

The Creative Sector's Position in the post-Brexit and post-pandemic Welsh Economy

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Abstract—This paper considers the ongoing and planned actions of the Welsh authorities aimed at maintaining the dynamics of the development of creative industries, which have found themselves in a difficult situation as a result of the negative effects of Brexit and the Covid-19 pandemic. The Welsh Government's awareness of the creative sector importance to the entire regional economy requires financial and technical assistance. However, in the context of the deepening development dichotomy of the screen industry and other parts of the creative sector, the achieved effects do not meet expectations, causing weak creative industries to become increasingly dependent on subsidies from the regional (and national) budget.

Keywords— creative sector, creative industries, Welsh economy, Welsh Government, Wales

I. INTRODUCTION

The creative sector term is relatively new. Since it was first formulated (in 1980s), its meaning has been constantly evolving. There are numerous studies that attempt to define which industries should be seen as principally creative, varying in whether they include fine arts, cultural heritage and information technology as part of creative industries (Jones, Lorenzen, Sapsed 2015, p. 5). The United Nations Educational, Scientific and Cultural Organization created one of the broadest definitions, including: cultural heritage, printed matter and literature, music and performing arts, visual arts, cinema, photography, radio and television, socio-cultural activities, sport and games, environment and nature (UNESCO 1986, p. 6-8). It was then supplemented by the United Nations Conference on Trade and Development by including into the

creative sector: functional creations, design, new media (such as software, digital content and games), creative services (such as architecture and advertising), digital services and recreational services (Flew, Cunningham 2013, p. 70). The United Kingdom Government (Department for Culture, Media and Sport) proposed a model consisted of 13 elements (i.e. publishing; performing arts and entertainment; sound recording and music publishing; photography; motion pictures, video and television programmes; programming and broadcasting; advertising; Public Relations and communication; translation and interpretation; specialised design; architecture; software publishing, computer programming and computer consultancy; cultural education). British classification of creative industries played a critical role in establishing an international policy discourse for what creative industries are. Despite the fact that some sectors are labour-intensive with comparatively low economic performance (art, music, performing arts, crafts) and some capital-intensive and commercially-oriented (TV, radio, filming) the main consideration is that creative industries drew upon the new concept of convergence to argue that the future of arts and media lay in transformation of dominant policy discourses towards a productive engagement with digital technologies to develop new possibilities for alignment of national, regional or local creativity and intellectual capital with these new engines of economic growth (Kontrimiene, Melnikas 2017, p. 115). In this broad approach, the creative sector is currently perceived as an increasingly important branch of the national (or regional) economy. In the UK this process is particularly visible in Wales, where traditional industries (i.e. mining, metallurgy and steel) have collapsed and have not been replaced by other strong manufacturing or processing sectors. However, the creative sector includes mainly sensitive

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industries, i.e. whose development depends on many highly variable factors. In many countries that was realized especially during the Covid-19 pandemic, which stopped the functioning of many cultural institutions and organizations associating cultural activists. In the UK, an additional factor has been Brexit, which has caused huge changes both in political and socio-economic situation. In such context, the support of public (both national and regional) authorities has great importance, as often deciding about 'to be or not to be' of a given entity or even whole industry of the creative sector.

This paper presents the ongoing and planned activities of the devolutionary Welsh Government to maintain the development momentum of creative industries and, consequently, to maintain their leading position among other branches of the regional economy. The author's stated goal was to demonstrate that the Welsh authorities, understanding the importance of the creative sector, do not spare resources for the development of its various elements, significantly contributing to the modernization of the regional economy. Paradoxically, this interventionism has the simultaneous effect of undermining the ability of the creative sector to function independently, making it potentially (i.e. in absence of public funding opportunities) highly susceptible to market fluctuations and even incapable of functioning without the Welsh Government support. To present these interdependencies methods from the field of social sciences were used. The microsystemic method made possible to show the creative sector as an element of the regional economy, while the mid-level systemic method allowed to analyse the Welsh Government actions and plans in wider context of public (national, regional and local) and private undertakings. The institutional and legal method was used for analysis of the documents constituting the basis of regional policy in the discussed area. These methods allowed for positive verification of the thesis about the high degree of involvement of regional authorities in the development of the creative sector in Wales, and thus about the high dependence of this sector on the funds obtained from the regional budget. Taken together with the thesis that creative industries have an increasing share in the Welsh economy, it should be stated that extensive public support for the creative sector means increasingly stronger degree of dependence of the entire regional economy on economic policy of the Welsh Government.

II. THE EFFECTS OF BREXIT AND THE COVID-19 PANDEMIC ON THE WELSH ECONOMY AND THE WELSH CREATIVE SECTOR IN PARTICULAR

The Welsh economy has suffered more from Brexit and the Covid-19 pandemic than any other part of the UK. The development and modernization of regional economy were largely stimulated by the European Union funds, the lack of which became apparent almost immediately after the UK withdrawal from the EU structures. Most production sectors (in particular agriculture) were based on an extensive system of tariff preferences (or no tariffs) and quotas preferences, which

provided Welsh entrepreneurs the opportunity to introduce their goods into the entire Common Market. The abolition of these facilities resulted in Welsh companies having to compete for European customers in normal market conditions, which most of them were not prepared to do. Non-tariff barriers (especially the extension of customs procedures) also turned out to be a major challenge for many entrepreneurs. This was applied not only to producers of perishable agri-food products, but also posed a challenge in sectors such as car production, where products consist of many components imported from many countries. A lot of sectors (including agriculture and tourism) were concerned about the decline in investments resulting from the loss of access to the EU investment and structural funds, which were used to increase the competitiveness of the region, including by improving employee skills, supporting the development of enterprises, improving the quality of transport and communications (WCPP 2020, p. 5). Serious disruptions were also caused by the massive and rapid outflow of workers from the EU countries. This included health and social care, higher education, arts and culture, and tourism and hotel industry, in which sectors immigrants chose to work for the minimum wage or even lower. Brexit posed a particular threat to the smooth functioning of the Welsh health service and social care system, in which over 13% of employees were citizens of the EU countries (EBSCO 2022, p. 7). Reducing the number of people working in these sectors 'could lead to a reduction in the overall size of the working-age population in Wales. This would mean that a smaller number of workers would be available to support the growing number of people of pensionable age, which could be a particular challenge in rural areas that already have ongoing populations' (WCPP 2020, p. 7). The unfavourable economic phenomena caused by Brexit deepened during the Covid-19 pandemic. In the opinion of the Welsh Affairs Committee, the second of these factors exposed the weaknesses of the regional economy to an even greater extent than the first one. Wales faced 'a real risk of the worst effects (...) on those who are least able to afford it. Covid-19 has created an effect storm for key sectors of the Welsh economy. For some of Wales' most important employers the short-term impacts of the pandemic have converged with longer term challenges to restructure to deliver sustainable growth. The impact of Covid-19 risks undoing much of the progress achieved in recent decades in raising employment levels in Wales' (WAC 2020, p. 29).

The effects of Brexit and the Covid-19 pandemic also affected the creative sector in Wales. However, in this important part of the regional economy (providing 84.500 jobs and an annual turnover of about GBP 4 billion which is 5% of the total GDP in Wales) two simultaneous and contradictory in terms of direction processes have been taking. The first part of creative industries is a real success story. The screen sector, both before and after the Covid-19 pandemic has grown significantly. The sector was able to respond quickly following the initial lockdown and is busier now than ever. This provides plenty of work opportunities for those who wish to work in the screen industry. On the other hand, another part of the creative sector is struggling. The arts, culture and music sectors have not

fully recovered since the pan-demic. This recovery has been hampered by rocketing energy costs and a slow return of audiences (compared to pre-pandemic levels). Moreover, the additional support provided by the Welsh Government to these sectors, while welcomed, has been eaten up by record levels of inflation (Welsh Parliament 2023a, p. 5). In a particularly difficult situation have found free-lancers themselves. About 92% of them have indicated that their work has been negatively impacted by Covid-19 (with half losing 80% of their work in 2021). On average, freelancers lost 76% of their income in 2020 and 59% in the next year (45% of lost income was due to cancellations and 37% was due to reduction or curtailment of offers of work and available opportunities). In consequence, 57% of freelancers stopped investing in new equipment, material, products, education, training, etc. Although there was an improvement in perception of future prospects between 2020 and 2021, almost a quarter of freelancers were (in 2022) still uncertain about whether they will stay in or leave the industry (Donnelly, Komorowski 2022, p. 14-18). The whole live arts have struggled because audience attendances have not recovered to pre-pandemic levels. In opinion of the Arts Council for Wales: 'the pandemic had quite a grave impact on the sector, not only on arts centres, but also on the workforce. Our sector employs and funds less now than it did pre-pandemic. Costs have increased enormously (...), whilst income is reduced. There are fewer people attending events and therefore the sector is in quite a serious situation. We've also lost some freelancers in the sector. People have chosen to leave. We have problems in filling vacancies, so we have some workforce problems too' (Welsh Parliament 2023a, p. 16-17).

III. THE MAIN PROBLEMS OF THE CREATIVE SECTOR IN WALES TODAY

In addition to the above-mentioned problems caused by the deterioration of the economic situation of the country and the region as a result of Brexit, as well as the socio-economic problems caused by the Covid-19 pandemic, the Welsh creative sector is currently facing other serious difficulties. Some of them result from factors affecting the entire society (such as enormous inflation, resulting in a dynamic increase in the cost of living), some are specific for the creative branch. First of all, there are large differences in wages within the sector. While employees and freelancers in leading industries (e.g. screen) earn very well, there is great dis-satisfaction in the other ones, especially those financed exclusively from public funds. Trying to keep up with pay increases that are affordable in the short term is requiring a lot of organisations to dip into risk reserves or money that they should have to be about long-term development or matching funds that they get from other funders – the arts council, local authorities etc. So, it is hard to think of a short-term solution that does not require some kind of emergency measures and additional cash (Welsh Parliament 2023a, p. 23).

In addition to unstable (as dependent on many variable factors) payments, an important challenge is also specific

working conditions, work intensity and long hours (e.g. driven by the production boom in the screen industry), the adjustment to which requires great de-termination from employees (and most often results simply from passion for their profession). 'People work very, very long hours, especially when they're working on set, on location. There's a rigidity to the working structures there that pressurises people. For instance (...) if you've got small children and you're working in a studio where you're working 16-hour days. The studio might have a nursery on site, but if you don't actually get to see your children at all, it's immaterial where the nursery is' (Welsh Parliament 2023a, p. 24). According to the Welsh Government, the problem is even more complex and involves many more factors, the most important of which are: lower rates of pay and benefits, job insecurity, long working hours, lack of employee representation, insufficient management capability, and insufficient opportunities for learning and development. Moreover, 'much of the creative economy in Wales – within creative industries and arts sector – is heavily reliant on freelance and self-employed people' (Welsh Government 2023a, p. 5), which means that this sector face specific challenges bound up in short-term contract and funding, irregular working hours, and evidence of persistent malpractice (including bullying) (Furet 2024, p. 10). This last issue requires special attention because according to data collected by the Welsh Parliament, the problem of poor interpersonal relations in some creative industries is growing. As one of the Welsh filmmakers stated: 'I have lost count the amount of times I have seen people being verbally abused on set. The egos of directors is a real thing and I have to be honest it does not make for a pleasant working environment – from other people I know, I would say it's probably a common occurrence in the industry' (Welsh Parliament 2023b, p. 9). Many people do not realize that they are victims of 'toxic behaviour' or do not know how and where to report such incidents. There is also a culture of fear that prevents victims of bullying and harassment coming forward, for fear of being branded a troublemaker. The consequence of this situation continuing is that: nine out ten people in the sector have mental health problem, 55% of screen workers have suicidal thoughts (compared to 20% of the general population), 39% of people faces racial harassment and discrimination, 74% of disabled people have considered leaving from the industry, only 2% of people says they would go to their line manager to talk about the problem (Welsh Parliament 2023a, p. 26-27).

Last but not least issues facing the creative sector are those of equality, diversity and social inclusion. Apart from cases in which persons who do not have specific qualifications (e.g. driving license) cannot be appointed for specific tasks, it should be stated that 'the short-termism of the industry works against employing people from (...) lower socioeconomic backgrounds. Obviously, that's reflected in the ethnic diversity of people' (Welsh Parliament 2023a, p. 31). Unequal treatment based on ethnic, national and social origin, level of psychical and mental ability, gender, appearance etc. is even more difficult to eradicate because official policy of all entities in the creative sector excludes this type of behaviour. Assuming a

priori that discriminatory phenomena do not exist or are of marginal nature means that mechanism to combat their manifestations often function only in a formal dimension.

The Welsh Government support for the creative sector to date

The Welsh Government has played an important role in the growth of creative industries. It has taken important steps to introduce fair pay and working condition practices in projects its funds. It has introduced well-being facilitators to work on productions which help provide support to workers with their mental health. It has also put in place a skills plan to address gaps within the different sectors (Welsh Parliament 2023a, p. 5).

It should be noted that during and after the Covid-19 pandemic the Welsh Government's actions for the creative sector were based on a systemic approach (which were not obvious, however often declared, earlier). This was a significant change in relation to disorientation caused by the Brexit shock, the negative effect of which (not only in the economic dimension) were fought almost exclusively by the UK Government with a high level of passivity of regional authorities. The evidence of the systemic nature of actions was, first of all, commencement of work on the creation of a new Cultural Strategy for Wales, which included the broadly understood communities of the creative sector and the recipients of its services. Over 100 in-depth interviews and 15 workshops were conducted with representatives of various social circles to prepare the final document that would be pragmatic and ambitious, ensuring coherence and cooperation between sectors as well as reflecting in the policy of the Welsh Government (Welsh Government 2023b, p. 24-25). Apart from these (still ongoing) works, ad hoc support has been also provided corresponding to needs and (as far as possible) expectations identified ex officio or indicated from the grassroots. The latter forms of assistance have included:

- 1) providing an additional GBP 1 million to offset the increased costs of living and operating in the arts sector (especially for the musicians) in 2023 and 2024;
- 2) allocation of the whole incomes from the National Lottery (managed by the Arts Council of Wales) for artists' needs in 2023;
- 3) increasing the existing and introducing many new artistic scholarships (e.g. for the learning and popularization of the Welsh language);
- 4) creating Cymraeg 2050 project to increase the regional Welsh-speaking population to 1 million people in 25 years;
- 5) introducing a high work culture in projects implemented or financed by the Welsh Government or its subordinate institutions and organizations as well as encouraging other entities to improve the quality of working and pay conditions for employed or cooperating representatives of creative industries;
- 6) introducing the well-being facilitator programme (to support and advice a production companies on how best to meet their legal duty of care) in 2023 and beginning of this pro-programme extension on the music and digital sectors in 2024;
- 7) providing over GBP 400.000 to deliver a series of

- commissioning projects that would de-liver black, Asian and minority ethnic heritage projects across the arts sector;
- 8) providing approx. GBP 1 million (of Creative Skills Fund) for identifying and mitigating skill gaps projects (mainly digital, music and cross-sector) in the period 2022-2024;
- 9) establishing a film and TV apprenticeship programme Criw which funded more than 260 placements in 2020-2023 (based on the shared apprenticeship model, where apprentices work with different businesses);
- 10) providing GBP 2 million to ensure every further education college has an enhanced employment and enterprise bureau;
- 11) financing Inspiring Skills Excellence projects providing young people with an opportunity to challenge and raise their skills;
- 12) financing a number of competitions held for creative industries (including 3D Digital Game Art, Fashion Design and Technology Graphic Design, Digital Media Production and Inclusive Skills Media competition) (Bowden 2023, p. 6);
- 13) creating Careers Wales working in a range of education settings to support young people to become more effective at planning and managing their careers in an ever changing and complex job market (especially by understanding how their subject option choices can im-pact their future career ideas, learning more about their career options and how to take their next steps, organisation of education courses in creative industries);
- 14) supporting and cooperating with Screen Academies Network in providing to schools and colleges masterclasses, placements and outreach work (Welsh Parliament 2023a, p. 18-44).

As a rule, aid from the regional budget have been not directed to the screen industry due to its generally good condition. Exceptions have been made only for entities (both public and private) that indicated the occurrence of serious (i.e. threatening their existence) and long-term problems that they have been unable to overcome on their own. In this way, one-off grants were received e.g. by the Aria Studios in Anglesey and Gogledd Creadigol in Caernarfon. The largest funding (i.e. GBP 33.500) have been provided to Film Hub Wales (regardless of the British Film Institute's permanent grant of GBP 200.000 annually) to the maintenance of (especially small) cinemas (Welsh Parliament 2023a, p. 48).

IV. RECOMMENDATIONS FOR FURTHER ACTION BY THE WELSH GOVERNMENT IN THE CREATIVE SECTOR

Researches carried out independently by the Culture, Communications, Welsh Language, Sport and International Relations Committee of the Welsh Parliament and a leading regional think-tank, i.e. Institute of Welsh Affairs (IWA) on the situation in the creative sector led to the formulation of specific recommendations for the Welsh Government, which will, unsurprisingly, become the guidelines for the currently developed Cultural Policy for Wales. These recommendations

can be summarized as the following demands:

- 1) to ensure that the forthcoming Culture Strategy sets out support for developing and sustaining the workforce in the arts and music sectors;
- 2) to enhance coordination of initiatives ensuring sufficient Welsh language skills available in creative industries;
- 3) to cooperate with trade unions and production companies for identifying best practices to ensure that workers can work in an environment free of discrimination, bullying and prejudice;
- 4) to cooperate with the Arts Council of Wales for reviewing what additional resources are required by the arts, culture and music sectors to achieve equitable pay settlements and outline what additional support could be provided;
- 5) to include provisions on fair play and working conditions and the use of well-being facilitators in the forthcoming Culture Strategy for Wales;
- 6) to introduce (in projects financing by the Welsh Government) and promote the introduction (in projects realized by other entities) of contractual clauses within production funding agreements to improve equality, diversity and inclusion;
- 7) to work with the Arts Council of Wales and the academic partners to outline how it can improve data collection on equality, diversity and inclusion;
- 8) to increase the funding available through the Creative Skills Fund and works with industry to identify future skills gaps;
- 9) to provide longer-term (i.e. beyond 2024) funded support for skills development in the creative sector;
- 10) to undertake joint-working with schools, education providers and creative industries to ensure that young people are aware of the range career opportunities, and have the re-quired skills, to work in creative industries;
- 11) to undertake an assessment of the financial health of:
 - a. arts venues in collaboration with the Arts Council of Wales, the Music Venues Trust and other suitable organisations,
 - b. the cinema sector in collaboration with the film Cymru, to allow for any further support to be provided if required, before the next financial year (i.e. 2025);
- 12) to coordinate the Arts Council of Wales and the Creative Wales creation of an ono-stop cultural freelancers' directory, listing freelancers in the creative sector;
- 13) to set up a pan-Wales funders' directory, listing available sources of funding for cultural freelancers;(Welsh Parliament 2023a, p. 7-8, Furet 2024, p. 3).

However, the formulation of the above recommendations did not mean that the current policy of the Welsh Government towards the creative sector was assessed negatively. On the contrary, the reports of both the Committee and the IWA highly assessed the activities of the regional authorities so far, emphasizing in particular their systemic nature, striving for comprehensive and lasting solution to the identified problems, and especially orienting the activities carried out to those spheres that creative industries environment itself considered important (i.e. those where interventions was absolutely

necessary).

V. CONCLUSIONS

There is a clear dichotomy in the development of the creative sector in Wales. The dynamically developing screen industry is perfectly coping with market challenges, even those resulting from Brexit and the Covid-19 pandemic. In this part of the sector, the Welsh Government interventionism is limited only to attempts of introducing the regulations aimed at ensuring better treatment of specific professional (e.g. freelancers) and social (national, ethnic, racial, sexual etc. minorities) groups, while relatively small financial support from the regional budget is not complex but only point-based, i.e. addressed to entities struggling with constant problems (such as small, local cinemas presenting regional and/or independent producers films only). All other industries, especially those in which direct contact between the creator and the recipient plays a special role (e.g. painting, music, theatre), have serious problems because many artists give up their activities. In their case, comprehensive, permanent and significant financial support is urgently necessary. This type of assistance is indeed provided from the national and regional budget, directly or through cultural institutions or organizations. How-ever, it should be emphasized that despite large sums of money being spent to help this part of the creative sector in Wales, it has not yet returned to its pre-pandemic situation. Regional grants for creative industries already stand at over GBP 3,5 million above the threshold set in the period preceding the negative effects of Brexit and the Covid-19 pandemic. This means not only an increasing burden on the Welsh budget with expenses, the potential results of which will be visible only after a long time, but also increasing dependence of regional culture and art on external subsidies, which automatically reduces the motivation of artists to create works that are interesting from the point of view of potential buyers. Perhaps this will result in the development of specific (and narrow) creative branches that would not have a chance to exist under other circumstances, but at the same time it will weaken the self-development capacity of entire industries.

In this context, the systemic activities of the Welsh Government should be positively assessed. Without giving up on ad hoc aid, it intends to develop a plan for complex aid activities, creating a long-term Cultural Strategy for Wales. It is also not surprising that funds from the regional budget are directed primarily to weak and declining industries. However, some disorientation in the direction of expenditure is evidenced by the fact that a significant part of the regional authorities' efforts (and therefore money) is devoted to introducing (and financing) equality policies, while – it seems – it would be more beneficial to invest them in hard actions consisting into restore financial stability to creative institutions and organizations. But, projects to more closely link the functioning of the creative sector with the social environment (in particular with schools and universities), are very promising. In this way, a new generation will be raised, whose interest in the products of

creative industries will be the best guarantee of the existence and development of the analysed sector, even if support from the national or regional budgets would be reduced. To sum up, it should be concluded that the current policy of the Welsh Government (although not without some flaws) seems to be right, as it allows to expect a gradual revival of these creative industries that has aroused deep concern so far. However, the final effects of this policy will be only assessed several years after the implementation of all its elements (in particular the Cultural Strategy for Wales).

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