

Ukie submission to the House of Lords Industry and Regulators Committee Skills for the Future inquiry

27 September 2024

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Introduction

1. Ukie is the trade body for the UK's video games and interactive entertainment industry. A not-for-profit, it represents more than 690 games businesses of all sizes from start-ups to multinational developers, publishers, and service companies, working across online, mobile, console, PC, esports, virtual reality and augmented reality. Ukie aims to support, grow, and promote member businesses and the wider UK video games and interactive entertainment industry by optimising the economic, cultural, political, and social environment needed for businesses in our sector to thrive.
2. The UK video games industry is an economic powerhouse and a hotbed for the development of emerging technologies, generating £6 billion in gross value added to the UK economy and supporting 76,000 FTEs in 23 key locations across the UK. The average GVA per FTE reaching £113k, nearly double that of the UK economy average. 55% of games development jobs are based outside of London and the South East.
3. The UK's established video games sector is a global leader in the emerging technologies which will develop and shape the industries of the future, including across the creative sector. This sees the UK leading the world in fusing creativity, art and technology, using cutting-edge techniques to develop new games and to bring new products to the market. We estimate that the spillover effects of video games technology into other sectors, like advanced manufacturing, contributes an additional £760m in GVA growth in the UK alone.

Executive Summary

4. The UK video games industry, a powerhouse of creativity, innovation, and economic growth, stands as the fastest-growing sector in the nation's creative industries and has the potential to be a cornerstone of a bold, mission-based approach to national renewal; however, its future relies on a workforce proficient in both technical and creative skills, particularly as technological advancements such as virtual reality (VR), augmented reality (AR), artificial intelligence (AI), and machine learning reshape game development and necessitate a new generation of developers equipped with specialised digital competencies.
5. To ensure that the UK future workforce is future proof, the Government must ensure that digital and creative skills are placed at the core of the UK's education system, starting from early education, continuing through secondary and higher education, and extending into lifelong learning opportunities. This focus is critical to producing a workforce capable of driving innovation, responding to industry needs, and maintaining the UK's competitive edge on the global stage, including in video games.

To achieve this, the Government must focus on three key areas:

6. **Put creativity back at the heart of the national curriculum through a 'digital creativity GCSE' and by ensuring comprehensive coverage of digital and technical skills at all key stages.** The video games industry is not just about coding; creativity plays an equally critical role. Artists, animators, and designers who are skilled in 3D modelling, motion capture, and narrative design are in high demand. To meet this demand, the Government should promote a curriculum that nurtures both technical and creative capacities, introducing courses that merge STEM (Science, Technology, Engineering, and Mathematics) education with the arts—often referred to as STEAM.
7. **Reform post 16 education through greater flexibility in the apprenticeship schemes and closer collaboration with the industry to develop technical standards.** Moreover, soft skills such as collaboration, communication, and project management are becoming increasingly important, particularly as games development is often an interdisciplinary and global effort. While we support the Government's Growth and Skills Levy proposal, we urge them to collaborate with industries like video games to ensure apprenticeship programs are tailored to meet the specific needs of game studios, fostering a smoother transition from education to employment.
8. **Reintroduce a skills investment fund dedicated to the games industry to help tackle skills shortages.** Many smaller studios do not have the resources to offer in-house training or sponsor employees to attend courses or workshops. To support the long-term growth of the UK games sector, the Government should provide consistent funding for education and training initiatives specific to game development. With Government backing, these studios could access grants or subsidies that enable them to provide professional development opportunities for their staff, ensuring that the UK's games workforce stays competitive and innovative on a global scale.

Put creativity at the heart of the curriculum

9. The digital age has ushered in a new era of possibilities and challenges, including a profound transformation in the job market, with an increasing demand for skills that go beyond traditional academic disciplines. Technical skills combined with creative thinking are essential to harness the potential of emerging technologies and to address complex societal issues. Our current curriculum does not offer subjects that blend these disciplines and traditional subjects like art do not adequately cater for new digital or technical applications that will underpin the jobs of the future.
10. In 2021, the House of Lords Youth Unemployment Committee, said that the national curriculum and the EBacc were "too narrowly focused to ensure that [they prepare] all young people for the modern labour market and the essential, technical and creative skills it requires, in particular for the creative, green and digital sectors."
11. The educational landscape needs to adapt to prepare young people for the challenges and opportunities that lie ahead and help address a UK games industry skills gap— which is negatively affecting our industry and the wider creative economy. Employers indicate that about one-third of vacancies they find difficult to fill are, to some degree, attributable to a lack of appropriate digital skills amongst applicants. In addition, the Lords Communication Committee argued in their latest report that "over the next decade there will be a huge demand for workers with a blend of digital and creative skills." Industry members agree that developing more comprehensive digital skills in primary and secondary schools can provide students with a strong foundation in technology as well as computer science, preparing them for the jobs of tomorrow.

12. DCMS estimates that the GVA by the creative industries was £126bn in 2022, 12% higher in real terms than 2019, compared to the rest of the UK economy which was 2% above 2019 levels. Additionally, prior to COVID-19 the creative industries generated around 30 million jobs, employing more young people (15-19 year olds) than any other sector, with females accounting for nearly half of that. This growth in the creative industries sector alongside the changing technological climate needs to be reflected at school level if we are to ensure our sectors and the economy can continue to thrive.
13. Unfortunately, the opposite seems to be happening in schools. GCSE entries for the creative subjects has been in steady decline for a number of years, with fewer schools offering the qualifications entirely. This lack of provision seems to be exacerbated in schools with the most disadvantaged populations. Subjects such as Design and Technology have seen a 43% decline in A Level entries since 2010 and Music has seen a 46% drop within the same time frame according to Campaign for the Arts. Art and Design has seen a 7% decline in entries since 2010.
14. While foundational subjects like Computer Science are crucial, they fall short in fostering creativity and practical application skills. The heavy focus on theoretical knowledge and programming in the Computer Science GCSE deters many students, especially when compared to more flexible and creative pathways. However, the OCR Creative iMedia qualification, despite its potential to bridge this gap, remains limited in its reach and acceptance due to its vocational nature and societal perceptions.
15. The decline in creative subjects in schools, coupled with the rapid growth of the creative industries, particularly the video games sector, underscores the need for a curriculum that integrates digital skills and creativity. Introducing a Digital Creativity GCSE would address this vacuum, providing a balanced approach that combines technical knowledge with creative application. It is a qualification that would suitably complement a renewed and increased emphasis on Digital Skills (also referred to as digital literacy) that is consistently delivered to a high standard across all schools in the UK. This would not only better prepare students for future careers in digital and creative industries but also equip them with essential 21st-century skills that will benefit them regardless of which career pathway they opt to pursue.
16. To create the right talent to address the skill concerns, it is imperative that the Government reconsiders the composition of the national curriculum, placing digital skills at its core. This entails not only imparting essential knowledge but also nurturing cultural and creative skills that are indispensable for both further education and the dynamic nature of the modern workforce. The Digital Creativity GCSE would not only promote digital literacy and technical skills but also foster creativity, problem-solving, and innovation.
17. Additionally, Ukie also previously called on the Government to provide grants or subsidies for educational institutions to develop specialised programs in game design, creative computing, and interactive media. These programs should aim to equip students with the foundational skills they need to excel in the games industry, helping them transition smoothly from education into meaningful employment within the sector.

Developing Soft Skills through Apprenticeships and Real-World Experience

18. In addition to technical and creative expertise, the video games industry increasingly requires professionals who possess strong 'soft' skills such as collaboration, communication, and project management. Given that game development is often an interdisciplinary effort involving teams from various sectors working across borders, these skills are becoming ever more critical to the success of projects. In principle, apprenticeships present a significant opportunity for the development of key skills that the video games industry requires.
19. However, in practice, the apprenticeship levy is not fit for purpose due to the expense and inflexibility of the current system, which is not tailored to employer needs in the video games industry. As a result, despite our members agreeing with the principles and intentions of apprenticeships, they are underutilised by the sector. Very few studios feel that they have made apprenticeships work for them, and this fuels perceptions that the current apprenticeship levy is another tax on business. By introducing reforms to unlock the latent value of apprenticeships within this sector, we could help bridge the current talent gap, foster greater workforce diversity, and extend economic benefits to the UK's regions.
20. A study by Into Games in 2021 revealed significant untapped potential, with over £4.2 million in unspent apprenticeship levy funding and many game studios expressing willingness to engage in apprenticeship programs. However, challenges include the lack of suitable skills providers, inflexibility in delivery, the lack of industry input into and the slow pace in development of relevant standards for subjects and a lack of internal resources to manage apprentices and scheduling constraints.
21. Ukie commends Labour's plan of reforming the current Apprenticeship Levy by transforming it into a "Growth and Skills Levy" with the aim to make the system more flexible and aligned with the needs of the businesses. Allowing this flexibility will provide more value to the apprenticeship levy and allow companies to train the right homegrown talent, further developing opportunities in the workforce. However, the Government must now ensure that this theory is rolled out with significant involvement and consultation with industry to create a flexible, modernised apprenticeship framework that is adaptable to the evolving needs of the games industry. Rather than adopting a one-size-fits-all model, the Government should collaborate with educational institutions and industry experts to design apprenticeship programs that align with the industry's specific needs.
22. In addition to designing specialised apprenticeship programs, there's also a need to raise awareness about the benefits of apprenticeships within the industry. This can be achieved through targeted outreach campaigns, workshops, and seminars that highlight the value of apprenticeships in building a skilled and diverse workforce. Partnerships between game studios, educational institutions, and industry associations can play a pivotal role in promoting apprenticeship opportunities and providing students with a clear pathway into the games industry.
23. Apprenticeships have traditionally been seen as pathways into trades and technical fields, but their relevance to the creative sectors, particularly video games, is rapidly growing. However, the rigid nature of traditional apprenticeship schemes has often been ill-suited to the dynamic and fast-paced demands of game development, where the need for specialised skills can vary from project to project.

Providing Tax Incentives for Workforce Upskilling

24. Small and medium-sized enterprises (SMEs) in the games industry often face significant challenges when it comes to investing in training due to limited resources. As a result, they often struggle to develop the skills of their workforce, which can hinder their ability to innovate and grow. To address this challenge, Ukie recommends that the Government introduce funds and incentives for game studios that invest in upskilling their employees. The Government should consider creating funding pools or grants that allow SMEs to access external training opportunities, help upskill employees, or attract career switchers ensuring that smaller studios are not left behind in the race to acquire cutting-edge skills. For example, SMEs could apply for Government-backed grants to subsidise the cost of sending employees to conferences, workshops, or specialised game development courses.
25. Additionally, the rapid pace of technological change in the video games industry, including advancements in augmented reality (AR) and virtual reality (VR), means that studios need to continuously upskill their employees to stay competitive. Lifelong learning is critical to ensuring that professionals within the games industry remain adaptable to emerging trends and technologies. Government-backed support through a Skills Investment Fund could promote continuous professional development, making it financially viable for studios to invest in their workforce over the long term. This initiative would ensure that employees maintain cutting-edge knowledge and expertise, thus keeping the UK's games sector at the forefront of global innovation and development.
26. The long-term impact would be a more skilled and adaptable workforce, which is essential for the overall health of the UK's games industry, allowing it to maintain its global reputation for groundbreaking creativity and technological advancements. A Skills Investment Fund would centralise and streamline these efforts, making it easier for studios to access the financial support needed for growth.
27. The Skills Investment Fund could also be used to target specific skills shortages that are impeding the industry's growth. By strategically allocating funds, the Government could address gaps in areas like game design, technical art, programming, and leadership development. This would help studios develop a more well-rounded workforce capable of handling the challenges posed by a rapidly evolving market. Furthermore, the fund could provide support for training current employees to step into leadership roles, creating more room for junior talent to enter the industry and progress through the ranks. By prioritising leadership development, the industry could ensure greater internal mobility and foster a culture of continuous growth and innovation.
28. Government-led incentives could also encourage game studios to invest in diversity and inclusion initiatives, ensuring that training programs are accessible to people from all backgrounds. Offering internships and apprenticeships to underrepresented groups would not only address skills shortages but also help foster a more inclusive workforce.
29. Lastly, the UK faces growing competition from other countries that are heavily investing in their games industries and offering attractive incentives to game developers. To remain globally competitive, the UK must create an environment that not only attracts international talent but also nurtures its own homegrown developers. A Skills Investment Fund would help the UK become a destination of choice for game development professionals by offering competitive advantages in training and development opportunities. Additionally, it would support initiatives that ensure the UK retains its talent, addressing the brain drain and keeping the best and brightest within the country. This would secure the UK's position as a leader in the global video games and esports sectors, where innovation, creativity, and skilled talent are critical to success.

Conclusion

30. Our video games industry is a great British success story. As an industry we have seen exceptional growth over the past decade, evolving into a mature and productive industry which creates a rich mix of content enjoyed by millions of players domestically and internationally.
31. That growth has been underpinned by a mixture of innovation and entrepreneurship – coupled with targeted Government support and a welcoming business environment which has seen creative clusters grow in towns and cities across the nation. However, underpinning this development has always been a notion that the UK has 'the best people'; the right mix of talent both in our school leavers, graduates and senior staff at studios that can help support that continued growth and development. We now stand at a crucial juncture which will help determine the course of the industry for the next decade.
32. Industry can and must continue to engage with and shape the talent that will become the mainstay of its future workforce, but without significant interventions now – both with targeted action in the short term, but also leading to long term sustainable solutions, we will lose our preeminent position. If the next Government is serious about growing our creative industries and adequately preparing young people for the jobs of the future, it must work with us and take action now.