

Report to: Culture, Heritage and Sport Committee

Date: 28 October 2022

Subject: **Economic and Sector Reporting**

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| Is this a key decision? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Is the decision eligible for call-in by Scrutiny? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Does the report contain confidential or exempt information or appendices? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1: | |
| Are there implications for equality and diversity? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |

1. Purpose of this report

1.1 To provide an update on the latest economic data relating to the sector.

2. Information

Update on economic data

National economic context

- 2.2 The latest available data presents a mixed picture for the sector. In summary:
- Employment has continued to grow up to June 2022 and the sector continues to operate in a tight labour market, although vacancies at national level have fallen back somewhat from their highs in early 2022.
 - Average pay is growing in nominal terms but this is being offset by high inflation.
 - The latest output data, which covers the period to August, points to a decline in the *Arts, entertainment and recreation* sector, which has taken place in the context of a wider reduction in consumer facing services and a fall in UK GDP of 0.3%. It is unclear whether this points to a more prolonged downturn for the sector.
 - It is clear, however that rising energy costs will have a significant negative impact on the prospects for the sector in terms of profitability and

sustainability of organisations, with the potential for a cliff edge scenario when government support comes to an end next spring.

- The impact of inflation on disposable income is certain to affect engagement with the sector in terms of affordability of ticket prices, audience sizes etc.

Output (figure 1 of appendix)

- 2.3 Following strong recovery throughout 2021 and into early 2022, the output of Arts, entertainment and recreation declined sharply, by 5%, in August 2022 compared with the previous month. This fall was almost entirely driven by sports activities and amusement and recreation activities, which fell by 9.4% in the month after a strong July, which included a number of large sporting events. There was also a 7.0% fall in libraries, archives, museums and other cultural activities in August.
- 2.4 The output of the Information and communication sector grew by 0.7% between July and August 2022.

Employment (figure 2)

- 2.5 Seasonally adjusted employment in the *Arts, entertainment and recreation* sector grew by 3% or 28,000 across England between March 2022 and June 2022. As of June 2022, it remains 33,000 or 4% lower than in March 2020 (pre-pandemic).
- 2.6 Employment in the *Information and Communication* sector also grew by 3% (+42,000) between March 2022 and June 2022. Employment in the sector was 3% higher in June 2022 than in March 2020.
- 2.7 The level of self-employment in both of these sub-sectors grew strongly between March and June 2022 (by 5% in *Arts, entertainment and recreation* and 16% in *Information and Communication*) but remains well below March 2020 levels (-8% and -10% respectively)

Productivity (figure 3)

- 2.8 According to ONS' flash estimate productivity in *Information and Communication* was 8% higher in Q2 2022 than in Q1 2020 (pre-pandemic) and 9% higher in *Arts, entertainment and recreation*¹. This compares with growth of 2% across the whole economy for the same period.

Pay (figure 4)

- 2.9 At £1,028 per week, average earnings in the *Information and Communication sector* are 71% higher than across the *Whole Economy* (£602), based on

¹ Data for Arts, entertainment and recreation are volatile over time.

figures for August 2022. Average weekly earnings for *Arts, entertainment and recreation* are, at £570, 5% lower than the *Whole Economy* average.

- 2.10 Average weekly earnings in *Arts, entertainment and recreation* grew strongly, by 23% year-on-year in nominal terms in August 2022 whilst *Information and communication* saw year-on-year earnings growth of 4% in August. The equivalent figure for the wider economy was 6%.

Vacancies (figures 5 and 6)

- 2.11 According to the ONS Vacancy Survey the number of UK vacancies in the *Arts, entertainment and recreation* sector fell by 6% in July to September 2022, as compared with April to June. This was similar to the reduction across the wider economy of 4%.
- 2.12 There was a more substantial fall in vacancies in *Information and communication* of 20% for this period.
- 2.13 However, the level of vacancies for both *Arts, entertainment and recreation* and *Information and communication* remain high in historic terms, including when compared with the pre-pandemic period.
- 2.14 *Information and Communication* and *Arts, entertainment and recreation* are ranked fourth and fifth respectively in terms of the sectors with the highest ratio of vacancies to jobs. This shows the strength of recruitment needs in these sectors at the current time, although the ratios have declined from their peaks in early 2022.
- 2.15 Data from online job postings allows us to assess the vacancy situation in West Yorkshire². The data show that recruitment activity has continued to strengthen during 2022. The number of postings for creative and cultural occupations reached a new peak in September 2022 and was 149% higher than the monthly average for the January to March 2020 (pre-pandemic) period. The biggest occupational categories in terms of online job postings are *IT, software and computer services* and *Advertising and marketing*.

Inflation

- 2.16 Figure 10 in the appendix shows the impact of inflation on prices for recreational and cultural services, as measured by the Consumer Price Index (CPI). In general, the price of services has increased substantially but less

² Note that an occupational definition is used for the analysis of West Yorkshire online job postings whereas ONS' UK vacancy analysis uses industry sectors. Therefore, the basis for each analysis is different.

than the overall CPI (9.9%), with the key exception of Cinemas, theatres and concerts (inflation of 14%).

Impact of increased energy prices on businesses

- 2.17 On 1 October 2022 the Government launched the Energy Bill Relief Scheme. This will provide support with energy costs relief to eligible businesses until at least through to 31 March 2023. The Scheme will apply a per-unit discount on energy costs for eligible businesses and could reduce energy prices for businesses by more than half. The Government also launched a three month review which will identify businesses, charities and organisations (amateur clubs and community-based bodies) most at risk from higher energy costs that will still require support after 31 March, and will consider the most appropriate means of providing this support.
- 2.18 Prior to the announcement of the Relief Scheme, all parts of the sector expressed concern over the scale of the negative impact of rising energy prices, indicating that a long-term solution is required beyond the six-month duration of the government's scheme, if a cliff-edge it to be avoided for small firms that remain impacted and vulnerable. Even during the period of operation of the Scheme energy costs for arts venues are doubling with 40% of venues saying they would be coming off a fixed energy contract during 2023, according to a [survey by Arts Council Wales](#).
- 2.19 According to the [Music Venue Trust](#) the financial impact of the energy price rises on the Grassroots Music Venue sector presents an existential challenge. For a sector with a total gross turnover of £399 million, the current energy price rise equates to an additional £90 million in costs.
- 2.20 The [Museums Association](#), finds that the museum and galleries sector has seen huge hikes to electricity and gas bills, with some institutions being quoted over 400% more than their current tariff. The Lowry theatre and gallery complex in Greater Manchester told the Guardian this week that it was facing a bill "substantially higher" than the £860,000 annual grant it receives as an Arts Council England National Portfolio Organisation. Museums and galleries are vulnerable to price rises as they often have high fixed energy costs around collections care, while also having to manage energy-inefficient, listed buildings. Measures that could be implemented quickly such as double glazing, new more efficient radiators, lowering ceilings are all unavailable as options. Institutions highlight a lack of "proper bespoke advice" on how to improve the sustainability of their buildings.
- 2.21 Many museums and community arts facilities are free to enter and have been marked as potential 'warm banks' – places where those struggling to pay energy bills can go to get warm in order to keep their household costs down. However, with museums struggling to pay for their gas and electricity,

there is concern about the additional pressure of becoming warm banks for the general public.

- 2.22 Theatres are also severely affected, according to [Arts Professional](#). Theatre Royal Bury St Edmund's Artistic Director Owen Calvert-Lyons said the theatre's new electricity tariff increased by £47,000, with another increase expected in gas bills.
- 2.23 The impact of higher energy costs [extends to the sport sector](#). One Rugby Union Premiership club CEO has said that they anticipated their gas bill alone to be up to £100,000 for this season, whilst many football clubs are looking to move fixture times to earlier in the day to reduce the energy costs over the winter. While larger organisations and clubs may be able to offset the increased utility bills against increases in season ticket and gate prices, merchandise or other consumer products, and are able to rely on steady and consistent ticket sales, smaller professional clubs and many semi-professional, community-based/grassroots, or amateur clubs will struggle to do so.
- 2.24 According to the [Local Government Association](#), leisure providers (both inhouse and externally commissioned) are being adversely and disproportionately affected because leisure centres have high energy demands, especially for those facilities with swimming pools. Energy costs are typically a leisure operator's second highest cost after staffing costs, exacerbated by the ageing and energy inefficient condition of the leisure estate. Leisure services run on low margins in order to ensure inclusivity and accessibility but anecdotal information from councils and providers suggests that the energy issue is now reaching a point where it is driving decisions about facility closures or reduced opening hours. One in 4 councils are considering closing some leisure facilities, according to the [Chief Cultural and Leisure Officers Association](#).

Impact on disposable income

- 2.25 The appendix to this paper provides an overview of the evidence relating to the cost of living crisis and the impact of energy price rises on disposable incomes. A key message is that the poorest 10% will need to spend more than their income on essential goods and services, and the poorest 20% will lose most of their remaining disposable income. This squeeze on disposable income has a significant impact on people's ability to engage with culture, arts and sport.
- 2.26 According to the [Cultural Participation Monitor, spring 2022](#), the cost of living crisis is a barrier to engagement, and is particularly likely to affect frequency of attendance (more than spend per attendance - though increased prices would act as a further deterrent). This is supported by findings from the [Scotinform](#)

Cultural Panel, dating from May 2022 before the full extent of the cost of living crisis became apparent. Nonetheless, the impact on participation in cultural activities is clear. Among established consumers of the cultural offer:

- 63% said that they would pay more attention to the cost of cultural activities than they did previously
- 53% said that they would be less likely to spend money (for example on food and drink) when they visit a cultural space
- 51% said that they were more likely to look for free experiences or activities only
- 47% of respondents felt that it is likely that they will need to cut back on cultural activities
- Reflecting the preferences of the sample, 31% said that they would prioritise cultural activities over other things
- 10% said that they were unlikely to be able to afford to undertake any cultural activities in the future.

2.27 The cost of living crisis threatens to impact on participation in sport and leisure activities, hampering efforts to get people more active, according to research by charity [London Sport](#). More than a quarter of adults across the UK are now cutting their spending on physical activity and sport due to rising costs, with more than a third indicating that the issue had limited their ability to afford equipment and a similar proportion saying that financial pressure had discouraged them from using local leisure facilities. There are also widening inequalities, with the least affluent being the most impacted and [concerns](#) over safety implications if people, particularly women, chose to run on dark winter nights instead of going to a leisure centre.

Screen Industries data

2.29 A study commissioned by West Yorkshire Combined Authority to assess the impact of Channel 4's relocation to Leeds provides useful data on the screen industries in West Yorkshire, set in the context of the wider creative sector. A key finding is that employment in the screen industries grew by 55% between 2020 and 2021 to a level of around 6,000, which is above the pre-pandemic value.

Kickstart

2.28 At the July meeting of the Committee, the potential impact of the ending of Kickstart funding was raised. The Kickstart Scheme provided funding to employers to create jobs for 16 to 24 year olds on Universal Credit. A total of 120,000 young people appear to have been provided with placements nationwide according to government figures. There are no figures available for local areas or sectors. Take-up in West Yorkshire is likely to have been around 5,000 in total based on West Yorkshire's share of national employment and probably a few hundred within the Culture, heritage and sport sector.

2.29 In order to assess the impact of the ending of Kickstart together with wider human resource and skills issues facing the sector, an online survey of West Yorkshire businesses will be undertaken. In addition, findings from primary research to assess the impact of Channel 4 on the local creative and cultural sector will shortly become available and will provide additional insight into human resource issues.

3. Tackling the Climate Emergency Implications

3.1 There are no climate emergency implications directly arising from this report.

4. Inclusive Growth Implications

4.1 Future reporting arrangements will provide a more developed picture of inclusive growth issues within the sector.

5. Equality and Diversity Implications

5.1 Future reporting arrangements will provide a more developed picture of equality and diversity issues within the sector.

6. Financial Implications

6.1 There are no financial implications directly arising from this report.

7. Legal Implications

7.1 There are no legal implications directly arising from this report.

8. Staffing Implications

8.1 There are no direct staffing implications directly arising from this report. However, the Committee should note our plans to increase capacity in this area.

9. External Consultees

9.1 No external consultations have been undertaken.

10. Recommendations

10.1 That the Committee notes the evidence presented in the report.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

Appendix 1: Economic and sector report analysis

Appendix 2: Crisis in the Cost of Living and Doing Business