balanced in respecting the rights of users and creators and well able to deal with the complexities of the 21st Century. It is important that we maintain a strong copyright regime, harmonised with the rest of Europe to ensure that we can still export to major markets- and it is important that the rights of creators be supported so they can benefit from their creations and thereby continue to produce innovative, informative and creative works that are in demand worldwide. The SoA urges the UK to continue to follow future EU copyright law and the EU's Digital Single Market Strategy which represents a significant initiative for UK rightsholders and innovators. Stability for application of existing EU Regulations and transposition of EU Directives which form part of our copyright law must be maintained as part of the Great Repeal Bill.

Collective Licensing

We need to build on the UK's excellent collective licensing initiatives to ensure that information can be shared easily and at the same time rights-holders are rewarded when their material is used. Copyright exceptions for education strike a fine balance between access for teaching and learning and reward for those creating educational materials. The remuneration that authors and publishers receive from licensed educational use is essential in supporting the development of new works for the education sector., A study carried out in the UK in 2011 reported that for UK educational authors a 20% reduction in secondary licensing income would result in a 29% decline in output (which would mean 2,870 fewer new works being created annually).⁹ The current situation in Canada, where

⁹ Page 99, Commission Staff Working Document, SWD(2016) 301 final

educational publishing is in danger of becoming unsustainable, demonstrates what can happen when the balance between permitted activities and remuneration is lost.¹⁰

Fair sharing of reward throughout the value chain

"New media and new forms of buying and lending are all very interesting, for all kinds of reasons, but one principle remains unchanged: authors must be paid fairly for their work. Any arrangement that doesn't acknowledge that principle is a bad one, and needs to be changed. That is our whole argument."

Philip Pullman, President of the Society of Authors

As noted above, innovation depends on risk-taking. The decision to embark on a creative endeavour, be it high-tech or writing books, will often mean eschewing the security of employment or a stable safe job. Innovators need to know, not only that their work is protected by intellectual property rights, but also that they will receive a fair reward if the work is ultimately successful. For that reason we support the provisions in relation to transparency and fairness (the so called "transparency triangle") announced in the Draft Directive on copyright in the Digital Single Market ("the Directive") Articles 14 to 16 and urge that they be brought into both EU and domestic legislation at the earliest opportunity. The triangle consists of:

- Regular accounting
- A contract adjustment mechanism (or "bestseller clause") allowing authors to claim additional remuneration reflecting the commercial success of their works when the agreed remuneration is disproportionately low compared to the revenues derived from the exploitation of the works.
- A dispute resolution mechanism.

Even more important, to incentivise innovation (and achieve the EU's stated policy aim of improving the remuneration received by authors and performers), the Government should legislate for the overarching principle that authors and performers have the unwaivable right to receive adequate remuneration, (including through collectively managed rights) for each use of their works, and that such remuneration must be specified in their contracts. Creators and innovators should also have the right to have rights reverted if they are not being utilised by the transferee.

Authors are struggling. The 2016 EC study on authors' remuneration which surveyed authors, journalists, translators and illustrators across Europe, found that:

- Average annual incomes for UK authors, including advance, royalties and collecting society payments was about £12,500 in May 2015, when the survey was run.
- Average annual incomes for UK journalists were also around £12,500, around half the average levels reported by journalists in Germany and Denmark, where there are far more legal protections for creators.
- Average incomes for UK translators and visual artists were a little higher at around £17,850, but that is still well below the UK average wage.
- The average total income from a UK author's latest book was less than £6,000.
- Only half of book authors view writing as their primary activity and their only or main source of income.
- UK authors do not enjoy the same legal safeguards as their counterparts in other EU countries to ensure that contracts are fair.
- The provision of legal safeguards improves an author's financial position.

We welcome the three policy recommendations proposed in the report and would suggest that these also are brought in to EU and UK legislation.

¹⁰ <http://publishingperspectives.com/2016/06/canadian-textbook-publishers-copyright-law/#.WCRhjC2LSpp>

- A legal requirement for written contracts to specify in detail how a work can be exploited and how its author will be remunerated, and a right for the author to receive accounts.
- Place limits on transfers of rights to future works and future modes of exploitation.
- Allowing freelancers who work mainly for one or two employers to claim employee status and rights. (see further discussion below)

Fair contracts

Contracts are a valuable tool for authors, allowing them to license copyright and to negotiate and defend their rights. But over recent years terms have significantly worsened. Authors tend to work alone and have to negotiate with multinationals, monopolies or dominant players in highly specialised markets. Individual creators are therefore at an inherent disadvantage when negotiating the terms of their contracts. Many contracts are offered on a take-it-or-leave-it basis. This not only disadvantages creators and innovators but also discourages innovation because creators will not (and often cannot) take risks if they cannot fund their work – and the inequality of bargaining position leads to rights grabs which can prevent creators from further modifying, improving, exploiting or benefiting from their work.

We believe that the Government should legislate for fairer creator contracts on the issues covered by the C.R.E.A.T.O.R. acronym:

C - Clearer contracts, including written contracts which set out the exact scope of the rights granted.

R - fair Remuneration. Equitable and unwaivable remuneration for all forms of exploitation, to include bestseller clauses so if a work does far better than expected the creator shares in its success, even if copyright was assigned.

E - an obligation of Exploitation for each mode of exploitation. Also known as the 'use it or lose it' clause. Authors should have the right to reversion of contracts if the works are not being exploited: since copyright contracts are often concluded for the period of the whole copyright term, due to different reasons transferees often become unable or unwilling to exploit the authors' works in full, yet can be reluctant to relinquish the rights. This provision would prevent works from becoming out of commerce when authors remain keen and willing to exploit the works.

A - fair, understandable and proper Accounting terms.

T - Term. Reasonable and limited contract terms and regular reviews to take into account new forms of exploitation.

O - Ownership. Authors, including illustrators and translators, should be appropriately credited for all uses of their work and moral rights should be unwaivable. Being named as the creator can be as valuable as a licence fee as it allows others to find the author and use their work.

R - All other clauses be subject to a general test of Reasonableness including a list of defined clauses which are automatically deemed to be void and a general safeguarding provision that *any contract provision which, contrary to the requirement of good faith, causes a significant imbalance in the parties' rights and obligations arising under the contract to the detriment of the author, shall be regarded as unfair*. One example would be Indemnity clauses which put all the risk on the author, another would be onerous non-compete restrictions. Both restrict competition and stifle innovation.

These laws are not radical. They already exist throughout many European countries. These changes are easy and timely and in line with consumer legislation and we urge that they should be effected.

2 *Developing skills - we must help people and businesses to thrive by: ensuring everyone has the basic skills needed in a modern economy; building a new system of technical education to benefit the half of young people who do not go to university; boosting STEM (science, technology, engineering and maths) skills, digital skills and numeracy; and by raising skill levels in lagging areas.*

We fully accept that the skills stated above are essential. However they must not be promoted at the expense of other equally essential skills.

Literacy

We are pleased to see support in the Green Paper for improving the UK's literacy levels but are surprised that literacy has been omitted from the description of the ten pillars. As the Reading Agency points out ¹¹

- *Low levels of literacy cost the UK an estimated £81 billion a year in lost earnings and increased welfare spending, impacting on 'the success of the economy as a whole'¹²*
- *Per capita incomes are higher in countries where more adults reach the highest levels of literacy proficiency and fewer adults are at the lowest levels of literacy.¹³*
- *16 year-olds who choose to read books for pleasure outside of school are more likely to secure managerial or professional jobs in later life.*
- *In England and Northern Ireland the median hourly wage of workers with the highest levels of literacy is 94% higher than for workers who have the lowest levels of literacy¹⁴*

We believe that a thorough review should be made of the UK's strategies for teaching literacy. We deplore the over-emphasis on phonics and grammatical structure. As our members writing for children said last year:¹⁵

We are worried that when the Government steps in too far, the resultant teaching no longer reflects what writing really does. This happens, for instance, when the Department for Education in England uses new terminology for grammatical structure (such as 'fronted adverbs'), or states that exclamation marks must only end sentences that begin with 'what' or 'how'. These practices risk alienating, confusing and demoralising children with restrictions on language just at the time when they need to be excited by the possibilities.

We want teachers to be allowed to give all children the chance to love language, play with words, be bold and creative, express themselves - and to learn proper control of language alongside these joyful experiences. Teachers must be allowed to teach the rules of writing in the context of supporting expression and control, not affording primacy to those rules. We condemn the trend towards more and more testing for the sake of testing. We echo the fears of primary school teachers that too many of the new tests for young children seem designed to show children failing.

And we are concerned to ensure that literacy teaching is available well beyond school including in community centres and prisons.

Reading for pleasure

Reading for pleasure is far more than just literacy. We believe that all children should be encouraged to read (and write) for pleasure- including reading non-fiction as well as fiction. There

¹¹ <https://readingagency.org.uk/about/impact/002-reading-facts-1/#fn22>

¹² Sullivan and Brown (2014) Vocabulary from adolescence to middle-age

¹³ World Literacy Foundation (2012) The economic and social costs of illiteracy↔

¹⁴ . [Taylor (2011) Reading at 16 linked to better job prospects

¹⁵ <http://www.societyofauthors.org/SOA/MediaLibrary/SOAWebsite/Submissions/Statement-on-Teaching-of-Writing-May-2016.pdf>

is strong evidence that reading for pleasure develops empathy, curiosity and imagination¹⁶- all of which are essential skills for innovators. Diana Gerald, CEO of Book Trust, says:

We know that reading for pleasure has a dramatic impact on life outcomes - and this is as much about confidence and wellbeing as it is about educational achievements. Quite simply, children who read for pleasure are happier, healthier and do better in life than those who don't....

Creative education

We need to foster creativity by ensuring a wide creative education in all the arts.¹⁷ As Darren Henley concluded in his 2012 review of cultural education

The skills which young people learn from studying Cultural Education subjects help to ensure that the UK has over many years built up a Creative and Cultural Industries sector which is, in many areas, world-beating. There is a clear message from the Creative and Cultural Industries that the education which children and young people receive in school in Creative and Cultural subjects has a direct bearing on feeding into the talent pool for those who take up employment in this sector.

1.4 Sustained investment in providing young people with an excellent Cultural Education should form a key pillar of the government's strategy for the long term growth of our Creative and Cultural Industries, both at a national and international level. It is vitally important that there is continued investment in giving the next generation of creative practitioners the tools and training necessary for the UK to continue its position of pre-eminence.¹⁸

8. How can we best support the next generation of research leaders and entrepreneurs?

9. How can we best support research and innovation strengths in local areas?

10. What more can we do to improve basic skills? How can we make a success of the new transition year? Should we change the way that those resitting basic qualifications study, to focus more on basic skills excellence?

See above: No additional comments.

11. Do you agree with the different elements of the vision for the new technical education system set out here? **Are there further lessons from other countries' systems?**

Diversity

There is no one-size-fits-all education system. Technological developments, robotics and digital solutions are changing workplaces in ways we cannot imagine. Many of our traditional jobs will not exist for the next generation. We will need people who are flexible, fleet of foot and ready to change. It is hard to predict what skills we will need but flexibility of mind, empathy, imagination and literacy, numeracy, digital and business skills are likely to serve our workforce better than fixed skills. The UK liberal arts education which is rightly prized worldwide should not be lightly dismissed. In particular we are against any education system which streams arts and science students apart or which encourages one path at a very early stage. Innovators have much to learn from other outlooks and that is lost if young people are streamed into different silos.

Careers advice

The report says: *Our improved education and skills system must be supported by high-quality careers provision. We know that young people who are uncertain or unrealistic about career ambitions at the age of 16 are three times more likely than their peers to spend significant periods out of education, employment or training. ... Good careers advice is particularly important for young people from*

¹⁶ <https://readingagency.org.uk/news/media/reading-for-pleasure-builds-empathy-and-improves-wellbeing-research-from-the-reading-agency-finds.html>

¹⁷ <http://www.schoolsearch.co.uk/news/why-creativity-in-education-is-more-important-than-ever>

¹⁸ <http://www.societyofauthors.org/SOA/MediaLibrary/SOAWebsite/Submissions/henley-review-of-cultural-education-in-england-2012.pdf>

disadvantaged backgrounds, who may have less informal information, contacts and support on which to draw.

We agree that careers advice is important- but this must embrace risk and direct young people towards self-employment and innovation as well as towards the old fashioned job for life. Many innovators have a number of changes through their careers. For most authors writing is not their first career. This breadth of experience can be vital to innovation. We must ensure that careers advice focuses on flexibility, business skills, lifelong learning and does not discourage risk. Careers advice should also focus on essential business skills and where self-employed people can find advice and assistance.

12. How can we make the application process for further education colleges and apprenticeships clearer and simpler, drawing lessons from the higher education sector?

13. What skills shortages do we have or expect to have, in particular sectors or local areas, and how can we link the skills needs of industry to skills provision by educational institutions in local areas?

See above: No additional comments.

14. How can we enable and encourage people to retrain and upskill throughout their working lives, particularly in places where industries are changing or declining? Are there particular sectors where this could be appropriate?

The SoA agrees that lifelong learning is essential.

Digital Skills

We are particularly pleased that new legislation being introduced through the Digital Economy Bill will mean that basic, publicly-funded, digital skills training will be available free of charge to those adults in England who need it.

Libraries

Libraries are the best cradles of lifelong learning and we let them run down at our peril. As the pioneering American librarian, Katherine Sharp said in 1898, a library is "*a laboratory, a workshop, a school, a university of the people, from which the students are never graduated.*"

CPD

Most authors and many innovators are self-employed freelance workers. It is very important that continuing professional development is offered to them and not just to employees. One way to reach this almost invisible workforce is through professional organisations and trade unions (like the SoA) which offer their members access to training and updates on industry developments. Further funding should be available for that training and for more intensive training and skilling courses. The SoA is also developing mentoring schemes for authors and will be applying for funding from the Arts Council and Creative Scotland. Government funding would be well directed to such schemes which take the place of traditional apprenticeships, which, by the very nature of writing, do not work for authors.

3 Upgrading infrastructure - we must upgrade our standards of performance on digital, energy, transport, water and flood defence infrastructure, and better align central government infrastructure investment with local growth priorities.

Agreed.

15. Are there further actions we could take to support private investment in infrastructure?

See above: No additional comments.

16. How can local infrastructure needs be incorporated within national UK infrastructure policy most effectively?

See above: No additional comments.

17. What further actions can we take to improve the performance of infrastructure towards international benchmarks? How can government work with industry to ensure we have the skills and supply chain needed to deliver strategic infrastructure in the UK?

Authors are dependent on an effective digital infrastructure including Wi-Fi and broadband and this, together with transport is a key area for investment. Local areas should also look at working hubs for freelancers which can be far more efficient and less wasteful of energy than working from home. This is another function of a good local library.

4 Supporting businesses to start and grow – we must ensure that businesses across the UK can access the finance and management skills they need to grow; and we must create the right conditions for companies to invest for the long term.

Agreed.

All such policies must pay due attention to the needs of freelancers and individual self-employed people. The level of self-employment in the UK increased from 3.8 million in 2008 to 4.8 million in 2017 and now accounts for around 15.1% of the workforce¹⁹. Full-time and part-time workers each account for around half of the rise in the absolute number of self-employed workers, but the growth rate of the part-time mode has been much stronger. Part time self-employment grew by 88% between 2001 and 2015, compared to 25% for the full-time mode. As a result, part-time self-employment accounts for 1.2 percentage points of the 1.6 percentage point increase in the self-employment share of all employment between 2008 and 2015. Current tax and benefit rules do not cater well with people who have portfolio careers, perhaps with a number of jobs as well as self-employment to sustain a creative career.

Benefits

Supporting creators as they start requires amending the Universal Credit and Working Tax Credit rules so that they encourage creators and the self-employed. Benefits should be structured to:

- Incentivise innovators, not penalise them, if they voluntarily leave employment to concentrate on starting up a self-employed career.
- Deal with “lumpy “ incomes by averaging incomes over two years so authors are paid benefits in lean periods and do not fall out of benefits on receiving an advance or royalty cheque.
- Avoid too much paperwork or difficulty for those with complex working arrangements

Tax

It also means a fair tax and regulatory regime for creators and the self-employed. The self-employed do not receive holiday or sick pay. They do not have employment security or company pensions and have no job security. They are often far worse off than equivalent employed workers. We welcome the EU proposals to allow freelancers who work mainly for one or two employers to claim employee status and rights and would suggest that these be implemented as part of the ²⁰a forthcoming reviews by the Business, Energy and Industrial Strategy committee and the Work and Pensions Committee on the rights and treatment of non-permanent staff and the rules governing self-employed and employed status (which were shown to be failing in the recent Court of Appeal case concerning Uber). The complexity and bureaucracy of tax requirements are a huge disincentive to small businesses. The Government should take steps to simplify the tax regime and avoid too much paperwork or difficulty for those with complex working arrangements (including when dealing with overseas clients). The SoA is very concerned that the trend is in the other direction and particularly about the ongoing uncertainty, and likely negative impact on authors and other self-employed people of changes to the tax regime for freelancers proposed in the Finance Bill 2017 and the Spring Budget Statement. The three pieces of draft legislation that will hit authors particularly hard are:

- Making Tax Digital (MTD), with its demand on businesses and freelancers with turnovers more than £10,000 to file a quarterly tax return.
- The abolition of Class 2 National Insurance contributions, which will lead to a fivefold increase in the cost of pension contributions for freelancers earning (at present) less than £5,965 per year.
- 1% increase in Class 4 National Insurance contributions for self-employed workers from 2018, with a further 1% increase from 2019.

Having seen the Government act swiftly on the concerns of self-employed workers, when they withdrew plans to increase the rates of Class 4 National Insurance contributions (15 March 2017), we hope that they will continue to understand the impact of their wider tax reforms.

¹⁹ ONS Trends in self-employment in the UK: 2001 to 2015

²⁰ <https://www.theguardian.com/business/2016/oct/26/mps-inquiry-uk-working-conditions-pay-exploitation-gig-economy>

Even among tax professionals there is currently a great deal of uncertainty about exactly how or whether MTD will work, and the chair of the Treasury Select Committee has said that the proposed timetable "looks unachievable". In the meantime, authors and other self-employed people, are left in limbo - unable to prepare for the changes.

Timetable: the current timetable for implementation is widely viewed as too short. As recommended by the Treasury Select Committee, we believe that the current timetable should be extended to 2019 to ensure that any new regime can be properly piloted, and its potential implications understood, with no penalties until it is shown to work.

Threshold: MTD will oblige any business or freelancer whose annual income exceeds £10,000 to file quarterly returns. Given that the average UK author income is £12,500, this threshold is far too low and is likely to put a disproportionate administrative and expense burden on lower paid freelancers. This is based on *turnover*, not the profit that remains after expenses have been paid. In line with Treasury Select Committee recommendations, we believe the minimum threshold should be brought in line with the VAT registration threshold of £83,000.

Increased overheads: the FSB estimates that the changes will cost the average small business an average of £2,770 a year, in addition to the amounts they already spend on tax advice. The Government has estimated this is more likely to be "a one-off transitional cost of £280 per business", but with authors already struggling to make a living from their work any additional expense is likely to cause hardship to many.

Exemptions: we understand that HMRC is considering exemptions to the proposed changes. Many authors have variable work patterns (books and other works often take more than two years between commission and publication) and an unpredictable income, which means that some years they may earn significantly more than the threshold but other years significantly less. We believe this will lead to confusion about which years those authors are obliged to file quarterly and when they are not. Amendments should be made to ensure that there is a two or three year averaging period.

Digital exclusion: many members of the Society of Authors, although earning from their work, do not possess the digital skills or equipment necessary to engage with MTD, and at this stage in their careers are unlikely to do so. It is unclear what advice, training or additional assistance they will receive to ensure they do not incur unnecessary penalties. It is hoped that those who are digitally excluded through a lack of skills or equipment will not be treated detrimentally, for example with shorter deadlines as happens with self-assessment.

Abolition of Class 2 National Insurance: while MTD is set to affect authors earning more than £10,000 per year, those earning less than £5,965 per year will be affected by the abolition of Class 2 National Insurance contributions. These lowest earners currently pay £2.80 per week in contributions that count towards their state pension, opting in to a system that allows them to contribute towards their retirement at an affordable rate despite their modest means. From April 2018, the contributions needed to secure a future pension will increase to £14.10 per week - representing at least 12% of their annual income.

18. What are the most important causes of lower rates of fixed capital investment in the UK compared to other countries, and how can they be addressed?

No Comment.

19. What are the most important factors which constrain quoted companies and fund managers from making longer term investment decisions, and how can we best address these factors?

CERTAINTY AND STABILITY

Authors and the UK publishing industry are vitally important to the UK, both in terms of revenues (both internal and export) and cultural significance. The SoA believes that the economic and political uncertainty caused by the Brexit process is likely to have a very negative impact on investment in UK innovation for many years to come. We are concerned that there is no planning to replace and maintain our EU markets. The Government must take urgent steps to calm fears of investors. It is unlikely that exports to USA could ever replace our vital EU markets. We are positive that British creativity and culture will remain in demand; however economic uncertainty is damaging to investment in new projects and distribution opportunities for rights holders and their businesses. Furthermore, economic uncertainty tends to make businesses more conservative and less likely to invest in new talent and ideas, leading to a reduction in cultural diversity. This is extremely concerning, particularly if linked to a closing of our borders to vibrant talent from Europe. One **important step is to commit to maintaining the UK's current copyright regime**, another is to allow freedom of movement and guarantee the rights of EU workers here and UK nationals living in the EU.

20. Given public sector investment already accounts for a large share of equity deals in some regions, how can we best catalyse uptake of equity capital outside the South East?

No Comment.

21. How can we drive the adoption of new funding opportunities like crowdfunding across the country?

Crowdfunding has proved a successful model for book publishing. See for example Unbound²¹. Many authors are now successfully self-publishing. However, while these models are extremely useful for creating diversity and allowing publication of books which would not find a mainstream market, they will not replace properly resourced and larger publishing companies. Authors repeatedly say they turn to such routes only when the terms offered in the traditional sector are impossibly onerous - they'd far rather be authors than acting as their own service/support industries.

22. What are the barriers faced by those businesses that have the potential to scale-up and achieve greater growth, and how can we address these barriers? Where are the outstanding examples of business networks for fast growing firms which we could learn from or spread?

See above. We believe that while growth is one goal, support and long-term sustainability are more important. Those require a flexible tax and benefits and social care regime, risk-taking by investors, a stable intellectual property regime and an emphasis on diversity.

²¹ <https://unbound.com/>

5 Improving procurement – we must use strategic government procurement to drive innovation and enable the development of UK supply chains.

Yes – and this includes the Arts Council and other investment in creators.

23. Are there further steps that the Government can take to support innovation through public procurement?

24. What further steps can be taken to use public procurement to drive the industrial strategy in areas where government is the main client, such as healthcare and defence? Do we have the right institutions and policies in place in these sectors **to exploit government's** purchasing power to drive economic growth?

No Comment.

6 Encouraging trade and inward investment – government policy can help boost productivity and growth across our economy, including by increasing competition and helping to bring new ways of doing things to the UK.

Agreed. This means maintaining strong links with Europe which is a highly important market for Britain's publishing industry.

25. What can the Government do to improve our support for firms wanting to start exporting? What can the Government do to improve support for firms in increasing their exports?

UK published material, whether that be the latest fiction bestseller, our world renowned scientific journals or textbooks for the classroom, is sought after globally. British books are exported to every international market with particular growth in recent years in Latin America, the Middle East and North Africa, and East and South Asia.²²

- The UK book and learned journal publishing industry is worth £4.4 billion. 43% of that consists of exports.
- Publishers' export sales of books (physical and digital in 2015 were £1.42 billion with education, academic and ELT (English Language Teaching) publishing accounting for two thirds of this.
- Physical sales were £1.2bn. Digital sales were £218m.
- The UK is the largest exporter of physical books in the World.

At a time when the Government is looking to increase the number of businesses selling their wares overseas, they could do a lot worse than look to the success of the publishing industry as a model. But the UK government needs to ensure the framework is right to enable industry to maintain its top position.

Stable policy in Europe

While UK books are exported to every region in the world, Europe remains a strong market. Physical sales to Europe accounted for over 35% of total export revenues.

It is essential that UK Government and UK rightsholders continue to play an influential role in the process of formulating and then developing the proposals within the European Commission, Parliament and Council and that adjustments and amendments are made to those proposals in the next two years. We welcome recent assurances from Government and IPO that the UK Government will play an active part in the discussion on Digital Single Market related issues including copyright and that it still has a

²² All figures in this section courtesy of the Publishers Association and the All Party Parliamentary Group on Publishing 2017.

voice at European level.

Copyright and the Digital Single Market

We also welcome the assurance that the Government is aware of the importance of the issues which the Digital Single Market proposals are attempting to address and remains committed to doing so whether or not the UK remains subject to EU regime as an outcome of Brexit negotiations.

Funding for Translation

We are concerned at the risks to funding, particularly funding for translation, to maintain diversity and understanding of other cultures. Much UK translation is supported by EU grants and prizes. Publishers also receive funding directly from Creative Europe which provides funding for the translation of literary works into different European languages. Translation is essential for understanding of other cultures and the range and diversity of our reading. Translated fiction is receiving increased interest. Research by Nielsen Book commissioned by Man Booker showed that sales of translated fiction have risen in the UK to £18.6m in 2015 from £8.9m in 2001. It would be a huge shame if that were reversed due to lack of funding. We do not know how these funds will be replaced. It is likely that the gap cannot be filled by tax exemptions or private sponsorship- particularly as sponsors are likely to have smaller funds because of the economic slowdown caused by Brexit. Creators will have to look to the Government for additional support and these will need to be forthcoming if we are to support the success of our publishing and allied industries and if authors are to be able to afford to remain working creatively.

Research Funding

Authors benefit both directly and indirectly from EU research funding. The UK is the second largest recipient of EU funding for science and research and therefore a loss of this funding is a major **challenge for scholarly research and the UK's place within it, and would also have a knock on effect on the £1.1bn journal market.** The Government should commit to securing access to EU research and cultural funding programmes, or develop new strategies for domestic investment to cover any loss of funding.

Worldwide Trade links

We need good trade links with Europe and the rest of the world to maintain and expand our thriving export markets. Government and publishers need to work together to ensure the ongoing international success of the UK publishing industry. We support the recommendations of the All Party Parliamentary Publishing group that:

- The Government should keep barriers on trade with the EU at an absolute minimum and not to accept trade barriers on books and other publications (physical or digital) in exchange for lowering them on other goods.
- **Information is included about the success of the UK's publishing and book industry as part of each and every trade mission.**
- The Government gives the clear message that copyright is not red tape.
- Publishers, authors and government to work together to improve the copyright laws in other countries.
- The ROI requirements for inclusion on trade missions are reviewed. Current requirements are not appropriate for publishing where lead-in times for deals are much longer.

26. What can we learn from other countries to improve our support for inward investment and how we measure its success? Should we put more emphasis on measuring the impact of Foreign Direct Investment (FDI) on growth?

No Comment.

7 Delivering affordable energy and clean growth →we need to keep costs down for businesses, and secure the economic benefits of the transition to a low-carbon economy.

Agreed. Providing clean low cost energy and reducing waste is essential for a healthy efficient and sustainable economy.

27. What are the most important steps the Government should take to limit energy costs over the long-term?

28. How can we move towards a position in which energy is supplied by competitive markets without the requirement for on-going subsidy?

29. How can the Government, business and researchers work together to develop the competitive opportunities from innovation in energy and our existing industrial strengths?

30. How can the Government support businesses in realising cost savings through greater resource and energy efficiency?

No Additional Comment.

8 Cultivating world-leading sectors – we must build on our areas of competitive advantage, and help new sectors to flourish, in many cases challenging existing institutions and incumbents.

Agreed. This includes the creative industries. Creative people will be at the forefront of providing new ideas- which is why we need to support creative education to foster imagination. However, we are concerned at the myth that existing publishing businesses are not 'digital' and that the sector would benefit from being 'disrupted' by tech players. Publishing is a highly innovative and successful industry. It is not in need of disruption to thrive.

31. How can the Government and industry help sectors come together to identify the opportunities for a 'sector deal' to address – especially where industries are fragmented or not well defined?

The Government has set an "open door" challenge to industry to come up with proposals to transform their sectors through sector deals, incentivising industries that organise themselves with strong leadership to address regulatory barriers, promote competition and innovation and increase exports. Sir Peter Bazalgette will conduct an independent review into how the UK's creative industries can help underpin our future prosperity by utilising and developing new technology, capitalising on intellectual property rights, and growing talent pipelines. The Challenger Business Programme works with businesses in these areas applying new technologies, innovative products and services, and transformational business models. The SoA will work together with the Publishers' Association and others in the creative industries to consider relevant sector deals.

We accept that the complexity of copyright issues in the digital age may require a higher degree of cooperation between stakeholders and welcome mechanisms for stakeholder dialogue and collective bargaining. We would also welcome clarification and legislation to ensure that such dialogue is not stilted or made unworkable by the operation of competition law.

32. How can the Government ensure that 'sector deals' promote competition and incorporate the interests of new entrants?

The Government must recognise that innovators and new entrants will be individuals or small businesses who do not have the time or skills to engage in bureaucratic processes. It must therefore work with professional associations and trade unions to provide flexible funding, training and support for innovators. And all such deals should be required to prove that they have fully considered diversity and inclusiveness issues to welcome new entrants irrespective of class, race, nationality, age, gender, disability or sexual orientation and have taken steps to include groups which are currently under-represented.

33. How can the Government and industry collaborate to enable growth in new sectors of the future that emerge around new technologies and new business models?

Innovation is not just about breakthrough technologies or scientific and engineering processes. Effective adoption of technology throughout businesses and improvements in management and workforce skills are just as important, as are new ways of providing services, from financial services and retail to professional advice. Innovation can sometimes be disruptive, but ultimately we must embrace innovation to keep ahead of the competition, create more good jobs, and make sure jobs in the UK are secure. We need to encourage creative partnerships between arts and sciences- e.g. our collaboration with Bath University on intuitive computer systems for identifying grants and opportunities open to authors. This modest project has struggled to find funding because of its

interdisciplinary nature but is exactly the kind of collaboration which can lead to growth.

34. Do you agree the principles set out above are the right ones? If not what is missing?

FREEDOM OF MOVEMENT

Any industrial strategy depends on a free flow and sharing of ideas. We are very concerned that our industries are being destabilised by Brexit negotiations which are giving no guarantees about free movement or even the narrower and vitally important issue of protection for EU nationals already here and UK nationals living abroad. Difficulties in obtaining visas or tax and other barriers, combined with the parochial impression of being out of Europe will create may make Britain a less attractive place for writers to visit or settle in. This is bad for innovation as our creative thinking can only be enriched by visitors and settlers from many other cultures and lands. And our own authors will suffer if they are unable to move freely in Europe- **one only needs to think of Peter Mayle's A Year In Provence and many other books of that genre to see how enriching free movement has been for writers' imaginations.**

Live performances are the bread and butter of many of the creative industries. Performers and technical crews from both the UK and mainland Europe are now able to travel freely within the Schengen area, meaning that touring in Europe can be carried out with relative ease. Although this is not as important for authors as in some other industries, many authors also obtain a significant part of their income from performing. **The SoA's membership includes many spoken word artists as well as presenters, teachers and experts.** We do not know whether there will be changes in immigration law introducing a visa/work permit system (as, for example, for touring to the USA), for anyone wishing to tour in Europe (and vice versa). This would inevitably increase the time and effort involved in organising a tour and will obviously increase costs. Tax laws could also have an impact on touring (for example if performers have to file tax returns in the countries in which they tour). Authors are not often highly paid for appearances and tax formalities and visa difficulties can simply make such visits not worthwhile. This could have a knock-on negative effect on sales and exports of authors' books. **Until we have certainty on these issues authors and organisers are unable to forward plan- our members agree to festivals and appearances many months or years in advance and we are concerned that organisers are being forced to make more conservative decisions because of uncertainty.**

9 *Driving growth across the whole country – we will create a framework to build on the particular strengths of different places and address factors that hold places back – whether it is investing in key infrastructure projects to encourage growth, increasing skill levels, or backing local innovation strengths.*

Agreed. We must seek creativity and growth across the whole country and amongst the whole population. It is also important that we are not insular –we must continue to learn from the best national and international experience to spark creativity and imaginative collaboration. We must also encourage new funding to replace that which will be lost through Brexit.

35. What are the most important new approaches to raising skill levels in areas where they are lower? Where could investments in connectivity or innovation do most to help encourage growth across the country?

36. Recognising the need for local initiative and leadership, how should we best work with local areas to create and strengthen key local institutions?

No Additional Comment.

Creating the right institutions to bring together sectors and places – we will consider the best structures to support people, industries and places. In some places and sectors there may be missing institutions which we could create, or existing ones we could strengthen, be they local civic or educational institutions, trade associations or financial networks.

Agreed. Good institutions are particularly important for freelancers and self-employed innovators who need collective support and representation and trustworthy sources of information and training. To give one example: the SoA has been providing such support and empowering authors since 1884. We also provide sources of funding and buying time to write, creative networks such as the SoA forums and access to business training and support. It would be useful to have support in providing these services.

The Government's continued support of Public Lending Right is a good example of a very low cost measure which provides support to authors with minimal bureaucracy.

37. What are the most important institutions which we need to upgrade or support to back growth in particular areas?

See above.

Universities

We also need to ensure that the UK attracts top international talent and that we maintain links with national and international sister organisations to share ideas and best practice. It is essential that our universities are well funded and remain centres of excellence in both the arts and the sciences. Leaving the EU will also have a major impact on higher education with lost income from an anticipated fall in the numbers of EU nationals. Losing access to EU funding, such as Horizon 2020 grants (which account for a quarter of all public investment in UK research), could further tarnish the attractiveness of the UK as a place to study for other international students. Over half (53%) of academic publishers surveyed said that reduced funding for academic research and Higher Education Institutes, was the main challenge they faced. It is essential that this funding is replaced.

Intellectual Property

We note that the Green Paper says: *We are reviewing how to maximise the incentives created by the Intellectual Property system to stimulate collaborative innovation and licensing opportunities – including*

considering the opening up of registries to facilitate licensing deals and business-to-business model agreements to support collaboration. We will place Intellectual Property Office representatives in key UK cities - starting with pilots in the Northern Powerhouse and Midlands Engine to build local capability to commercialise intellectual property. We strongly urge that intellectual property licensing uses the highly efficient and balanced sector specific licensing schemes and organisations which already exist such as the Copyright Licensing Agency. These organisations have been very successful in creating a balanced licensing scheme which allows commercialisation of intellectual property and simple access to users while rewarding and incentivising creators, giving payments to both creators and publishers providing funds to enable them to commission and create new works.

38. Are there institutions missing in certain areas which we could help create or strengthen to support local growth?

No further comment.

Feel free to contact us for any further information.

Society of Authors April 2017

84 Drayton Gardens London SW10 9SB
E nsolomon@societyofauthors.org
T 020 7373 6642
www.societyofauthors.org

President Philip Pullman CBE
Chief Executive Nicola Solomon

The Society of Authors is a company registered in England No. 19993 and an independent trade union