Evidence to the Migration Advisory Committee on the Impact of Brexit on the Visual Effects and Animation industries

October 2017
This evidence to the MAC is presented by the UK Screen Alliance in partnership with Animation UK and covers both the VFX and Animation industries.

About the UK Screen Alliance and Animation UK
UK Screen Alliance is the trade association that represents Visual Effects (VFX), TV & Film Studios, Post Production and Animation in the UK. It is the membership organisation for over 80 leading employers in this sector and its primary purpose is advocacy for its member companies and the wider screen industries.

UK Screen Alliance was formed in 2016 when two long-established organisations, the UK Screen Association, (founded in 2003) and Animation UK (founded in 2008) joined together to pursue mutually agreed goals on behalf of their members. The UK Screen Association members come from a lateral layer of service providers to the film, TV and commercials sectors; whereas the Animation UK membership consists of an industry vertical comprising independent entertainment companies specialising in production, distribution, development, financing and brand development of children’s and family properties. These two constituencies intersect across many common interests, particularly those of workforce, migration & visas, skills development and talent pipeline from schools through college and university into jobs and apprenticeships and of continuing professional development.

For a detailed profile of the UK’s VFX and Animation industries, please see Annex B
For a list of all UK Screen Alliance member companies, please see Annex D.

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Image 1 - The VFX and animation industry at work - Jellyfish Pictures
1. Executive Summary

Visual Effects (VFX) and Animation are vital components of the UK’s successful film, TV and commercials industries, which are in turn key components of the economically important and growing Creative Industries sector. The Creative Industries are one of five areas prioritised for an early sector deal in the government’s Industrial Strategy.

The loss of the Free Movement of Labour following Brexit is a critical issue for both Visual Effects and animation. There is a large commonality between the skills used in the VFX industry and animation, particularly digital animation. In many cases the highly-skilled workforce can move seamlessly between VFX and animation companies. These skills are in global short supply and so both VFX and animation face very similar challenges in recruitment from the UK and make extensive use of EEA and non-EEA labour to augment the local workforce. We are extremely concerned that following Brexit and the ending of the free movement of labour, any high charges for visas or restrictive quotas for migrant workers from either the EEA or non-EEA countries, will be highly detrimental to our sector.

We respect the government’s political mandate to manage migration in the UK and we acknowledge that it has been widely interpreted as being the will of the electorate following the Brexit referendum. We welcome the opportunity to participate in the debate about the shape of a new immigration policy for the UK and how it should be aligned with a modern industrial strategy. We hope this MAC consultation will give due consideration to immigration from the entire world and not just in the context of the EEA.

The UK’s VFX industry is heavily concentrated (more than 90%) in central London which is home to 5 of the largest VFX companies in the world. This is the globally most significant cluster of award-winning VFX companies which competes successfully with rival hubs in Vancouver, Montreal, Los Angeles, New York and mainland Europe. The animation industry is geographically more widespread with companies across the UK and notable studios in Bristol, Cardiff, Manchester, Belfast and Scotland.

VFX is predominantly a service industry, where the largest clients are based in the USA and are attracted by the screen sector tax credits to bring significant inward investment film and high-end TV projects to the UK. Animation companies also benefit from the Animation Tax Relief and often generate valuable intellectual property through their own productions, which in turn may lead to lucrative merchandising deals for toys, games and books etc based around the characters they create. Animation companies may also engage in service work for other customers.
VFX is not just an important service to film and High-End TV (HETV). Many of the VFX houses that service film and TV also service the advertising market along with several specialist commercials VFX houses. Some animation companies also provide services to the commercials sector.

The post production sector as defined by SIC, 59.12, of which VFX is a substantial part, had turnover of £1.36bn in 2015 and employed 13,000 people. The VFX sector saw growth greater than 23% in 2015 because of the film and HETV tax credits and is currently still expanding with an estimated total workforce of 6,000. The top 15 companies in VFX between them currently turn over around £360 million per year and we estimate the turnover of the whole VFX sector to be £0.5 billion. It is estimated that in 2014/15, the revenue from inward investment feature films coming to the UK solely for VFX services was £200m (i.e. apart from the considerable inward investment generated for the UK film industry by feature films conducting principal photography in our studios and locations). It is estimated that in 2016, £295m was spent on VFX for film, TV and animation production (not including commercials). Anecdotal evidence points to an increasing number of projects currently performing or expressing interest in bringing VFX-only work in the UK because of the reduced threshold for tax relief qualification since 2014.

UK Screen Alliance’s evidence to the MAC presented in this document, draws heavily on our own fresh original research conducted during September 2017. Our survey reveals a high concentration of EEA workers in creative/operational roles within VFX companies, many of which are already on the Shortage Occupation List. It reports 33% of workers were from the EU or EEA (excluding UK and Ireland), 54% were workers from the UK or Ireland and 13% were from the rest of the world.

UK Screen Alliance has been building a statistics base for a few years and has some trend data but there are only partial statistics for animation. Until the establishment in 2017 of Animation UK as a trade body supported by membership and in partnership with UK Screen, the animation sector was often under-represented and over-looked in many consultations, such as those for the Shortage Occupation List. We now know that the animation workforce has 19% of its workers coming from the EEA and 3% from non-EEA countries.

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1. Standard Industrial Classification code to categorise business sectors
4. UK Screen estimate based on data from top 15 VFX companies as reported to Companies House
5. UK Screen estimate based on data from top 15 VFX companies as reported to Companies House
6. BFI Estimate

We have assumed that workers from Ireland will continue to have the right to work in the UK if migration from the EEA is restricted post Brexit.
The overwhelming majority of workers in the VFX and Animation industries are all highly-skilled with almost 90% being educated to degree level (level 6 or above.)

Overseas workers are recruited to these industries to fill skills gaps on the basis of their talent, and are not employed as a source of cheap or low-skilled labour. Our own research shows that the median salaries of EEA and non-EEA workers in operational roles are slightly higher than their UK counterparts. This may be a reflection of exchange rates as being paid in sterling is not as attractive as it was before the Brexit referendum.

We wish to highlight that our industries are committed to developing a home-grown workforce and have made a number of strategic interventions with HE, FE and apprenticeships to achieve this. However, this is a protracted process and currently the UK’s educational system is not optimised for producing sufficient recruits with the right high-quality skills. VFX and animation requires a blend of creative and STEM skills to succeed.

We predict that the UK’s education system would be unable to supply graduates or candidates for apprenticeships to back-fill posts currently occupied by EEA workers in sufficient numbers to avoid a serious labour supply crisis for the VFX and Animation industry, in the event of a major curtailment to the movement of labour for both EEA and non-EEA highly-skilled workers. This shortfall would persist for more than a decade, before today’s graduates and apprentices gain sufficient experience to occupy senior roles, by which time the sector could have suffered irreparable damage.

There is a very real prospect that projects could be quickly moved to other parts of the world if the UK’s VFX and animation industries cannot get the access to the talent they need and become hampered in the UK by punitive visa costs or restrictive quotas.

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8 Creative Skillset Workforce Survey 2014 – In animation 89% of workers are educated to degree level or above. In VFX, 86% are educated to degree level or above

https://creativeskillset.org/assets/0001/0465/Creative_Skillset_Creative_Media_Workforce_Survey_2014.pdf

9 Exchange rates on the eve of the Brexit Referendum in June 2016 were £1 = $1.48, £1 = €1.30
Now (Oct 2nd 2017) £1 = $1.32 , £1 = €1.13 Source: Bank of England
2. Recommendations

- UK Screen Alliance asks that any policy to control migration of EEA workers does not create immediate and hard-to-fill skills gaps in the VFX and Animation sectors.
- The government should give immediate certainty to EEA citizens currently working in the UK that they will be able to remain after the UK leaves the EU.
- Visa-free travel should be allowed between the EU and the UK and vice versa.
- Employers must be able to have immediate same-day access to EEA talent, as they do now, to be agile when responding to the needs of rapidly changing schedules and workloads.
- We do not favour visa quotas, but if they are introduced, they must be sufficient to not choke off the supply of skilled talent from the EEA or from the rest of the world. Visa quotas should be ring-fenced for the VFX and Animation industries in respect non-EEA migration (and for EEA migration if introduced), so that they are isolated from excessive use by other sectors that will inevitably also be suffering labour supply problems.
- The minimum salary threshold for Tier 2 visas is now £30,000. Whilst the median salary in the UK for all VFX workers from the EEA is £40,000, the median for EEA citizens in junior roles is £25,000 and therefore they would not quality for visas under the Tier 2 rules, thus creating a hard to fill skills gap. We do not consider that salary levels are a good indicator of skill and this is to the disadvantage of the creative sector compared to say the financial sector, where salary levels are higher for similar roles. We suggest that a lower salary threshold based on the going-rate for the job for potential visas for EEA workers should be considered so we do not have an immediate skills gap in junior roles.
- Our preference is for the Immigration Skills Charge to be withdrawn altogether rather than be doubled and we ask that the government does not levy the Immigration Skills Charge on EEA migrants. All visa regimes should be affordable and not be a punitive tax that impacts our competitiveness and diverts money away from internal training.
- If the government decides to persist with the Immigration Skills Charge any monies levied on the VFX and Animation sectors should be ring-fenced to address skills gaps in these sectors and the mechanism for returning these training funds to industry for training should be efficient and easy to access and navigate by employers.
- Additional roles may need to be added to the Shortage Occupation List (SOL) where there isn’t a current shortage, but if access to EEA talent post Brexit is restricted, a shortage will be created. Once a role is on the SOL, this obviates the need for a company to perform a Resident Labour Market Test.
before employing an overseas worker and allows companies to be agile in responding to rapid increases in demand for additional workers as new projects are won.

- UK Screen also asks that the Government make available more funding for the development of home-grown VFX and animation talent by reform of the Apprenticeship Levy
  - The Apprenticeship Levy needs to be more flexible to fit the needs of the Film and TV industry
  - Funding is required for the development of more Apprenticeship Levy standards.
  - The funding bands cap for individual VFX apprentices should be increased from £9000 to £12,000 to allow full funding when the cohort sizes are small. Current VFX apprenticeship training costs £10,300 per head leading to funding shortfall of £1300.
  - The Apprenticeship Levy should become a Skills and Training Levy that allows the use of funds for short-course upskilling of existing employees in junior and mid-level roles to accelerate their progression to more senior roles.

- We agree with and support all the recommendations put forward by the Creative Industries Federation in their Global Talent report\textsuperscript{10} particularly their proposals to introduce a “creative freelancer” visa and to open up the Tier 1 Exceptional Talent route. We would like to see the Tier 1 quotas increased and the criteria reviewed for Exceptional Talent applicants in the fields of the film, television, animation, post-production or visual effects industry. We would prefer these to be an assessment of skill and less awards-based, which is sometimes a matter of luck, lobbying or fashion and often excludes good people who have notable talent but just haven’t worked on the right productions yet.

\textit{Image 3 - Guardians of the Galaxy 2 - VFX by Framestore for Disney/Marvel}

\textsuperscript{10} Global Talent - Creative Industries Federation - October 19, 2017  
https://www.creativeindustriesfederation.com/sites/default/files/2017-10/GlobalTalent_v10_1.pdf
3. The shortcomings of National Statistics for VFX and animation

National Statistics are grouped too widely to reveal these concentrations of migrant workers. The Labour Force Survey shows 5.6% of the total creative industries workforce are from the EU\textsuperscript{11} and the DCMS statistics for “Film, TV, video, radio and photography” show 6% are EU workers. These statistics are too coarsely drawn and mask the acute issues in VFX and Animation. A large population of 59,000 professional photographers, who are mostly UK citizens, swamps the much smaller population of around 6,500 workers in VFX and animation. This grouping does not align with the considerable inward investment value created by VFX, as compared to the largely domestic economic value from photography and therefore the VFX and animation industries are not served well by the DCMS statistics.

There are no SIC codes that specifically cover VFX and animation. VFX businesses should be classified within SIC 59.12 but this is shared with all post-production businesses. We know that some large VFX houses have self-classified in SIC 59.11 normally used by Motion Picture and TV Production companies. SIC 59.11 is the most appropriate classification for animation companies but then their statistics are masked by those of the wider film and TV production industry that are also classified within that code.

The SOC codes used by many roles in VFX and animation are also widely shared with other sectors. This can lead to unfavourable comparisons when using salaries as a measure of skill level. IT personnel in VFX and animation are paid less than their counterparts in financial tech but are nonetheless just as skilled.

It is therefore difficult to use National Statistics at their publicly available granularity to draw critical conclusions about the VFX and animation sectors without considering other sources of evidence.

\textit{Image 4 - Kingsman: The Golden Circle. VFX by Framestore – 20\textsuperscript{th} Century Fox}

\textsuperscript{11} Skilled Migration and the UK’s Creative Industries – NESTA August 2016
The supply of VFX and animation graduates from UK universities

The VFX and animation industries have expanded rapidly in recent years but the UK’s educational system from primary through to tertiary education has been slow to react to the increased demand for home-grown talent in VFX and animation and they have been unable to supply sufficient graduates at the high quality required to compete at a global level. A few notable UK universities however are highly-rated by UK VFX and animation companies but often employers need to recruit from overseas to fulfil current demand.

Amy Smith
Head of Global Recruitment at Framestore

“European courses are often longer and that makes these recruits better prepared for the transition into work. The students are more self-critical of their own abilities, have stronger context for their own skills regarding film, art and photography theory, and creatively have better ideas which are far more professionally executed.

This may not however be purely because of their university experience. The EU countries where these establishment are, place more value on a creative education from a very early age so by the time someone attends a VFX school, they already have a much stronger foundation for this kind of course than a typical 18-year-old in the UK does.”

Successive government interventions into the curriculum have in our opinion moved education policy in the wrong direction, particularly in respect of retaining creative subjects in the curriculum. VFX and animation both require a blend of knowledge of creative and digital skills.

Alumni of European colleges such as ESMA (France), Animation Workshop (Denmark) and Filmakademie (Germany) are highly-rated by UK employers, often in preference to graduates from the UK.

In recent years, the VFX industry has taken steps to redress this imbalance through its advocacy for a blend of creative and digital skills in the school curriculum, direct interaction with universities and endorsement of the Creative Skillset “Tick” for industry recognised courses.

The VFX and animation industries enthusiastically support the NextGen Skills Academy and its Level 3 FE foundation courses in VFX, Games and Animation. NextGen’s first cohort of 120 students completed their course in July 2017. There will be a further 190 next year. The inaugural cohort of VFX apprentices entered the industry in October 2016. Whilst this a good start at building a home-grown workforce, it will take some time before these new recruits become sufficiently experienced to be economically significant.

UK Screen’s VFX Skills Working Group is exploring solutions such as degree level apprenticeships to help UK graduates bridge the gap between graduation and the experience necessary to thrive in the workplace.

The Animation industry through Animation UK is currently looking at ways to develop centres of excellence like the well-respected European schools such as Les Gobelins in Paris and Supinfocom in France, Canada and India.

The UK Screen Alliance is currently working with employers to present more detailed proposals for our skills and talent pipeline as part of the Industrial Strategy sector deal. Our emerging ideas include:

• A model for a world class “Centres of Excellence”, that draws on examples in Europe and internationally, which creates higher level skills, talent development and “creative and technical”
hothouses/conservatoires, based on rigorous selection and intensive support for new producers, directors, technical and artistic creators for the animation and VFX sectors.

- A strategic alignment and clear industry partnership with a selection of existing colleges and higher education institutions to enhance the relevance of existing courses and work placement opportunities and to ensure that there is clearly signposted access to jobs through degree courses, degree apprenticeships, higher apprenticeships, FE courses and internships.
- Support for our key training providers including the NextGen Skills Academy, to inform longer term qualification reform and the immediately required apprenticeship standards, but also in developing short-form course provision, mentoring, shadowing and stepping-up programmes in relation to skills gaps.
- A greater awareness by schools’ careers advisors of the opportunities within our sector and of the subject choices and qualifications necessary to navigate pathways into jobs

5. The creative advantage of a cosmopolitan workforce

Even if we can greatly increase the supply of quality home-grown recruits, the VFX and animation sectors will always need to access to international talent. As we produce the very best global output in Film and High-End TV we need the most skilled and creative workforce, regardless of where it comes from, to compete with Vancouver, Montreal and Los Angeles.

Major Hollywood clients will expect elite talent to work on their films. It not uncommon for the hiring of a few individuals from the global talent pool to be a contributory deciding factor on where the work gets placed, delivering multi-million-dollar contracts to the successful bidding VFX company.

Employing a workforce from across the globe, from diverse cultures and with different experiences can be immensely powerful. If a company’s culture encourages diversity of thought, it empowers the kind of creativity which gives a competitive edge. Our home-grown workforce benefits hugely from the mentoring and knowledge-transfer from rubbing shoulders with the international elite and from working in teams led by globally renowned experts.
6. The impact of the Immigration Skills Charge

The Prime Minister has said that she wants Britain to continue to be “a magnet for international talent”\(^\text{12}\), a sentiment that we wholly endorse. However, we find it hard to reconcile that statement with the obvious disincentive of increased visa costs via the Immigration Skills Charge for highly-skilled workers.

We believe that the Conservative Manifesto (May 2017)\(^\text{13}\) proposal to double the Immigration Skills Charge (ISC) to £10,000 for non-EEA migrants would be detrimental to our industry. Furthermore, we fear that any extension of the ISC to EEA visas or other such prohibitive costs, as a means of regulating the flow of migrant workers, would be extremely damaging to the VFX and animation industries. In that circumstance, whilst we may still be able to attract the “the brightest and the best”\(^\text{14}\) after Brexit, that access to talent would only be possible if a company could afford the prohibitive cost of the visa and any associated charges. This impacts on competitiveness and locks smaller companies out of the talent they need to grow and become global players.

The ISC is likely to have exactly the opposite effect for which is was intended. One of our larger member companies in the VFX sector, reports spending in the six months since the ISC was introduced in April 2017, of more than £40,000 on ISC charges for Tier2 visas. This is in addition to the cost of the underlying visa application fees and ancillary charges, the costs of holding a sponsorship licence and the staff overhead to process applications and ensure compliance. The same company has also paid over £90,000 towards the Apprenticeship Levy in the same period. Prior to April 2017, both these charges would have both been nil.

In a competitive market with tight margins, these additional charges are likely to bring pressure to reduce other costs and the obvious target is the training budget. Companies will not have the discretionary spending available to recruit, train and develop a home-grown workforce because of being penalised for employing migrant labour in roles on the shortage occupation list.

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\(^\text{12}\) The government's negotiating objectives for exiting the EU: PM speech – Theresa May 17\(^{th}\) Jan 2017
https://www.gov.uk/government/speeches/the-governments-negotiating-objectives-for-exiting-the-eu-pm-speech

\(^\text{13}\) https://www.conservatives.com/manifesto

\(^\text{14}\) The government's negotiating objectives for exiting the EU: PM speech – Theresa May 17\(^{th}\) Jan 2017
https://www.gov.uk/government/speeches/the-governments-negotiating-objectives-for-exiting-the-eu-pm-speech
The spectre of the Immigration Skills Charge over EEA Migration

We were informed by HMVI in January 2017 that the government had “no plans” to introduce the Immigration Skills Charge for EU/EEA workers and we hope that following the MAC consultation that good economic sense will prevail, and businesses will not be faced with crippling fees for employing highly-skilled EEA migrants that bring significant value to the UK economy.

However, we perceive that the government might have inadvertently created a political conundrum, where should the ISC not be introduced for EEA visas, citizens from countries with few heritage ties to the UK may be charged significantly less for visas than citizens from English-speaking Commonwealth countries where the Queen is Head of State. Clearly, we would not argue for parity for visa costs between these different territories unless that parity is zero. This is an area where the government and MAC should pay careful attention in order not to turn a poor policy into a disastrous one. The only sensible solution to this conundrum would be to withdraw the Immigration Skills Charge altogether.

The ineffectiveness of the Immigration Skills Charge in reducing migration

The Immigration Skills Charge was announced in March 2016; before the referendum on the UK’s membership of the EU. At the time in was one of the few ways available to the government to inhibit net immigration as the entry from EEA countries could not be restricted due to the Free Movement of Labour principle intrinsic in the UK’s membership of the EU.

However, the ISC targets the wrong kind of migration, in that the perceived public concern about immigration, as expressed by their decision to vote to leave the EU, was primarily about low-skilled economic migrants from Europe taking British jobs and using public services and not about highly skilled migrants from non-EEA countries bringing in useful skills to the advantage of the UK economy.

The Immigration Skills Charge cannot be allowed to inhibit the recruitment of the right people for the job, regardless of where they come from. At a senior level, a few key hires with specialist experience can make all the difference in securing a multi-million-dollar project for a UK VFX facility.

There is no evidence to date in our sector that the Immigration Skills Charge has inhibited the hiring of senior-level or mid-level employees from non-EEA. Employers simply must recruit from the global pool in order to compete. If they want to win the highest profile work in the world, they need the very best talents available in the world. However, with the cost of Tier 2 visas with all the trimmings and the ISC now standing at £7,500 and potentially increasing to £12,500, companies are reluctantly accepting the ISC as just another unwelcome employment tax with its subsequent negative impact on margins.

We urge the government to review the effectiveness and appropriateness of the Immigration Skills Charge as a part of a managed migration policy, now that there may be other less damaging methods of controlling immigration if the Brexit settlement uncouples the UK from the Free Movement of Labour. The government should scrap the Immigration Skills Charge and instead consider alternative measures that will not impact on our ability to remain competitive and ensure that we can continue to attract elite talent from across the globe to the UK.
Use of the Immigration Skills Charge to develop skills

In a ministerial statement\textsuperscript{15} given by the then Immigration Minister, James Brokenshire in March 2016, he said, “The MAC strongly supported the introduction of the Immigration Skills Charge to incentivise employers to reduce their reliance on migrant workers and to invest in training and up-skilling UK workers.”

The Conservative Manifesto\textsuperscript{16} of May 2017 said, “…skilled immigration should not be a way for government or business to avoid their obligations to improve the skills of the British workforce. So, we will double the Immigration Skills Charge levied on companies employing migrant workers to £2000 a year by the end of the parliament, using the revenue generated to invest in higher level skills training for workers in the UK.”

Yet, we have seen no proposals for how the monies raised by the ISC would be channelled back into developing a highly-skilled home-grown workforce and to reduce the perceived dependence on migrant workers. We conclude that the funds raised by the ISC are just being amalgamated into general taxation rather than being hypothecated for direct intervention to target skills gaps.

We appreciate that OECD statistics show that the UK does not rank highly when it comes to investment in employee training. However, sitting at the strategically interesting intersection of digital tech and creative, the VFX and Animation industry have had a long-term commitment to developing its workforce and talent pipeline and spend considerable sums on internal training. The animation industry has its own voluntary levy on production, specifically to fund training. VFX and animation employers have been at the forefront of the development of apprenticeship standards; we have strong links with universities. We support the accreditation of HE courses through the Creative Skillset “Tick”. The industry supports FE through the Next Gen Skills Academy. We are currently launching an inclusivity campaign, called Access:VFX, to make school students from socio-economically challenged areas aware of the career opportunities in our industry and a mentoring programme to guide them into jobs and apprenticeships. We provide further detail of our commitment to developing home-grown talent in Annex A.

Whilst we challenge the fundamental principle of the Immigration Skills Charge, it is vital if the government decides to persist with it, that it’s cost to the businesses on which it is imposed should be mitigated by an effective use of the funds to develop high-level skills within the same industries that have hitherto sought those skills from abroad.

The Apprenticeship Levy is primarily targeting entry-level skills, and this is not the level where migrant labour is concentrated in VFX and animation. The Apprenticeship Levy does not allow spending on the Continuing Professional Development (CPD) necessary to enhance quickly the skills of junior or mid-level staff and move them to the experience levels where there are shortages filled by migrant workers. Any funds raised from the Immigration Skills Charge should be channelled towards CPD via short-courses rather than year-long apprenticeships.

\textsuperscript{15} http://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2016-03-24/HCWS660/

\textsuperscript{16} https://issuu.com/conservativeparty/docs/ge2017_manifesto_a5_digital/22?ff=true&e=16696947/48955343
However, we still maintain that it would be far better not to penalise businesses than have an over-riding need to employ an international workforce to be competitive in a global market. We would prefer to see more carrot and less stick when it comes to encouraging businesses to invest in training.

The VFX and animation industries have certainly not been avoiding their obligations in this area.

*Image 6 - Doctor Who - VFX by Milk for BBC*
7. The UK Screen Alliance workforce Survey 2017

Methodology

Our evidence presented here, relies on our own recent workforce survey. We asked the HR departments of 13 leading companies in the VFX and digital animation sectors to supply us with data that has enabled us to build a profile of the nationality, visa status, age and experience of the workforce which is mapped against 116 job roles. The sample size was 3,815 individuals, which is about half of the total estimated workforce. All the companies in the survey are either based in central London or have operations in London, with two companies also having operations elsewhere in the UK. At least 95% of the employees in the sample work in London. The survey was conducted with a census date of 1st September 2017.

Table 1 - UK Screen survey 2017- Individuals in the sample, categorised by department

<table>
<thead>
<tr>
<th>Department</th>
<th>Individuals in sample</th>
<th>Percentage of total sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creative</td>
<td>2579</td>
<td>68%</td>
</tr>
<tr>
<td>Production Management</td>
<td>464</td>
<td>12%</td>
</tr>
<tr>
<td>R&amp;D/Systems</td>
<td>355</td>
<td>9%</td>
</tr>
<tr>
<td>Administration</td>
<td>228</td>
<td>6%</td>
</tr>
<tr>
<td>Facilities/ Front of House</td>
<td>148</td>
<td>4%</td>
</tr>
<tr>
<td>Senior Management</td>
<td>41</td>
<td>1%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>3815</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Table 2 - UK Screen survey 2017- Size of companies in the sample

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Number of companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;1000</td>
<td>2</td>
</tr>
<tr>
<td>250 - 1000</td>
<td>2</td>
</tr>
<tr>
<td>100 - 249</td>
<td>2</td>
</tr>
<tr>
<td>50 - 99</td>
<td>4</td>
</tr>
<tr>
<td>&lt;50</td>
<td>3 (includes 1 VFX dept. of a larger company)</td>
</tr>
</tbody>
</table>

The companies supplying detailed data include 4 out of the 5 largest UK companies supplying VFX for Film & TV. All the companies apart from 2 are involved in Film, TV or animation work that benefits from the screen sector tax credits and therefore are helping to drive inward investment. Also in the sample are three largest companies in the UK that supply VFX to the commercials sector.

There are many more smaller companies who are not included in our dataset. It is not surprising that smaller companies in this sector employ fewer migrants, especially non-EEA migrants on expensive sponsored visas. It would also not be surprising to find companies employing few or zero migrants are more relaxed about Brexit than companies with large workforces that include a high proportion of EEA migrants.

We know that some will criticise our survey for being selective and we freely admit that it is. However, we feel that it is important to highlight the Brexit effect on the large and mid-sized companies in our sector that create the overwhelming proportion of the inward investment value for the UK flowing from the screen sector tax credits.
Analysis of the VFX workforce by nationality

The sample in the UK Screen Workforce survey contains citizens of 71 nations. It is a truly cosmopolitan workforce with companies benefiting from the creative influences of many cultures and diverse life experiences from right around the world.

We have classified the world into 5 zones in our analysis. The UK, the EU (excluding the UK and Ireland), Ireland, the 3 EEA states that are not part of the EU, and finally the Rest Of The World (ROTW). We predict that the outcome of the Brexit negotiations and any changes to UK immigration policy will affect these zones in different ways. We have separated Ireland into its own zone, since the government has already stated its desire to retain the Common Travel Area and therefore we do not anticipate any significant issues with employing Irish citizens in the UK after Brexit.

When considering the whole workforce in the sample, the zone analysis shows that 60% are for the UK and 1% are from Ireland. Citizens from the other EU and EEA states make up a total of 28% with citizens from the rest of the world making up the remaining 11%. There are large contingents from France (5.8%), Italy (5.6%), Spain (4.6%) and Germany (2.5%).
However, the success of the companies in our sample, relies on the workforce in three key departments. When analysing the impact of Brexit, it is necessary to separate out the creatives, the production management staff and the R&D/systems staff, as without these workers there would be no business. In this document we refer to this subset of the total workforce as the **Operational Workforce**.

Many administration roles are filled by UK citizens. Once they are removed from the sample the percentage of UK workers falls to 53%, with increases in the percentages of EU/EEA workers to 33% and ROTW to 13%. We feel that this subset of 3,396 operational workers in our sample, gives us a more accurate picture of the impact of Brexit on VFX and digital animation rather than considering all the roles within the workforce.

![Figure 3 - Zone of origin of the operational workforce only -2017](image)

In our previous survey from data collected in Q4 2016, the results were 56% from UK, 1% from Ireland, 31% from EU/EEA (excluding UK and Ireland) and 12% from the Rest of the World.

The datasets from 2019 and 2017 are comparable in size and involve most of the same companies. Therefore, we can conclude that the percentage of UK workers has decreased whilst there have been rises in the percentages for workers from EU/EEA and for the ROTW. Anecdotally recruiters within the VFX companies tell us that competition for the best talent is now more intense than it is has ever been.
Analysis of the VFX workforce by age and seniority of role

Most creative roles in VFX can be subdivided into junior, mid and lead/senior levels with the most experienced roles being categorised as supervisor level.

By plotting all roles within these sub categorisations against the age of the employee we can obtain insights into the typical career progression. See Figure 4.

There is a large influx to junior roles at 21, which is consistent with the normal practice of recruiting graduates. The number of apprentices from the age of 17 is, as yet, insignificant.

Post graduate recruitment also adds to junior role numbers at 22/24 years old.

There is a noticeable cross-over of the number of employees in junior roles and mid-level roles at age 26/27. This represents the first major promotion although it should be noted that for many individuals, it may not be within the same company.

There is a similar cross-over between mid and senior roles at 31/32 years of age. The most senior supervisor roles tend to be occupied by people above the age of 33.

We conclude that it typically takes 5 to 6 years from graduation to reach mid-level roles. For those talented enough to reach senior roles, it takes approximately 10 years from graduation and the most talented people take at least 12 years to reach supervisor level. Should there be significant restrictions on access to migrant workers post Brexit, these are the minimum times that it would take to fill those roles with fresh UK talent, if the whole of the UK’s education system can step-up to supply high quality graduates in the required numbers. Currently the supply is not sufficient, so we think any restriction on migrant workers will have a severe impact on the talent base available to us, with a skills gap of at least 15 years allowing for the education system to ramp up.
The level of potential impact of visa controls on all migrant workers is very evident from Figure 5. EU citizens are present in significant numbers in Junior, Mid and Senior roles and represent at least 33% of the workforce at these levels. Citizens from the Rest of the World are significant in Mid and Senior levels with relatively few in Junior roles, which reflects the cost of visas and not meeting the required salary thresholds for visa qualification. UK citizens take a sizeable proportion of the roles at supervisor level.
Analysis of workforce by visa type

Almost 7% of the operational workforce are on visas sponsored by their employers in the Tier2 (General) or Tier5 (Creative and Sport) categories. Note that any minor percentage variances in the data presented in the table below compared to our data on nationality are due to a small number of individuals in the sample for whom visa data was not supplied.

Table 3 - Visa status of the operational workforce

<table>
<thead>
<tr>
<th>Zone</th>
<th>Visa Type</th>
<th>Workers</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>EEA</td>
<td>n/a</td>
<td>28</td>
<td>0.8%</td>
</tr>
<tr>
<td>EU</td>
<td>n/a</td>
<td>1014</td>
<td>30.1%</td>
</tr>
<tr>
<td>EU &amp; EEA Total</td>
<td></td>
<td>1042</td>
<td>30.9%</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>Ancestry</td>
<td>12</td>
<td>0.4%</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>Dependent</td>
<td>29</td>
<td>0.9%</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>Indefinite Leave to Remain</td>
<td>60</td>
<td>1.8%</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>Tier2 (General)</td>
<td>180</td>
<td>5.3%</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>Tier5 (Creative &amp; Sport)</td>
<td>52</td>
<td>1.5%</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>Tier5 (Youth Mobility)</td>
<td>13</td>
<td>0.4%</td>
</tr>
<tr>
<td>Rest of the World Total</td>
<td></td>
<td>346</td>
<td>10.3%</td>
</tr>
<tr>
<td>UK</td>
<td>n/a</td>
<td>1985</td>
<td>58.8%</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>3373</td>
<td>58.8%</td>
</tr>
</tbody>
</table>

Figure 6 - VFX operational workforce - current visa status
Analysis of remuneration

Overseas workers in the VFX industry are not a source of cheap labour that displace UK workers. All employers in our sector tell us that overseas workers are recruited on the basis of their talent and skills.

Our statistics show that there is no significant salary bias against non-UK workers in the operational workforce. In fact, the opposite is true in most cases. Our research shows that the median salaries of non-UK workers are higher than their UK counterparts. This may be reflection of exchange rates in that being paid in sterling is not as attractive as it was before the Brexit vote. ¹⁷

There is also intense competition for good people due to the global shortage. When recruiting overseas workers, we are competing with companies in other countries, not just the UK, to attract and retain the very best talent and this results in rising wages.

The median salary paid for EEA migrants in junior roles is £25,000, which is below the threshold for a Tier 2 visa should a similar system be imposed post-Brexit. It would not be viable to increase junior salaries to meet the £30,000 threshold due to the cost and potential for eroded differentials and wage inflation throughout the workforce. Valuable young talent would therefore be lost from the UK industry and this would make it harder for companies to bid successfully for as many projects, resulting in a down-sizing of the sector.

Table 4 - VFX Median salary comparison

<table>
<thead>
<tr>
<th>Category</th>
<th>Seniority</th>
<th>Median Salaries</th>
<th>Variance to UK Median</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All Zones</td>
<td>UK</td>
<td>EEA (ex UK)</td>
</tr>
<tr>
<td>Creative</td>
<td>Supervisor</td>
<td>£87,000</td>
<td>£86,400</td>
</tr>
<tr>
<td></td>
<td>Lead/Senior</td>
<td>£62,000</td>
<td>£60,000</td>
</tr>
<tr>
<td></td>
<td>Mid</td>
<td>£40,000</td>
<td>£39,000</td>
</tr>
<tr>
<td></td>
<td>Junior</td>
<td>£25,000</td>
<td>£24,000</td>
</tr>
<tr>
<td>Production</td>
<td>Lead/Senior</td>
<td>£60,000</td>
<td>£60,000</td>
</tr>
<tr>
<td>Management</td>
<td>Mid</td>
<td>£40,000</td>
<td>£40,000</td>
</tr>
<tr>
<td></td>
<td>Junior</td>
<td>£24,000</td>
<td>£24,000</td>
</tr>
<tr>
<td>R&amp;D/Systems</td>
<td>Supervisor</td>
<td>£90,000</td>
<td>£90,000</td>
</tr>
<tr>
<td></td>
<td>Lead/Senior</td>
<td>£60,000</td>
<td>£57,000</td>
</tr>
<tr>
<td></td>
<td>Mid</td>
<td>£42,000</td>
<td>£40,800</td>
</tr>
<tr>
<td></td>
<td>Junior</td>
<td>£26,000</td>
<td>£25,500</td>
</tr>
</tbody>
</table>

¹⁷ Exchange rates on the eve of the Brexit Referendum in June 2016 were £1 = $1.48, £1 = €1.30
Now (Oct 2nd 2017) £1 = $1.32, £1 = €1.13 Source: Bank of England

X Redacted due to confidentiality
Analysis of employment status

The visual effects industry is dependent on the worldwide film industry and the green-lighting of Hollywood financed feature films. It is important to understand that the VFX industry is a cyclical business with often unpredicted peaks and troughs. Companies must be fleet-of-foot and able to operate flexible business models, calling on appropriate talent on a project by project basis. It would be atypical, uncompetitive and unsustainable for UK visual effects companies to retain high-levels of permanent staff overhead and therefore recruitment for operational roles in VFX is often based on fixed term contracts linked to specific project production schedules. Each new project will have a crewing schedule which determines how many people are needed in what disciplines, at what level and for what timeframe; the schedule is designed to ensure there is sufficient resource to complete the work in line with the client’s deadline.

This is also true in animation, where companies will crew-up when they go into production and will shrink back down to a core whilst they are in a development phase for their next project.

However, our latest research has revealed that pure freelance temporary employment in VFX and animation is much less commonplace than previously thought with 50% of the workforce in our sample having permanent contracts and only 3% working as freelancers on day-rates. Flexibility in the workforce is gained by the use of fixed term contracts, the majority of which were longer than six months.

![Figure 6 - Employment status](image)

The quantity of work and multiplicity of simultaneous projects flowing through the larger VFX houses means that fixed term contracts are often renewed, and the most skilled staff are retained, moving from one project to the next. This is less prevalent in the smaller companies where the workforce numbers by necessity need to flex with demand.
However, contract permanence or length should not be confused with the speed at which employees are recruited. Project demands often change at short notice with late decisions for the green-lighting of work frustratingly common. New hires may be bought in with just a few hours’ notice and if the schedule is known at that point, they are more likely to be given fixed-term contracts if they will be required for a period of weeks or months rather than days.

The ability to access quickly the pool of talent could be restricted if there are visa requirements for employing EEA workers. Currently, if no suitable local talent is available, the search for immediately available people is widened to those who can get on a plane tomorrow and be ready to start work. If there is a delay in getting permission for them to work in the UK, businesses will be less able to respond to the needs of their customers and will lose projects as a result.

**Analysis of actual and potential skills shortages**

Many of the large UK based employers in VFX, also have an international footprint with offices in Canada, USA, India and Europe. They report a global shortage of good talent. This is not just a UK phenomenon, as the VFX industry has been growing rapidly worldwide.

The success of the VFX industry for the UK, depends on access to the skills provided by the seventeen roles that currently sit on the Shortage Occupation List (SOL). The number of migrant VFX workers brought in via the Tier 2 (General) route is small, relative to overall headcount but these non-EEA, highly skilled professionals are immensely important, both in terms of the UK’s ability to attract and deliver high-value, inward investment feature films and dramas, and in terms of the creation and protection of indigenous UK jobs.

VFX projects and large-scale animation productions are delivered by teams made up of several complementary and collaborative skills. The inability to access even one of these 17 shortage roles would put not just a whole project at risk but, potentially, a whole industry.

The granularity of data in the UK Screen Workforce survey allows us to zoom in on specific roles to gauge the numbers of migrant workers employed in specific roles and therefore highlight current skills shortages in the UK workforce. We can also use it to predict skills shortages if access to either EEA or non-EEA workers is restricted in future.

The following table shows the top 30 roles where the largest numbers of non-UK workers are concentrated. These are sorted in descending order from the largest number of non-UK workers. (Note that we have included Irish workers with UK workers as we do not predict immigration restrictions will affect them). The percentage of non-UK workers in these roles ranges from 85% down to 35%. There are significant numbers of EEA citizens in all roles.

**Animators, Creature TDs, Lighting TDs, Effects TDs, Compositing Artists at all levels of experience are in shortage from within the UK. (TD is the abbreviation for Technical Director). In almost all cases where suitable UK workers are in short supply, most overseas workers filling these skills gaps are from the EEA. Restrictions to EEA immigration will create critical shortage in these roles.**
### Table 5 - Roles with greatest potential shortages

<table>
<thead>
<tr>
<th>Role Description</th>
<th>SOL</th>
<th>SOC</th>
<th>Number of workers in sample</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total</td>
<td>UK or IE</td>
</tr>
<tr>
<td>Compositing Artist - Mid</td>
<td>✓</td>
<td>3421</td>
<td>152</td>
<td>79</td>
</tr>
<tr>
<td>Animator - Mid</td>
<td>✓</td>
<td>3421</td>
<td>121</td>
<td>54</td>
</tr>
<tr>
<td>Compositing Artist - Lead/Senior</td>
<td>✓</td>
<td>3421</td>
<td>144</td>
<td>80</td>
</tr>
<tr>
<td>Lighting TD - Lead/Senior</td>
<td>✓</td>
<td>3421</td>
<td>96</td>
<td>34</td>
</tr>
<tr>
<td>Animator - Lead/Senior</td>
<td>✓</td>
<td>3421</td>
<td>122</td>
<td>64</td>
</tr>
<tr>
<td>Generalist TD - Mid</td>
<td>✓</td>
<td>3421</td>
<td>97</td>
<td>46</td>
</tr>
<tr>
<td>Lighting TD - Mid</td>
<td>✓</td>
<td>3421</td>
<td>74</td>
<td>27</td>
</tr>
<tr>
<td>Effects TD - Mid</td>
<td>✓</td>
<td>3421</td>
<td>52</td>
<td>8</td>
</tr>
<tr>
<td>Production Co-ordinator</td>
<td>×</td>
<td>3416</td>
<td>123</td>
<td>80</td>
</tr>
<tr>
<td>Effects TD - Lead/Senior</td>
<td>✓</td>
<td>3421</td>
<td>68</td>
<td>26</td>
</tr>
<tr>
<td>Software Developer - Senior</td>
<td>✓</td>
<td>2136</td>
<td>71</td>
<td>34</td>
</tr>
<tr>
<td>Production/ Line Manager</td>
<td>✓</td>
<td>3416</td>
<td>145</td>
<td>112</td>
</tr>
<tr>
<td>Animator - Junior</td>
<td>?</td>
<td>3421</td>
<td>85</td>
<td>52</td>
</tr>
<tr>
<td>Compositing Artist - Junior</td>
<td>?</td>
<td>3421</td>
<td>74</td>
<td>42</td>
</tr>
<tr>
<td>Software Developer - Mid</td>
<td>✓</td>
<td>2136</td>
<td>59</td>
<td>29</td>
</tr>
<tr>
<td>VFX Producer</td>
<td>✓</td>
<td>3416</td>
<td>110</td>
<td>81</td>
</tr>
<tr>
<td>Generalist TD - Junior</td>
<td>?</td>
<td>3421</td>
<td>67</td>
<td>38</td>
</tr>
<tr>
<td>Creature TD - Mid</td>
<td>✓</td>
<td>3421</td>
<td>36</td>
<td>9</td>
</tr>
<tr>
<td>3D Supervisor</td>
<td>✓</td>
<td>3421</td>
<td>72</td>
<td>45</td>
</tr>
<tr>
<td>Generalist TD - Lead/Senior</td>
<td>✓</td>
<td>3421</td>
<td>56</td>
<td>31</td>
</tr>
<tr>
<td>Modeller - Lead/Senior</td>
<td>✓</td>
<td>3421</td>
<td>56</td>
<td>31</td>
</tr>
<tr>
<td>Creature TD - Lead/Senior</td>
<td>✓</td>
<td>3421</td>
<td>32</td>
<td>7</td>
</tr>
<tr>
<td>Modeller - Mid</td>
<td>✓</td>
<td>3421</td>
<td>43</td>
<td>19</td>
</tr>
<tr>
<td>Texture Artist - Lead/Senior</td>
<td>✓</td>
<td>3421</td>
<td>29</td>
<td>8</td>
</tr>
<tr>
<td>Lighting TD - Junior</td>
<td>?</td>
<td>3421</td>
<td>35</td>
<td>15</td>
</tr>
<tr>
<td>Roto Prep Artist - Junior</td>
<td>?</td>
<td>3421</td>
<td>58</td>
<td>38</td>
</tr>
<tr>
<td>Creature TD - Junior</td>
<td>?</td>
<td>3421</td>
<td>29</td>
<td>10</td>
</tr>
<tr>
<td>Effects TD - Junior</td>
<td>?</td>
<td>3421</td>
<td>29</td>
<td>10</td>
</tr>
<tr>
<td>CG Supervisor</td>
<td>✓</td>
<td>3421</td>
<td>57</td>
<td>38</td>
</tr>
<tr>
<td>Previs Artist - Lead/Senior</td>
<td>✓</td>
<td>3421</td>
<td>31</td>
<td>14</td>
</tr>
<tr>
<td>Modeller - Lead/Senior</td>
<td>✓</td>
<td>3421</td>
<td>56</td>
<td>31</td>
</tr>
<tr>
<td>Creature TD - Lead/Senior</td>
<td>✓</td>
<td>3421</td>
<td>32</td>
<td>7</td>
</tr>
</tbody>
</table>

SOL = Role on the Shortage Occupation List

×? = Not eligible for Tier 2 visas as median salary is below the minimum salary threshold

SOC = Standard Occupational Classification code

TD = Technical Director
Whilst most of these roles are already on the Shortage Occupation List\textsuperscript{18}, there would need to be additional roles added where shortages will be created if EEA workers require visas. Most notable of these roles is Production Co-ordinator. This would avoid unnecessary delays in recruitment due to the requirement to perform a Resident Labour Market Test and allow companies to crew-up quickly to meet time sensitive project deadlines.

Several roles at junior level in the Top 30 shortage list do not qualify for Tier 2 visas as the salaries do not meet the £30,000 qualification threshold. Relatively few juniors come from non-EEA territories and these few are eligible to work in the UK by virtue of ancestry or dependent visas rather than being sponsored for Tier 2. If Tier 2 visa restrictions were applied to EEA citizens, we would have an immediate skills shortage in these junior roles.

Analysis of the Immigration Skills Charge

Migrants in the UK on Tier 2 visas issued prior to April 2017, do not attract the Immigration Skills Charge (ISC), but all new Tier 2 visas will be subject to an up-front charge, currently set at a rate of £1,000 for each year of the visa, so this can be a much as £5,000 for a 5-year visa.

We received 6 replies from companies within our workforce survey to several scenarios relating to the Immigration Skills Charge.

<table>
<thead>
<tr>
<th></th>
<th>Respondent 1</th>
<th>Respondent 2</th>
<th>Respondent 3</th>
<th>Respondent 4</th>
<th>Respondent 5</th>
<th>Respondent 6</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Size of company (employees)</strong></td>
<td>&gt;100</td>
<td>&gt;1000</td>
<td>&gt;1000</td>
<td>&gt;150</td>
<td>&lt;20</td>
<td>&gt;50</td>
</tr>
<tr>
<td><strong>Employs non-EEA workers</strong></td>
<td>Many</td>
<td>Many</td>
<td>Many</td>
<td>Many</td>
<td>2</td>
<td>Many</td>
</tr>
<tr>
<td><strong>If Tier 2 visas (or similar) were to be required for EEA skilled migrant workers</strong></td>
<td>High Impact</td>
<td>Severe Impact</td>
<td>Severe Impact</td>
<td>Severe Impact</td>
<td>Minimal Impact</td>
<td>Severe Impact</td>
</tr>
<tr>
<td><strong>If the Immigration Skills Charge were to be levied on EEA skilled migrant workers at £1000 per year</strong></td>
<td>High Impact</td>
<td>Severe Impact</td>
<td>High Impact</td>
<td>Severe Impact</td>
<td>Minimal Impact</td>
<td>Severe Impact</td>
</tr>
<tr>
<td><strong>If the Immigration Skills Charge were to be levied on EEA skilled migrant workers at £2000 per year</strong></td>
<td>High Impact</td>
<td>Severe Impact</td>
<td>High Impact</td>
<td>Severe Impact</td>
<td>Minimal Impact</td>
<td>Severe Impact</td>
</tr>
<tr>
<td><strong>If the Immigration Skills Charge were to be increased from £1000 to £2000 on Tier 2 visas for non-EEA skilled migrant workers at £1000 per year</strong></td>
<td>High Impact</td>
<td>Severe Impact</td>
<td>High Impact</td>
<td>Moderate Impact</td>
<td>Minimal Impact</td>
<td>Severe Impact</td>
</tr>
</tbody>
</table>

\textsuperscript{18} The Shortage Occupation List  \url{https://www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-k-shortage-occupation-list}
It is clear from the results that large and medium size businesses all consider the impact of a visa regime and the imposition of the Immigration Skills Charge for EEA skilled workers would be high to severe. Only 1 respondent from a boutique company considered the impact to be minimal, however after further investigation it was ascertained that their future recruitment requirements were low.

The cost of a Tier 2 visa before April 2017 was approximately £2,500 with all the potential extra surcharges added on. The Immigration Skills Charge (ISC) was first imposed on new Tier 2 visas from April 2017 at a rate of £1,000 per year. For a five-year visa, this represents an up-front charge of £5,000, a huge increase of 200% for the overall cost.

The ISC is only levied on new Tier 2 visas and will not affect people who entered the UK prior to April 2017 and at the time of our survey it had only been active for 5 months. Tier 2 visas can be extended up to a maximum stay of 5 years and if the original visa was issued prior to April 2017, there is no ISC to pay.

We analysed the number of new hires over the last 12 months, so that we could extrapolate to find the expected total visa cost for the 12 months from April 2017 to April 2018, if recruitment continues with the same pattern.

<table>
<thead>
<tr>
<th>New hires from 01/09/16 to 01/09/17</th>
<th>New visas sponsored</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>EU/EEA</td>
</tr>
<tr>
<td>---------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>Respondent 1</td>
<td>197</td>
</tr>
<tr>
<td>Respondent 2</td>
<td>107</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>258</td>
</tr>
<tr>
<td>Respondent 4</td>
<td>62</td>
</tr>
<tr>
<td>Totals</td>
<td>624</td>
</tr>
</tbody>
</table>

From a limited sample of 4 companies who supplied recruitment data, including 3 of the largest in our sector, we have ascertained that between them in the 12 months prior to 1st Sept 2017, they recruited 1411 new employees, of which 624 (44%) were from the UK, 568 (40%) were from the EU/EEA and 219 (16%) were from the rest of the world.

The same four companies, in the same period, sponsored a total of 136 new Tier 2 visas and 53 new Tier 5 visas.

If the same profile of visa applications were to be repeated this year, now that the Immigration Skills Charge is in force at £1,000 per year and assuming all new Tier 2 Visas were to be for the maximum 5-year period, the ISC contribution of these 4 companies would total £680,000, payable in full at the onset of the visa. Should the government enact their manifesto proposal to double the charge, these 4 companies alone would therefore be paying a total of £1.36 million in Immigration Skills Charge.

This would clearly not sustainable without impacting on margin or areas of discretionary spending such as training and development.
Furthermore, should a system like Tier 2 be imposed for EU/EEA immigration with the addition of the Immigration Skills Charge, for just the 4 companies in the sample above this would affect an additional 568 people which would potentially triple their Immigration Skills Charges and would be totally unsustainable.

Our workforce survey showed that on September 1st 2017, 180 people (5.3%) from the sampled workforce from 13 companies were on Tier 2 (General) visas. Many of those were issued prior to April 2017 so they do not attract the ISC and will not do so when renewed.

The average length of current visa issued before April 2017 was 25 months and this reduced to 14 months after the introduction of the ISC. This should not be misinterpreted as the ISC succeeding in reducing migration, as many visas issued after April 2017 will inevitably be extended. The fact that visas were not taken out for the maximum duration of 60 months suggests that they are applied for a year at a time and renewed as necessary, although this incurs additional cost. The ISC can be reclaimed in 6-month units if the visa is terminated early but clearly the companies would do not want the impact of up-front payments for the ISC on their cashflow.

There was also a trend for companies to make more use of short-term Tier 5 visas of a maximum 2 years duration, which do not attract the ISC. Both trends discourage skilled migrant workers from settling and building long-term careers in the UK. Whilst that might be the government’s aim in reducing net migration, it does not capture long-term value within the UK’s workforce and increases its globally mobile nature. The world’s best talents from outside the EEA, once attracted to UK are not encouraged to remain and settle. The career development and experience gained by mid-level migrant workers from outside the EEA in our award-winning elite UK VFX industry will also be lost as they leave, taking their added value skills to the benefit of our competitors.
8. The current visa system and how it might cope after Brexit

Our members have supplied us with the following observations on the current systems and suggestions for how that needs to be improved to cope with any additional migration controls on EEA workers.

**What proportion of your visa applications submitted in the last 12 months have been unsuccessful?**

Answers ranged from 0% to 5%

**How many hours on average does it take to complete each application for a certificate of sponsorship?**

Answers ranged from 15 minutes to 1 hour and 15 minutes.

However, this is just the time spent online. Each Certificate of Sponsorship (CoS) application typically involves a period of time assessing the role and measuring it against a SOC code, obtaining the relevant information about the individual and then using the Sponsorship Management System (SMS) to either apply and assign a restricted CoS or to just assign an unrestricted CoS. The process to assign the CoS is relatively straightforward and takes approx. 15 minutes per CoS. However, it is only one part of a much more lengthy and time-consuming process of applying for a visa.

**How could this application process be improved?**

“Quick to apply but takes too long for a response. More guidance on exactly what type of Visa sponsorship is needed would be useful for those who are fairly new to the SMS.”

“There is their helpline could be more knowledgeable; A guideline providing an explanation of each possible answer option for each point made available”

“There are a number of areas where the SMS system could be improved to make it more user-friendly. Once a CoS has been created but not yet assigned it should be easier to access the CoS and continue assigning it. The process at present requires a user to enter information as if they were creating a new CoS in order to find a previously saved CoS.”

“A Tier 5 CoS has no field on the SMS with regards the role being exempt from a Resident Labour Market test by way of being a Shortage Occupation List role.

“Since the Restricted CoS application is quota based with a points-based system and merits based on the genuineness of a role, it is unclear why there is a week delay between applying for the CoS and it being ready to be assigned?”

“The ability to submit applications as and when required rather than the current once a month submission schedule.”

“The UK visa process should utilise systems that allow better communication between the Home Office and the applicant. It is understandable that the Home Office fears spending too much resource on individual enquiries, but they still receive these enquiries through the helpline, so the resources are still being wasted. An online ‘courier’ style tracking/progress update and ‘chat’ technology could help answer people’s enquiries and reduce the need for a call centre.”

“Visa application forms should align better with the immigration rules and specified documents to reduce the number of people applying in error and being refused because of missing documents or not qualifying under specific requirements of the rules. The current immigration rules are too lengthy
and complex for a layperson to understand and need to be made clearer to avoid errors in applications.”

Our members also asked for there to be more free training available about the SMS and for better communication of changes via regular HMVI events.

Comments about delays from an HR & Visa specialist in a large VFX company

“We have recently experienced very delayed processing times for new visa applications made outside the UK, to the extent that the individual missed their start date and therefore was unable to do the urgent work we were hiring them for. This has a significant impact on our schedule and the delivery of our projects, as well as a personal impact on the individual who has resigned from their current job and made plans to relocate to the UK. This is highly disruptive and not acceptable considering the fees we pay for priority processing. It is also difficult to get status updates on these delays and the Home Office give standard responses rather than specific information relating to the individual’s application.”

“With apparently 1 immigration officer for every 20,000 migrant workers, the Home Office already struggles with processing the current volume of applications within the given processing times. The present system of applying for a visa is vulnerable to severe delays at periods of high volume which would likely increase significantly with the incorporation of EEA nationals into Tier 2 and the potential opening of a visa route for temporary low-skilled workers into key sectors.”

“If we were required to apply for visas for EEA nationals we would need to factor in the processing times and the costs involved; we would no longer be able to hire people at short notice to complete urgent work, which would impact our delivery of projects and ability to meet deadlines. In turn, this could deter our clients from bringing work to the UK and ultimately impact the revenue the VFX industry brings to the UK.”

“The UK visa process should guarantee processing times and honour them. Businesses need to have precise processing times and individuals who are often moving home, importing personal property, arranging schools for children and attempting to do so as economically and efficiently as possible should have more assurances of the processing time. At the very least, the ‘priority service’ should be able to guarantee timings.”
9. Responses to questions posed in the MAC Call for Evidence

EEA Migration Trends

1. Please provide evidence on the characteristics (e.g. types of jobs migrants perform; skill levels, etc.) of EEA migrants in your particular sector/local area/region.

Employment in the VFX and animation industries is overwhelmingly at graduate level and above. Almost all workers employed in our sector from whatever part of the world are highly-skilled. There is no difference in the type of work performed by EEA migrants to their UK counterparts.

We are answering this question on sectoral basis as we believe there is no evidence of any regional difference in working practices within our sector.

2. How do these differ from UK workers?

Migrants from the EEA compete with UK workers for the same roles solely on the basis of their skills and talents. Whilst there are many excellent UK workers, there are insufficient numbers of them at the highest quality required to work on the elite projects.

In general, the supply of UK graduates could be better. The alumni of many EU establishments are better prepared for work than their UK counterparts. We need more UK based centres of excellence to boost the numbers of home-grown work-ready graduates.

3. And from non-EEA workers?

Many roles within VFX and animation are on the Shortage Occupation List allowing companies to recruit from non-EEA countries by means of visa sponsorship without the need to conduct a Resident Labour Market Test. Non-EEA workers tend not to be found in junior roles, as the visa costs are prohibitive. However, they are prevalent in more senior roles. Companies working on a global stage require the best talents in the world in order to compete.

4. To what extent are EEA migrants seasonal; part-time; agency-workers; temporary; short-term assignments; intra-company transfers; self-employed?

The employment contract status of EEA workers is no different to that of UK or non-EEA workers. Whilst permanent contracts in our industry are more common than had previously been appreciated, many creatives are employed on project based fixed term contracts. The length of these contracts varies but our survey shows that the majority are longer than 6 months. This is common to workers from the UK, EEA or the ROTW.
5. **What information do you have on their skill levels?**

The Creative Skillset Workforce Survey in 2014 is the most recent comprehensive audit of educational qualifications in the sector. It concludes that in animation 89% of workers are educated to degree level or above. In VFX, 86% are educated to degree level or above.

There is no breakdown of these qualifications based on nationality, but as the roles require degree level skills or above, it is safe to assume that qualification levels are consistent across UK, EEA and non-EEA workers.

6. **To what extent do these differ from UK workers and non-EEA workers?**

There is no difference in the skill level for the role they are recruited for. However, often they are the better candidate for the job compared to UK recruits, as they have skills which are more ready for the workplace, due to better preparation during their education, which is also often more lengthy.

7. **Are there any relevant sources of evidence, beyond the usual range of official statistics, that would allow the MAC to get a more detailed view of the current patterns of EEA migration, especially over the last year?**

Yes, our own. Very often our sector gets lost in the coarse granularity of official statistics. As a niche sector that produces significant economic value and inward investment business, we felt it was necessary to do our own specialist research, which is presented within this document.

8. **Have the patterns of EEA migration changed over time?**

The last decade has seen increased demand for VFX services as the UK has become one the top global centres of excellence. Animation is now resurgent after a period of low activity. The UK’s education system has not been able to produce sufficient numbers of graduates at the required quality for the VFX and animation industries to rely on a totally home-grown workforce. The EU free movement of labour has allowed recruitment of highly-skilled EEA workers to fill this skills gap. The VFX and animation industries have not shirked their responsibilities to build a home-grown workforce during this time, but it is a long-term project to build the necessary educational pipeline from primary through tertiary education and into workplace training, and for new recruits to come through that pipeline to gain sufficient experience.

The UK’s VFX and animation industries would have not developed into such a globally well-respected cluster of excellence had the talents of EEA (and non-EEA) migrants not been available to us to augment the talents of the UK workforce.

9. **What evidence do you have showing your employment of EEA migrants since 2000?**

We only have detailed statistics covering 2016 and 2017, which are presented in chapter 7 of this document.
10. And after the Brexit referendum?

Our 2017 statistics show a slight increase in the numbers of EEA and non-EEA migrant workers employed in VFX over the 2016 statistics. The talent recruitment departments within the VFX and animation industries tell us that this industry is continuing to grow and there has never been a time when the global talent shortage has been so acute. There is intense competition to recruit the best talent and this causes the elite companies to widen their recruitment efforts to attract the best the world has to offer.

11. Are these trends different for UK workers and non-EEA workers?

We have an acute shortage of talent across the board, so there is intense global competition for the most highly skilled people from wherever they come from. This includes competition from overseas for our most highly skilled UK citizens.

12. Have you conducted any analysis on the future trends of EEA migration, in particular in the absence of immigration controls?

If there were no immigration controls introduced on EEA citizens, the VFX industry would continue to recruit from the EEA in much the same ways as it does now in seeking the best talents the world has to offer. We anticipate that there should be a relative increase in UK recruitment as interventions in the educational pipeline bear fruit, however whilst early signs are encouraging, it is too early to judge whether these interventions would greatly reduce EEA migration. In any case these interventions will take many years to provide sufficient numbers of quality home-grown talent to replace the international talent currently employed.

13. Have you made any assessment of the impact of a possible reduction in the availability of EEA migrants (whether occurring naturally or through policy) as part of your workforce?

Our own survey of a selection of companies in the VFX sector, both large and small, reveals a difference of opinion on the impact depending on whether they currently employ EEA migrants or not. The largest companies who employ significant numbers of EEA migrants all rank the impact as high or severe. Whereas smaller companies that tend not to employ high numbers of EEA migrants, rank the impact as low. This should be self-evident and is not at all surprising.

It is important to remember that it is the larger VFX companies that service most of the inward investment film business that has grown significantly since the introduction of the screen sector tax credits. The severe or high impact anticipated by the large companies from a reduction in the availability of EEA migrants, should therefore carry more weight as the impact on the UK economy will be disproportionately larger if these companies cannot operate at the capacity they are currently capable of.

We also feel that smaller companies have under-estimated the effect of future salary demands from those VFX and animation workers eligible to work in the UK, as any tightening of the labour supply of skilled workers that are already in shortage, will surely have an inflationary impact affecting payroll for all companies both large and small.
14. What impact would a reduction in EEA migration have on your sector/local area/region? How will your business/sector/area/region cope?

The impact on our sector would be severe and we would not be able to attract as many prestigious projects to the UK due to labour shortages, resulting in companies scaling back their operations. This would impact on the level of inward investment attracted to the UK by the screen sector tax credits. There would be a loss of jobs and tax receipts to the UK economy.

The largest VFX companies already have significant operations in other countries.

- **Double Negative**: London, Vancouver, Montréal, Los Angeles, Chennai, Mumbai
- **Framestore**: London, Montréal, New York, Chicago, Los Angeles
- **MPC**: London, Vancouver, Montréal, New York, Los Angeles, Amsterdam, Paris, Bangalore, Shanghai
- **The Mill**: London, New York, Los Angeles, Chicago
- **Cinesite**: London, Montréal, Vancouver

When faced with higher employment costs in the UK due to visas and the Immigration Skills Charge and a shortage of labour to complete the largest projects in a timely manner and to the quality demanded by their clients, they would fiscally imprudent if they did not consider tendering for projects from their bases outside the UK. Canada for instance, is an attractive place for VFX production, as it has a system of competitive tax credits, it is in an advantageous time zone, it is closer to home for clients based in Los Angeles and it has a seemingly more welcoming approach to welcoming international talent. If this were to come to pass, as the VFX workforce is highly mobile, we could expect to see international VFX artists relocating out of the UK and this would also encourage the best of our UK talent to follow them. This could happen very quickly as it is easy to relocate projects to other territories if you already have a strong foothold there. We would be left with a shell of an industry; the substantial progress of recent times would be wasted, and it would take many years to recover, if indeed that were possible.

15. Would the impacts be different if reductions in migration took place amongst non-EEA migrants?

As our industry requires the talents of the best people in the world to work on globally significant projects, any reduction in non-EEA migration would deprive us of an important pool of skills. The employment of a few leading specialists with highly-developed skills required by the production might swing multi-million-pound contracts to UK companies. This will be harder if we don’t have access to all the world’s talents.

16. Have you made any contingency plans?

Several VFX companies have increased their presence in other territories. We are increasing our schools outreach programme to make more UK students aware of the pathways into VFX and animation.
Recruitment Practices, Training & Skills

17. Please provide evidence on the methods of recruitment used to employ EEA migrants. Do these methods differ from those used to employ UK and non-EEA workers?

Recruitment methods are consistent for UK, EEA and non-EEA workers. Adverts are distributed globally through online platforms such as LinkedIn and Twitter. VFX companies have sizable numbers of Twitter followers. (e.g. @Framestore 43.5K, @Cinesite 21K, @DNeg (Double Negative) 38.7K, @MPC_Film 41.3K) Often one online advert will feature roles in a company’s branches throughout the world. Companies also advertise roles on their own websites, recruitment sites and certain specialist community sites such as Hiive.

Large European VFX and animation conferences such as FMX in Stuttgart and MIFA at Annecy often have recruitment fairs running alongside the main events. Whilst these will be well attended by aspiring VFX artists and animators from Europe seeking jobs in the UK, there will also be contingents of students from UK universities in attendance too. There are similar events in the UK such as BFX in Bournemouth. The European events are regularly attended by recruiters from the larger employers, although the commitment is often too great for many of the smaller employers. This in part explains the larger concentration of EEA workers in largest VFX companies serving inward investment from Hollywood.

18. What impact does this have on UK workers?

UK workers have equal access to recruitment adverts posted online. Recently the large VFX companies had a common recruitment campaign in the UK to highlight apprenticeships available within the industry.

19. Have these methods changed following the Brexit referendum?

Recruitment practices have not changed since the Brexit referendum, but there are new initiatives to broaden schools outreach and make more students aware of the career opportunities in VFX and animation and the educational pathways to access them.

20. Do recruitment practices differ by skill-type and occupation?

In VFX and animation, the recruitment practices are consistent across all job-roles, the aim being to employ the best person for the job, regardless of their nationality. In more senior or mid-level roles, these candidates may be well known to the businesses or the team leaders and may have previously worked for the company on previous projects, or they may have internationally renowned reputations from receiving credits on well-received films.

21. What are the advantages and disadvantages of employing EEA workers?

EEA workers are not seen as cheap labour by the VFX industry and our research shows that they receive a higher median salary than UK workers.
The UK education system is still not supplying candidates of sufficient quality in the quantity required and the employment of migrants from the EEA and the rest of the world is necessary to fill skill gaps. In many cases EEA migrants are better prepared for the transition from education to employment having spent longer in the high-quality, work-relevant VFX and animation courses provided by leading EU colleges and universities.

Employing EEA (or non-EEA) creative artists brings diversity of thought to a company, a key element in creativity, which stems from different cultures and life experiences.

22. **Have these changed following the Brexit referendum result?**

These advantages and disadvantages have not changed since the Brexit referendum. However, the Immigration Skills Charge imposed on non-EEA workers on Tier 2 visas has increased employment costs but has not appreciably inhibited the engagement of non-EEA workers for the larger VFX companies who simply must employ the best in the world to compete with Vancouver, Montreal and Los Angeles.

For smaller companies the cost of running a visa sponsorship scheme was already prohibitive and now is out of the question since the imposition of the Immigration Skills Charge. This is an impediment to the growth of small and mid-sized companies in the VFX sector.

There is anecdotal evidence that fewer EEA workers are considering the UK as a destination. This may be because we are now seen as an unwelcoming country or that the salary in sterling is not as attractive as it was. Our competitors in other territories are definitely exploiting the uncertainties about the future visa status of EEA workers and their ability to stay and build long term careers in the UK after the Brexit deadline in 2019.

23. **To what extent has EEA and non-EEA migration affected the skills and training of the UK workers?**

We have been making every effort to build a home-grown workforce and these are detailed in Annex A of this document.

24. **How involved are universities and training providers in ensuring that the UK workforce has the skills needed to fill key roles/roles in high demand in your sector?**

Some universities and colleges have good links with VFX and animation, and as a result produce good graduates and post graduates. However, there are many HE and FE courses that are not up to the standard required. We work with Creative Skillset and others to improve courses through programmes such as the “Tick” accreditation. The VFX, Games and Animation industries have collaborated in setting up a network of accredited courses in FE colleges, branded as the NextGen Skills Academy. See Annex A for further details.

25. **Do you have plans to increase this involvement in the future?**

Yes. The NextGen Skills Academy network of accredited FE colleges is growing, and we are working with or are in discussion with colleges and universities about more apprenticeship standards.
Our preference is to work with a small number of establishments that can become Centres of Excellence and avoid an over provision of bland courses from many establishments that do not prepare their students for the realities of work in the professional VFX and animation industry.

26. **How well aware are you of current UK migration policies for non-EEA migrants?**

   We like to think that we are well informed of the UK’s current policies for migration, but in this current climate of volatility where political ideology often seems to outrank pragmatic economic good sense, we are no longer sure that anybody really knows what’s going on or is likely to happen in the future.

27. **If new immigration policies restrict the numbers of low-skilled migrants who can come to work in the UK, which forms of migration into low-skilled work should be prioritised?**

   The migrants employed by the VFX industry are all highly-skilled, so we offer no opinion on low skilled migrants.

28. **For example, the current shortage occupation list applies to high skilled occupations; do you think this should be expanded to cover lower skill levels?**

   The migrants employed by the VFX industry are all highly-skilled, so we offer no opinion on low skilled migrants.

   However, in some cases, jobs at junior level in VFX roles on the SOL and which require a high level of skill are not considered to be of high enough skill because they are paid at below the minimum salary threshold for the SOL. We believe salary levels are not a good indicator of the skill level required. VFX roles paid below the salary threshold for SOL qualification, can share the same SOC code as roles in significantly higher paid sectors, such as financial tech which do qualify for the SOL, but nonetheless both roles have similar skill level requirements. This is common complaint for roles in the creative industries and therefore a more flexible measure of skill level is required than salary alone.

**Economic, Social and Fiscal Impacts**

29. **What are the economic, social and fiscal costs and benefits of EEA migration to the UK economy?**

   We are restricting our response to the impact on the VFX and animation sectors and offer no comment on this wider point.

30. **What are the impacts of EEA migrants on the labour market, prices, public services, net fiscal impacts (e.g. taxes paid by migrants; benefits they receive), productivity, investment, innovation and general competitiveness of UK industry?**

   We will restrict our comment to our own sector for which we have relevant data.
Of the EEA migrants in our UK Screen workforce data, all were UK tax payers. 57% paid basic rate tax and 43% paid the higher or additional rate tax. They do not receive benefits.

Without EEA migrants we would not be able to compete for the largest global projects as there are insufficient UK workers with the requisite high-level skills. EEA workers are prevalent at all levels of seniority in our sector. The most senior EEA migrants will lead teams and our UK workers benefit from the knowledge transferred. VFX and animation companies regularly innovate to design solutions to particular workflow issues. Skilled EEA migrants will be part of those innovative teams.

31. Do these differ from the impact of non-EEA migrants?

We believe the impacts are the same within our sector. We offer no opinion on the wider economy.

32. Do these impacts differ at national, regional or local level?

We do not detect a significant variation across the country in our sector.

33. Do these impacts vary by sector and occupation?

We have only concerned ourselves with the impact on the VFX and animation industries in this response. However, there are allied sectors in film and TV that will have noticeable negative Brexit effects, that will spill over and affect many of the customers of post production and VFX.

One such effect is on international broadcasters who may have to locate outside of the UK and into an EU country in order to comply with the regulations of the Audio-Visual Media Services Directive and its Country of Origin Principle. This will result in a loss of jobs in that sector however not with the skills we require. There may also be a loss of business to VFX and animation as those international broadcasters often outsource channel branding work to local suppliers.

There is concern that there may be difficulties in gaining finance for productions following Brexit, as access to the Creative Europe MEDIA fund ceases, unless this is replaced by direct UK government funding. Proposed EU changes to programme rights which treat the EU as a single territory rather than 27 different states, will inevitably reduce a production company’s ability to generate pre-sales in multiple countries and make it more difficult to green-light films, TV series and animation productions.

34. Do these impacts vary by skill level (high-skilled, medium-skilled, and low-skilled workers)?

We are restricting our response to the impact on the VFX and animation sectors and offer no comment on this wider point.
Annex A – The VFX and animation industries commitment to build a home-grown workforce

The skills requirements and skill sets needed to support the animation, VFX, and post production sectors are often common. Renowned for the development and use of innovative techniques and technology, UK VFX and animation companies are pioneers in the production of computer-generated animation for video games, and computer-generated visual effects for TV commercials as well as for children’s TV and feature films.

Importantly these are the skills increasingly required in occupations across the wider creative economy and will underpin our ability to lead new developments in virtual and augmented reality (VR and AR) and computer aided product design; applications that will have an enormous impact across all sectors, including science, health and tourism. Many skills used in VFX are transferable to other industries. For example, if your VFX brief is to create the suspension for a fantasy vehicle in a film (e.g. the Batmobile) you will be using similar design skills and software that a designer of an F1 racing car or a family saloon in the real-world would use.

Almost without exception all UK visual effects companies have in-house training provision to develop the skills of their staff. This is a business imperative as the technologies and workflows used are complex and are subject to rapid change. The industry reports a significant growth in expenditure on both training and recruitment by employers.

In recognising that new talent is our life-blood, the VFX and Animation Industries have already demonstrated a considerable long-term commitment and investment in developing domestic talent as highlighted below.

**Animation Levy**

In conjunction with the introduction of tax reliefs for Animation programming in 2013, the animation sector agreed to introduce a voluntary training levy mirroring the arrangements in film. This fund is used for strategic training in skills gaps and shortages and although it is a small fund (£250,000 per annum) the contribution rate is high in terms the percentage of companies in receipt of tax relief. In the recent past this fund has attracted direct match contributions from Government on a £ for £ basis through the screen industries Skills Investment Fund. This example of employers collectively contributing to UK skills needs, is currently being reviewed by Animation UK with a view to increase its effectiveness and leverage.

**NextGen Skills Academy**

Following the recommendations of the NESTA NextGen Hope-Livingstone report, the VFX, animation and games industries backed the establishment of the NextGen Skills Academy, a network of industry accredited and supported FE colleges across the country which provide a level 3 qualification in Games, Animation and VFX. This summer it delivered its first cohort of more than 120 eighteen-year-olds ready to take up apprenticeships or university courses. The industries commitment to the success of the NextGen Skills Academy was clearly evidenced when in July 2017 at NextGen’s inaugural student showcase event, more than 30 employers from 20 companies

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attended to meet our graduating students and review their work. The event, the students and their work were well received.

“I’VE NEVER SEEN OR HEARD OF AN EVENT MORE BENEFICIAL TO STUDENTS.”

- ANT CAIN, COURSE LEADER, SUNDERLAND COLLEGE

Next year the output will be 190 students with aspirations for up to 500 students in coming years as more colleges are added to the franchise.

In 2016, NextGen Skills Academy was taken into private ownerships by key players in the VFX and Animation industry to safeguard its future as a vital part of our skills pipeline after the unpredicted ending of government seed funding because of the closure of UKCES.

**Apprenticeships**

The VFX sector has been an early adopter of the new apprenticeships and was Trailblazer number 4 when it came to develop new standards. The first cohort of apprentices on the 2D Junior Compositor and Assistant Technical Director courses are now 12 months into their training. A further cohort is being selected for 2017/18. Whilst the numbers are still relatively modest, this first cohort has been far more successful than was expected at the outset. For an industry that traditionally recruits from graduation at 21, the challenges of developing a younger workforce from age 17 were unknown. However, these apprehensions were unfounded, and these apprentices have been performing well on high-profile Hollywood content.

See video clip about Apprenticeships in VFX at [https://www.youtube.com/watch?v=W2UGo4I3ss8](https://www.youtube.com/watch?v=W2UGo4I3ss8)

UK Screen Alliance is supporting a Trailblazer group to develop an apprenticeship standard for Post Production Technician. This standard which will have wider scope than VFX, encompassing broadcast TV and film post production, nonetheless has the support of several VFX companies specialising in commercials where the standard will have direct relevance.

**Links with Universities**

Individual companies are going to extreme lengths on their own time and at considerable expense to increase the calibre of graduates by working with selected HEIs. This involves activities such as guest lectures and visits to universities; university relations programmes linking to internships; assessing undergraduate year end projects; mentor programmes for students; and advising on curriculum content.

Over 60 industry advisors helped Creative Skillset create a handbook\(^{20}\) of advice and learning modules\(^{21}\) to improve the quality of UK provision, which with the help of many senior VFX and animation practitioners from leading companies and the freelance community, has recently been updated and reissued.

**Accreditation**

Employers in the sector have been actively involved in the Creative Skillset “Tick” for HE Course Accreditation and support developing the principle the Centres of Excellence.

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\(^{20}\) [https://creativeskillset.org/assets/0002/5097/The_Core_Skills_of_VFX_-_Student_Primer.pdf](https://creativeskillset.org/assets/0002/5097/The_Core_Skills_of_VFX_-_Student_Primer.pdf)

\(^{21}\) [http://creativeskillset.org/assets/0002/5096/The_Core_Skills_of_VFX_-_Repository.pdf](http://creativeskillset.org/assets/0002/5096/The_Core_Skills_of_VFX_-_Repository.pdf)
**Schools Outreach**

Employers in the VFX sector are actively engaged in the Enterprise Adviser Scheme which is in collaboration with the Careers and Enterprise and the STEM Ambassador programme. A group of leading VFX and animation companies will share a stand at this year’s Skills Show at the NEC, which is attended by 72,000 school students and their parents.

The UK Screen Alliance is coordinating an event to engage with schools’ careers advisors in London.

**Access:VFX socio-economic inclusion initiative**

The VFX industry has come together to create Access:VFX; an initiative to boost inclusion in the industry in all its different forms. This programme has sought to highlight inclusion in the workplace, inclusion in recruitment and diversity of thought, a key component of creativity.

Central to the Access:VFX programme is tackling socio-economic inclusion, thereby making strong inroads into increasing BAME diversity by default. The Access:VFX Inclusive Careers Fair will provide an introduction to the VFX industry for 139 students from 10 schools in socio-economically challenged areas of London. Through workshops they will be introduced to the opportunities in VFX and the necessary subject choices they need to make and the educational pathways to gaining jobs in the industry. To cement this opportunity for them, the industry has recruited from within its ranks more than 70 volunteer mentors to guide these students into apprenticeships, FE/HE courses and eventually careers in VFX.

Watch the video clip about the Access:VFX Inclusive Careers Day.

https://www.youtube.com/watch?v=Yg9dxRbrGul

Access:VFX is supported by The Mill, Framestore, Double Negative, MPC, ILM UK, Union VFX, BlueZoo, Jellyfish Pictures, British Film Institute, GLA, City of Westminster, Inclusive Employers, NextGen Skills Academy, Escape Technologies, Escape Studios, Open Cinema, Animated Women UK and the UK Screen Alliance.

Whilst this a good start at building a home-grown workforce, it will take some time before these new interventions become economically significant. It could take at least 10 years for students just entering our skills pipeline at 21 to gain sufficient experience to compete with the best in the world.

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22 Access:VFX website [www.accessvfx.org](http://www.accessvfx.org)
Annex B – The UK’s VFX and Animation Industries in profile

Visual Effects (VFX)

Visual Effects, or VFX for short, is the digital manipulation of images to enhance, augment or entirely replace elements of live-action shots in films, TV programmes or commercials. In some cases, entire shots, backgrounds and characters may be computer generated. VFX have become intrinsic in most feature films and many TV dramas.

VFX is still a relatively young industry, which has gone through a period of significant growth in volume demand and which is characterised by a constant re-invention of the technology and workflows necessary to create increasingly complex effects. The Harry Potter franchise provided a springboard by which the UK’s VFX sector transformed itself from a cottage industry to what is widely acknowledged as a world-leading centre for visual effects production. London houses six of the largest visual effects companies on the planet.

Since 2007, UK companies have won the VFX Oscar on no less than 6 occasions, for *Gravity*, *Interstellar*, *The Golden Compass*, *Inception*, *Ex Machina* and *The Jungle Book*. In the VFX category of the Oscars in 2016, five out of six nominees and the eventual joint winners, *Double Negative* and *Milk VFX*, were British companies.

Whether it is visualising epic super-hero struggles in *Guardians of the Galaxy*; designing magical creatures for *Fantastic Beasts*; building vast alien landscapes for *The Martian* or re-creating convincing period drama environments for *Florence Foster Jenkins*, *The Crown* or *Suffragette*, the UK’s talented VFX workforce has a proven track record of delivering winning results, not just with the awards judges but also with global audiences. *Framestore, Double Negative, MPC* and *Cinesite* have long-standing reputations but the demand for VFX for High End TV series has led to the growth of a new breed of highly agile boutique VFX houses such as *Bluebolt, Union, One of Us* and *Milk*. 
In 2014, Industrial Light and Magic\textsuperscript{23}, part of the Disney empire responsible for Star Wars were encouraged by the UK’s film tax relief and other incentives to create 200 jobs in a new VFX studio in London.

The UK VFX industry competes fiercely and successfully with rival production centres around the world – USA, Canada, Australia, New Zealand, South Africa, South East Asia and the rest of Europe – to secure high volumes of inward investment work (predominantly from the USA) which helps to underpin domestic production as well as delivering significant economic and cultural benefit.

The growth in world-wide demand for VFX means that UK companies are compelled to compete internationally to gain access to a limited pool of intensively skilled and highly experienced labour necessary both to deliver large projects and to train junior staff.

The UK Government supports the VFX sector, and the wider film and television industry, to build on its world-leading status through a combination of production tax incentives and R&D tax reliefs.

In 2014, the thresholds for the UK’s highly flexible Film and HETV tax credits were lowered allowing inward investment productions to qualify solely based on VFX or other post-production performed in the Britain. This change along with the introduction of the HETV tax relief helped the UK’s VFX sector grow by an estimated 23% in 2015\textsuperscript{24}.

**Animation**

With distinct and successful centres of production excellence throughout the country, the UK has a vibrant and growing animation sector, producing animated content for television, feature films, commercials, websites and computer and video games. Key regional hubs include Belfast, Bristol, Cardiff, Dundee, London and Manchester.

Offering expertise in a wide range of specialisms, the UK animation industry is original, eclectic and celebrated for its great, ironic sense of humour and ability to deliver mass global appeal. It is particularly acclaimed for its pre-school storytelling and design animation, producing such hits as cut-out multimedia animation TV series Charlie and Lola (Tiger Aspect Productions) and international coproduction Ruff Tweet and Dave (Collingwood and Co). It also has a global reputation for its expertise in short film animation, such as Aardman Animation’s Oscar-winning Wallace & Gromit series and Magic Light Pictures, The Gruffalo, and stop-motion animation, as showcased in Fantastic Mr. Fox and Frankenweenie.

The UK animation industry has a long track record of creative and commercial success, both at home and abroad. Iconic programmes such as Noddy, Peppa Pig, Horrid Henry and Thomas and Friends were devised, developed and animated in the UK, are exported around the world and have become true global phenomena.

Renowned for the development and use of innovative techniques and technology, UK animation companies are pioneers in the production of computer-generated animation for video games, and computer-generated visual effects for TV commercials and feature films. Increasingly, UK animation studios work in collaboration with overseas partners, particularly in the US, helping them to deliver their output to a wider global audience.


\textsuperscript{24} Based on information from Companies House from the accounts of the leading top 10 VFX companies
The UK animation industry is highly successful in terms of the ancillary licensed products that it generates, such as children’s DVDs, books and toys. The licensed merchandise sales market for the UK animation sector is worth an estimated £500 million each year.

Beyond its purely economic significance, UK animation has a great cultural importance, contributing to the country’s identity, fuelling children’s imagination and helping to promote the UK globally.

Animation is the type of business that is central to the future of the UK economy – knowledge intense, IP generating and with real export potential. Thanks to a generous tax relief system, some support from broadcasters such as Channel 4, more flexible scheduling and the soaring popularity of the internet, the UK animation industry is well placed to go from strength to strength.

*Image 9 - Early Man - animated feature film to be released in 2018 by Aardman Animations*
Annex C - Case studies and quotes about the use of global talent

Dave Sproxton
Co-Founder and Executive Chairman, Aardman Animations and member of the Animation UK Council

“In the run up to producing Chicken Run we realised there weren’t enough well-trained animators available in the UK to support the film, so we set up our own training course in conjunction with UWE, in Bristol. Twenty years later and the situation hasn’t changed much, and we have learnt that the European colleges produce excellent graduates who quickly rise through the ranks. We have frequently brought in European talent to fulfil roles we couldn’t fill from the UK and we would be seriously concerned if the current ease with which these valuable crew members can be engaged was made difficult, complicated and costly. It’s not just their undoubted talent which we would lose but also their valuable perspective, bringing a different experience to our projects. There is no doubt we would find certain grades difficult to fill if we couldn’t easily access European talent and in the short form work we do, the ability to bring in talent from Europe at short notice for short periods can sometimes be critical to hitting delivery dates. Anything that reduces our ability to draw on that European talent pool simply makes us less competitive.”

Phil Dobree
CEO, Jellyfish Pictures and UK Screen Alliance board member

“At Jellyfish Pictures we are totally reliant on the very best global talent to make us competitive. We have just completed work on the new CBBC and Beano Studios series “Dennis & Gnasher: Unleashed” and without access to EU artists we would not have been able to complete this series. We needed to employ 70 artists for the series in little under 6 months and 40% of these workers came from the EU. We have the same situation on all the other projects we work on. To be the best we need access to the best in a globally competitive marketplace.”
Case study: Bait Studio

Bait Studio is a design and VFX studio based in Cardiff. Ongoing VFX projects include the BBC drama *Casualty* and other occasional TV dramas such as *Decline and Fall, Born to Kill, Kiri* and *Bang*.

Bait has an in-house team of five VFX artists, four from the UK and a junior from Norway. Previously its junior was from South Korea who studied an MA at the National Film and Television School and then undertook an internship at the studio. She was paid in line with industry rates in South Wales. However, when the salary cap for non-EU staff was increased, she was no longer eligible for a visa given her salary. As a small studio, Bait could not increase her pay so was unable to extend her contract.

Bait Studio has an ongoing contract with *Casualty* and has completed more than 100 episodes over three years. But no work is ever guaranteed. For each TV show or feature film, Bait goes through a bidding process evaluating project length and how many staff will be required. Projects may be as short as two to three weeks or as long as two to four months. For these additional projects Bait need to supplement the team to ensure the project is delivered on time and to standard while continuing to deliver *Casualty* in tandem.

The studio is not always able to find the experienced staff required to complete these projects in the domestic labour market - particularly when lead times are short.

Bait is currently bidding to work on a feature film for Netflix. The project would account for as much as 40% of the turnover of the department involved in the project. They need to add 21 staff to the team for three to four months. As work starts extremely quickly after securing a contract, Bait must have these staff ready to start and so must advertise positions in advance of winning the contract.

When advertising the vacancy on LinkedIn, via social media and through a specialist agency, applications were as follows:

- 24% UK nationals
- 55% EU nationals
- 21% non-EU nationals (this has historically been higher, but the advert stipulated applicants must be able to work in the UK).

Hiring non-EU staff is currently not feasible due to costs, processing times and the current sponsorship system. It took nine months to get sponsorship for the aforementioned South Korean team member.

Bait would have to turn away work in future if the number of UK nationals applying remains at current levels and EU nationals were considered under similar rules as non-EU nationals.

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25 This case study appears courtesy of the Creative Industries Federation which featured it in their report on Global Talent
Annex D - List of UK Screen Alliance member companies

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<td>One of Us</td>
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Acknowledgements

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