

Response to APPWG inquiry into Authors' earnings



The Society of Authors is the UK trade union for more than 10,500 writers, illustrators and literary translators, at all stages of their careers. We've been advising individuals and speaking out for the profession since 1884.

1. Introduction

- 1.1 The Society of Authors welcomes the All Party Parliamentary Group for Writers' (APPWG) decision to hold an inquiry into authors' earnings, and the opportunity to submit evidence to it.
- 1.2 As the results of [ALCS' recent survey](#) highlight, authors' earnings are in decline. The median annual income of a professional author is £10,500, which is well below the minimum wage and represents a 42% drop in real terms since 2005.
- 1.3 This should worry us all. If writers, translators and illustrators can no longer afford to make a living from their work, the supply of new and innovative writing will simply dry up. This will lead to a reduction in reading and the myriad benefits it brings, as well as threatening the success of our world-leading publishing and creative industries.
- 1.4 There is also a danger that new writers could be discouraged from entering the profession, meaning that only those with additional sources of income will pursue a career as an author. This will exacerbate the well-publicised lack of diversity in publishing and create a vicious circle, making it harder to attract new and diverse readers.
- 1.5 The reasons for this decline in earnings are complex and varied. The demise of the net book agreement, the growth of Amazon and a market that is increasingly skewed towards commercial bestsellers have transformed the landscape for writers, as has the increasing desire from the larger publishers to deliver greater profits to shareholders. In some areas such as literary fiction both sales and real terms prices have fallen, and consumers have become accustomed to buying books at high discounts. According to Arts Council England's report [Literature in the 21st Century](#), 98% of authors have seen a drop in their advances.
- 1.6 Journalism used to be a reliable source of secondary income for many authors, but this has declined as journalism and print media have come under increased pressure. Meanwhile there is a whole new set of pressures on authors to market themselves through social media, blogging and appearances, all of which takes away from writing time.
- 1.7 For scriptwriters, we are concerned that opportunities are dwindling, partly owing to a shift in strategic priorities by commissioners but also as a result of budget constraints and a relaxing of industry regulation. There has been a marked decrease over the past decade in the commissioning of bespoke radio drama by the BBC including the removal of drama from the World Service, the

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Friday Play from BBC Radio 4 and the Wire from BBC Radio. The decision last year by Ofcom to remove pre-existing quotas for radio comedy, drama and readings in their Operating Licence for the BBC could exacerbate this. As [research commissioned by the Confederation of Societies of Authors and Composers \(CISAC\)](#) has shown, scriptwriters commissioned to write for AV formats are rarely able to obtain equitable remuneration, especially for online exploitations.

- 1.8 For academic writers, the introduction of Open Access has led to a drop in advances and royalties. While academics have always received precious little from sales of their work, they are now increasingly under pressure to meet costs traditionally absorbed by the publisher e.g. copyright permission fees, indexing, picture sourcing. We are also particularly concerned at the lack of discernible income reaching academic authors from the exploitation of their work as part of a bundle of digitised content, which increasingly is how such material is accessed.
- 1.9 While there is no panacea for boosting the income of writers, translators and illustrators, we are calling for a number of changes in both legislation and industry practice, which cumulatively may help to mitigate the recent decline.
- 1.10 We hope this inquiry will provide an opportunity to gain a greater understanding of the root causes of low author earnings and bring these to the attention of politicians and government.

2. Fair remuneration

- 2.1 The publishing industry thrives on the interdependence between authors and publishers, and authors value the vital contribution of publishers in editing, designing and promoting their work. Publishing is an indispensable part of the industry's ecology, particularly during what has been a period of profound change for all.
- 2.2 However we are concerned that, at a time of increased publisher profits, authors are not receiving their fair share of remuneration.
- 2.3 [Research by the Publishers Association and Frontier Economics](#) estimated that in 2016, £161m was paid to authors in advances, royalties and secondary rights revenue. In the same year the UK publishing industry's turnover was £5.1bn, of which book sales contributed £3.5bn (69%) and sales of academic journals £1.2bn (24%). That means authors received around 3% of publisher turnover. Meanwhile the profit margins of the main corporate publishers are increasing, with average profits estimated to be around 13%.
- 2.4 The figures show that what publishers do pay is going to a smaller pool of authors. Nielsen BookScan shows that [5,093 authors had sales of more than £10,000 in 2017](#) (note that this is a figure for total sales based on the price of the book; the author will only receive a tiny percentage of this figure, typically 5-10%). Collectively, those authors accounted for 56% of the £1.59bn total

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books sold. So a large proportion of sales—44%, or £699m—came from authors with sales of less than £10,000. Publishers cannot ignore authors who net 44% of their sales, and authors cannot continue on the earnings they recoup from these sales.

2.5 Publishers should do more to ensure that profits are fairly shared along the value chain. This is in the long-term interest of both authors and the publishing industry. Paying fairly and encouraging underrepresented voices to consider writing might just widen the overall readership base and enable our world-leading publishing industry to thrive further still.

2.6 Our asks of publishers are summarised in the F.A.I.R. acronym:

Fair terms. All publishers should sign up to our CREATOR principles (see below).

Accounting. Transparent and clear accounting to show exactly how much publishers pay authors, illustrators and translators.

Increased shares. Publishers should commit to paying authors a higher proportion of turnover, and increase advances and escalators.

Redistribution to a wider pool, not just celebrities, but writers from across society. And publish how author share is distributed in accounts.

3. Fair contract terms

3.1 Fairer contract terms would help improve authors' earnings.

3.2 Writers, illustrators and translators are not in a strong negotiating position. Authors frequently need to negotiate with monopolies or with dominant players in highly specialised markets. Many contracts are offered on a take-it-or-leave-it basis. Especially at the start of their careers, authors may have little or no advice and are thrilled to be offered publishing contracts.

3.3 We are calling for a review of laws applicable to creator contracts, introduction of legislation to address unfair contract terms and the fair sharing of reward throughout the value chain. Some of these provisions are contained in the EU's Directive on Copyright in the Digital Single Market which, if agreed in Brussels, will come into effect before the UK leaves the EU.

3.4 Our aims to improve contracts are summarised in the C.R.E.A.T.O.R. acronym. These laws are not radical and already exist in many European countries.

C - Clarity: Clear contracts, in writing, which set out the exact scope of the rights granted.

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R – Remuneration: Fair remuneration. Equitable and unwaivable remuneration for each use/exploitation of the work. This should include “bestseller clauses” so if a work does far better than expected the creator shares in its success, even if copyright was assigned. The EU’s Copyright Directive contains provisions that would make “bestseller clauses” mandatory. If the Directive comes into force before we leave the EU, we urge the UK Government to implement these provisions urgently.

E – Exploitation: an obligation upon the publisher to fully exploit the rights it has been granted. Also known as the ‘use it or lose it’ clause, this would see rights return to the creator if not exploited.

A – Accounting: fair, understandable and detailed accounting clauses in all contracts to cover royalty payments and other sources of remuneration. The EU’s Copyright Directive contains an important provision which would place an obligation upon publishers to be more transparent when providing creators with information on the exploitation of their works and performances.

T – Terms: Reasonable contract terms (including time limits) with regular reviews where appropriate to take into account new forms of exploitation.

O – Ownership: Authors, including illustrators and translators, should be appropriately credited for all uses of their work and moral rights should be unwaivable.

R – Reasonableness: All other clauses should be subject to a general test of reasonableness, including a list of defined clauses which are automatically deemed to be void. There should be a general safeguarding provision that any contract provision which causes a significant imbalance in the parties’ rights and obligations to the detriment of the author, should be regarded as unfair. One such example would be indemnity clauses which put all the risk on the author.

4. Support for the self-employed

4.1 Most authors are self-employed. Current tax and benefit rules do not cater well for self-employed workers with portfolio careers. In particular the system does not work well for those who receive payments which are staggered throughout the year rather than a steady income stream. It also places a considerable reporting burden on self-employed workers with complex working arrangements, including those on low incomes. There are a number of areas in which the Government could take action to improve the current framework, and prevent it from deteriorating further in the future.

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4.2 National Insurance Contributions (NICs): Self-employed workers earning less than £6205 per year can currently make voluntary payments of £2.95 a week towards the state pension and other contributory benefits, in the form of Class 2 NICs. Class 2 NICs are due to be abolished from April 2019, and anyone earning less than £6205 will only be able to make contributions through Class 3 NICs, which are £14.65 per week, representing a fivefold increase. Low-earning authors will be hit hard by this, and we urge the Government to think again.

4.3 Making Tax Digital: Under the Government's Making Tax Digital proposals, any business or self-employed worker whose annual turnover exceeds £10,000 would have to file quarterly returns online. Due to come into effect in April 2020 at the earliest, it will place a considerable administrative burden on authors with modest incomes. As recommended by the Treasury Select Committee, we call on the Government to bring the threshold for reporting in line with the VAT registration threshold of £83,000.

4.4 Tax relief for training: Under the current legislation, the self-employed can claim tax relief for work-related training which 'maintains or updates existing skills'. However relief cannot be claimed for training which 'introduces new skills'. New skills in areas such as self-publishing, marketing and social media are often invaluable for an author's career development. HMRC has consulted on reforming the current rules, and we urge the Government to extend tax relief for those individuals undertaking training to learn new skills.

4.5 Working Tax Credits and Universal Credit: Recent changes mean that, in order to claim Working Tax Credits or Universal Credit, the self-employed must prove that they are "in a regular and organised trade, profession or vocation on a commercial basis and with a view to achieving a profit". We are aware of cases where authors have found it difficult to provide evidence to HMRC which fits this narrow definition of work and that their work is in fact "commercial". We urge the Government to review this definition and the current rules, to ensure that the benefits system incentivises rather than penalises creators.

5. Additional Support from Government

5.1 Britain's creative industries generate £92bn a year for the UK economy, and the creative economy employs one in every 11 working people. We are delighted that the Government has identified the creative industries as one of five "world-leading sectors" as part of its Industrial Strategy, and we welcome the Creative Sector Deal between Government and industry.

5.2 However we are concerned that the Creative Sector Deal does not place enough weight on supporting authors and other creators. We would like to see

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greater recognition of the centrality of writers to the success of the creative industries, which includes ensuring that they can make a living from their work.

5.3 Access to funding: Grants can be a lifeline for authors, providing them with precious time to focus on their writing and improve their output. Arts Council England spends just 3.5% of its budget on literature, which should be increased. Brexit also threatens our membership of the EU's funding programme for the arts, Creative Europe, which provides vital funding for translation in particular. The Government should either commit to remaining within Creative Europe following our departure from the EU, or to increasing domestic funding for the arts via Arts Council England or another equivalent body.

5.4 Libraries and Public Lending Right: Public Lending Right (PLR) allows authors to be fairly paid for each loan when their work is lent through public libraries. The preservation and growth of public libraries is therefore an important factor in boosting authors' income, as well as having a considerable social impact. The total budget for PLR is currently set at £6.6m, which has been frozen for some time and is very low compared to the rates in other EU countries. Following the extension of PLR to e-lending, this budget should be increased and ringfenced as part of DCMS' upcoming spending review.

6. The wider industry

6.1 Authors are part of an extensive ecosystem which includes publishers, booksellers and literary festivals. Authors benefit hugely from these networks, which all contribute to their earnings in some way. However there is more that each section of the ecosystem can do to ensure that authors are properly remunerated for their work.

6.2 Payments for visits and appearances: Authors, like many creators, are all too often expected to provide their labour for free. All work that they carry out should be properly remunerated, whether visiting a school, making an appearance at a book festival or speaking as an expert in the media. We ask all organisations inviting authors for visits and speaking commitments to commit to adequately remunerate them, taking travel time and accommodation into account.

6.3 Special sales: These are sales where the purchaser pays a very low price per copy for a large quantity of a book and sells them on at a discounted rate. This generally leads to a low return for the author. We are not against special sales, but whenever it happens the author should be consulted, discounted sales should never compete directly with standard sales, and the amount received per book should not fall below the PLR rate.

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6.4 Amazon: Amazon dominates the bookselling marketplace, accounting for 90% of ebook sales, 75% of print books sold online and 45% of all print book sales. We are concerned about the enabling of piracy and copyright infringement through 'New and Used' sales, and we would like Amazon to do more to address this. Amazon are also able to avoid paying tax by moving profits offshore and do not have to pay the same business rates as high street bookshops; we support calls to level the playing field in this area. We would also like to see more action from Amazon and other platforms to combat piracy on their sites, and to ensure that profits are being fairly shared with creators whose content is hosted on their sites.

7. Brexit

7.1 Brexit will have significant and wide-ranging implications for authors and the publishing industry. From our trading relationship with Europe to the UK's copyright regime to rules surrounding VAT on e-books, almost every area of the policy framework affecting authors could face some disruption as we prepare to leave the EU.

7.2 Like most of the creative industries, the strength of writing and publishing in the UK has benefitted from having close ties with Europe. These links have aided the free flow of talent and ideas, enhanced the diversity of published works and enabled the growth of a strong trading relationship. These benefits must be retained after we leave the EU.

7.3 We call on the Government to ensure that Brexit creates no additional barriers to trade and does not undermine our excellent copyright regime. We also ask the Government to introduce a national exhaustion of rights system after Brexit and to remove VAT on e-publications.

7.4 Copyright: The UK's excellent copyright framework must be maintained after Brexit, harmonised with the rest of the EU. Copyright and Intellectual Property law must be strengthened and not watered down as part of any future trade agreements.

7.5 EU Copyright Directive: The EU Directive on Copyright in the Digital Single Market contains important provisions for authors, including an obligation for publishers to provide greater transparency when reporting accounting information to authors and an obligation to include 'bestseller clauses' in contracts. It includes other important provisions to strengthen copyright, such as new responsibilities upon platforms to tackle piracy. In July 2018 the European Parliament voted to reject the Directive and return to debate it further in September. We support the Directive and will press MEPs and the UK Government to legislate for these advantageous reforms for authors.

7.6 Exhaustion of rights: The Government should adopt a 'national exhaustion' of rights framework after we leave the EU. If 'international exhaustion' is adopted,

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books not intended for sale in the UK could enter the country at discounted rates, therefore undermining the success of the publishing industry.

7.7 VAT on e-books: EU rules have so far prohibited member states from reducing the rate of VAT on e-publications, although the EU is in the process of changing this rule. VAT on e-books amounts to a tax on reading and a tax on knowledge, and we urge the Government to abolish VAT on e-books to bring them in line with printed books.

7.8 Freedom of movement: EU membership has enabled performers, translators and other writers to move freely across Europe as part of their work. The Government must ensure that this can continue after Brexit, and that visa restrictions do not prevent European creators from entering the UK and British creators from travelling across Europe.

7.9 Trade: The UK is the largest exporter of physical books in the world, and the European Union remains our most important market, accounting for 35% of exports. It is vital that access to European markets is maintained after Brexit and that no additional barriers to trade are installed.

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