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A Balancing Act: artists' labour markets and the tax and benefit systems

*There cannot be too many projects which lead a national newspaper, in this case the **Independent on Sunday**, to commission work from a critically acclaimed poet, Martin Newell, but this happened in response to the publication of **A Balancing Act: artists' labour markets and the tax and benefit systems**. This study is the first of two to arise out of research led by Sheila Galloway (CEDAR) and Robert Lindley (IER), commissioned by Arts Council England. It explores the views of artists on their experiences of employment, both in artistic practice and in other fields, and the effects of UK tax and social security policy on their ability to sustain viable professional lives.¹*

The cultural sector

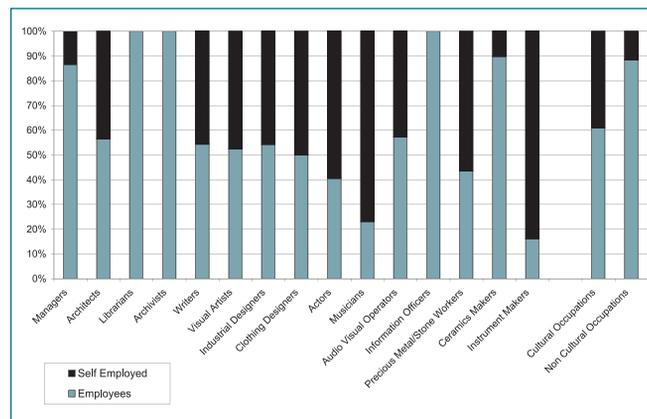
The UK's cultural sector generates revenues of around £115 billion and employs 1.3 million people. It contributes over £10 billion in exports and accounts for over five per cent of Gross Domestic Product (GDP). Output from the sector grew by more than twice that of the economy as a whole in the late 1990s (DCMS, 2001).

From a somewhat different perspective, taking together those currently employed in a cultural *occupation*, either as a main or second job, and those unemployed whose last job was in a cultural occupation, the 'pool of cultural labour' is about 760,000.

A large proportion of people employed in the cultural sector or in cultural occupations are self employed (Figure 1) or employees engaged on temporary contracts (one in four actors and one in six musicians). National, regional and local studies have confirmed the precarious nature of employment in the sector and the relatively modest financial rewards obtained by the majority of those who work in it.

¹ 'A Balancing Act: artists' labour markets and the tax and benefit systems' by Sheila Galloway, Robert Lindley, Rhys Davies and Fiona Scheibl (2002) Research Report 29, London: Arts Council of England. The views expressed in this *Bulletin* are the responsibility of the authors, not the Arts Council England.

Figure 1 Employment status of those in cultural occupations as a main job



Note: 'Actors' includes actors and entertainers, dancers, choreographers, managers, directors and producers. The 'dual status' of performers in relation to the tax-benefit system may not be reflected in these statistics. Source: Labour Force Survey, 2001.

The striking contrast between the profile of the cultural sector as a source of quality and dynamism in promoting economic growth and the nature of the employment generated by the sector raises two key questions:

- Can the sector maintain its current performance without greater effort being made to raise the quality of the jobs it generates?
- Could its contribution be even better if more attention was paid to its business practices and the public policy framework within which it operates?

The sector is seen as a major contributor to social and community development, yet those starting and building a career in artistic occupations are still highly dependent on having financial support from their families - conditions denied to those in the areas most needing regeneration.

Scope of the study

This *Bulletin* summarises the findings of the first of two publications resulting from a research project commissioned by the Arts Council of England (ACE) which was carried out by the Warwick Institute for Employment Research and the Centre for Educational Development, Appraisal and Research at the University of Warwick. Taken together, the reports explore aspects of artists' labour markets and the operation of the tax and benefit systems through the analysis of existing statistical sources and through new qualitative evidence produced by the project. In addition, from other research funded by ACE, McAndrew (2002) provides an international review of tax and benefit regimes as they affect artists.

Previous research provided insights into artists' employment but did not explore the links between the artists' working lives and the tax and benefit systems.

This research aims to build on these previous studies and to provide additional information about what is known in this area, as well as what we do not yet know, and about the perceptions of artists on these matters.

The qualitative study which forms the basis of this *Bulletin* gathered information from individual artists about what they considered to be key issues relating to employment status and their variable patterns of income. It also explored artists' experience of the tax and benefit systems in relation to various types of income. Other matters which were considered included access to the labour market and business development issues.

The report includes certain key features from the quantitative study to provide a context for the qualitative analysis. However, national data sources do not capture adequately the working patterns most associated with those in cultural occupations. They are used with substantial reservations and their limitations are discussed more fully in Davies and Lindley (2003).

There are, of course, other *ad hoc* surveys on particular areas of artistic activity. However, although they may seem better able to capture certain aspects of the working lives of those involved, in some ways they distort the picture in terms of how representative they are of the profession, especially when seeking to compare their results with those of surveys of other art forms. It was beyond the scope of this study to reconcile the interpretations of these different data sets.

The qualitative data were collected through six focus groups which took place at five locations in England and dealt in turn with performing artists; authors and writers; musicians; visual artists and craft makers; producers, directors and managers; and designers.

The aim of the focus groups was to capture the perceptions of artists. They were not intended to provide an advisory session on tax and benefit issues, nor to test the detailed knowledge of artists about taxes and benefits. They rather sought to identify the issues that concerned different groups of artists.

Artists' working lives

Uncertainty - the central ingredient of employment

Aspects of job insecurity discussed in this research project included:

- variable length of contracts and commissions;
- variable terms and conditions of contracts;
- short notice of engagements and commissions;
- delays in the start of a production;
- sequential stop/start patterns of employment;
- concurrent projects and contracts;
- the need to be available at all hours for work offers;
- seasonal employment;
- unsocial hours of work;
- unpredictable locations of work in the UK and abroad;
- unpredictability of work offers and consequent variable income;
- vulnerability to changes in fashion, in broader cultural trends and in 'market' preferences.

Evidence from the groups highlighted the view that, despite its pitfalls, the majority preferred self-employment. This meant coping with insecurity, not just in securing contracts for work, but also in chasing payment for work done.

Employment and income unpredictability was seen as undermining creative activity. We refer here to individual 'artists' in general across art forms. Specific qualifications which apply to particular groups are also noted, especially the position achieved by Equity for its members regarding their 'dual' tax-benefit status.

Participants experienced a lack of control over their working lives, not only in the uncertainty over jobs or contracts which is familiar to the self-employed in other occupations, but also because their income from such work was usually low.

However, artists learn to cope

A 'second job' or complementary employment was regarded as essential to the survival of many people working in the cultural sector. Some second jobs capitalised on artists' professional knowledge and skills and links could be made with the prime 'artistic' activity. Others called for technical or higher-level skills but were unrelated to the art form. Some jobs were unskilled and taken on a casual basis to boost earnings when other income dried up.

Notwithstanding these pressures, these artists accepted the consequences of being self-employed or temporarily employed and valued the freedom it gave. The individual could choose to work for different organisations and retain control over his or her work. The flexibility of 'portfolio careers' could be stimulating. Indeed, some participants said that more secure employment would not be conducive to creative activity and they related this to the role of the artist in challenging the *status quo*.

Starting and building a career is especially problematic

Gaining access to artists' labour markets was considered challenging with beginners often needing family assistance as well as talent and commitment to survive the early years, whilst taking unpaid voluntary work was common. The economic and social contribution of the cultural sector would benefit from a more inclusive pattern of education and initial training which would not filter out young people who had talent but lacked financial support from their families.

... and professional development is difficult to sustain

Self-employment and freelance project-based work leaves little opportunity for professional development. Low income and, for some, unsocial hours or variable locations of work precluded investment in expensive training and restricted the scope for commitment to courses requiring regular attendance.

The scale of most artistic enterprises is too small to sustain employer-based training and development without financial and logistical support. Small organisations would make good use of help towards developing their staff and those freelance artists whom they employed on a regular or recurrent basis.

Much professional development could be better geared to the needs of artists. Participants sought suitable specialist opportunities, the right infrastructure and low-cost provision. Learning from other practitioners was a key feature.

There was a view that artists need support through bursaries and grants as well as changes to the benefit system. Participants valued the opportunities available to individuals for bursaries and grants and saw these as an appropriate method of enabling individual artists to continue producing work. The need for such support continued throughout their careers. One group advocated some form of career development loan.

Clients and, even, sponsors do not appreciate the high 'hidden costs' of artistic practice

Freelance artists absorb many hidden costs, including fees associated with maintaining performance standards, time spent on proposals and auditions, meeting potential sponsors, promoting new work and preparation of film, TV and radio productions. Overall, the research and development aspects of professional practice were not in the view of these participants recognised in the fees which could be charged. Nor, it was said, were the education, training and professional expertise which an artist brought to a commission or a contract.

Some areas of creative work impose very high costs for parents and often require support from partners

Creative work in the cultural sector was considered high risk for people with dependants, given the low income from artistic work and the often uncertain hours, location and duration of a commission or engagement. Women who were responsible for child care experienced this sharply, as did single parents (who are almost always women).

Artistic careers were often underpinned by a partner's employment and participants spoke of household decisions whereby one partner had taken more predictable employment so as to guard against the uncertain earnings of the partner involved in artistic work.

Resources

More financial support for shared facilities such as cheap rehearsal space for aspiring professional musicians and premises for sole traders in the visual arts and design were strongly advocated.

It was suggested that higher education institutions in design could make their facilities available in the long vacation to their

own new graduates working to establish themselves.

Information

Participants' experience had been that opportunities for most artists had been inadequately covered by job centres. Ways could be found to recognise the work of the professional artist as a distinctive job, career or employment category and to build up the service provided.

Independent advice on contractual issues was needed, for example, for young musicians when first signing deals with record companies.

Practitioners may not be aware of the full range of support provided under the national arts policy heading, regional and local initiatives, or through the myriad of business support schemes and programmes to help the unemployed and under-employed. Unfortunately, their plethora is itself part of the problem and a reason why potential reform of the basic tax and benefit systems needs to be considered.

Overall, the artists participating demonstrated high levels of self-reliance and did not call for unrealistic 'hand-outs'. They did, however, envisage reasonable adjustments to the existing tax and benefit systems which could in practice make a difference to their ability to produce exciting work and to sustain an artistic career while earning a livelihood and providing for a family.

Taxes and frustration

Suggestions about adjustments to the tax system focused on:

- payment of tax in arrears
- allowances to recognise professional development costs and childcare costs
- recognition of variable patterns of earnings
- exemptions from business rates for sole traders
- tax incentives to companies which employ artists
- clarification about whether prizes and awards were subject to tax or not.

Participants said the tax system was both inflexible yet seemingly subject to unpredictable interpretations in the treatment of some of their affairs.

Although tax officials had individually been helpful when asked for guidance, the treatment of 'artists' often seemed to be unclear to the officials themselves.

Support for artists' research and development costs might be channelled through the companies commissioning the work. This is especially the case for writers or designers. Tax incentives to companies which employed creative people would be one possibility.

Taxation on work done or sold overseas was unclear and caused difficulties for several participants. Preparing accounts for work overseas was considered complex and expensive. Relatively modest reclaimable sums due to an artist might be written off because of the time needed to claim them back, even though these can result in a significant cumulative loss to the individual.

Some who were employees but also worked on a self-employed basis had experienced problems. Separate tax offices were said to interpret rules differently and Business Rates were seen to be a real burden for small businesses especially in the start-up phase. Having no tax allowance for training was seen as a further hurdle to developing an artistic practice/business.

Also, freelance artists sometimes have to employ assistants or apprentices to help with their work. Improvements in the tax treatment of such expenditure would make a significant difference to the individual artist.

Participants experiencing exceptionally high childcare costs of maintaining an artistic career because of the uncertain timing and logistics of the work strongly advocated more extensive tax relief for the costs of subsidised provision of childcare.

Many artists work for educational institutions alongside their artistic practice. Considerable comment was made on the need for further and higher educational institutions to rationalise their treatment of practising artists employed on a very occasional or 'one-off' basis so as to avoid taxation at source.

Benefits and hassle

The benefit system cannot currently respond to the usually intermittent pattern of artistic labour and earnings; there should be enough flexibility in the rules to respect the discontinuous pattern of work which creative people experience.

Particular problems faced people who accepted work on short tours or commissions overseas. Even very small sums of earned income for such brief engagements jeopardised benefit payments. This was therefore a strong disincentive to declaring sporadic earnings, in effect, making it hard to be honest.

The 'hassle' of engaging with the benefit system meant that some participants decided not to claim at all. They had therefore to find other ways of meeting their living costs in order to be able to continue their creative work.

Particular difficulties faced disabled artists. The status of those receiving benefit who could at the same time contribute to a production was very unclear.

Further schemes to encourage compatibility of the benefit system with building up an artistic enterprise were advocated. The former Enterprise Allowance Scheme was recalled in some groups as an effective mechanism which had been supportive of the arts, though any such new initiatives would need careful monitoring.

In an era where perceptions of growing insecurity among the work force have been given quite general currency in the media, it may come as a surprise that they are not usually born out by the statistical evidence. In this climate, however, there is a danger that the insecurity that has long characterised artists' lives may continue to go insufficiently recognised or played down as if all occupations are heading that way.

Running through all the focus groups was the participants' belief that creative work and the artists who produce it are still not

valued in the public policy arena even though governments have made the connection between the creative sector and economic growth.

The key features of artists' working lives are the very ones that sit most uncomfortably with tax and social security systems that have been designed with more conventional and regular employee or self-employed status in mind.

There is clearly a strong case for exploring how tax and benefit regimes might be reformed to remove the penalties they impose on artists and to develop the cultural sector more effectively. The prospects of finding changes that would promote equity and efficiency *at the same time* are good and there are dynamic gains to be had from this by harnessing cultural activity more successfully in the interests of both economic growth and social welfare.

In these instrumental times, however, it is worth noting the other case for tax-benefit reform to promote cultural activity...for its own sake.

References

Davies, R. and R.M. Lindley (2003). *Artists in Figures: A Statistical portrait of Cultural Occupations*. Research Report 30. London: Arts Council England.

Galloway, S., R.M. Lindley, R.Davies, and F.Sheibl (2002) *A Balancing Act: artists' labour markets and the tax and benefit systems'* (2002). Research Report 29. London: Arts Council of England.

McAndrew, C. (2002). *Artists, taxes and benefits; an international review*. ACE Research Report 28. London: The Arts Council of England.

Other related IER research:

Dance and Drama Awards: An Economic Perspective (Commissioned by the DfES for the 2002 Public Spending Round to analyse the potential impact of the DADA scheme, supporting higher education and training of performing artists, Contact: Robert Lindley.)

The cultural sector is also one of the main sectors chosen as case studies in two EU Framework 5 projects: 'European Study of Precarious Employment - A Comparative Study of Labour-Market-Related Risks in Flexible Economies' and 'Social Dialogue, Employment and Territories - Towards a European Politics of Capabilities' – together, these examine the cultural sector from the points of view of the working lives of artists and the place of the sector in regional development. Contact R.M.Lindley@warwick.ac.uk or Sheila.Galloway@warwick.ac.uk

Davies and Lindley are also collaborating with Galloway and other colleagues from CEDAR (Dr. J. Neelands, Professor Geoff Lindsay, Ms. S. Band and Dr. V. Freakley) on the 'Evaluation of the Dance and Drama Award Scheme', a major qualitative and quantitative study, funded by the DfES. Contact (IER): R.M.Lindley@warwick.ac.uk