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CIPPM (www.cippm.org.uk)

Bournemouth University

Dorset House

Fern Barrow

Poole

Dorset

BH12 5BB

United Kingdom

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1. Preface

In 1776, Adam Smith diagnosed an oversupply in “that unprosperous race of men” called *men of letters*: “...their numbers are every-where so great as commonly to reduce the price of their labour to a very paltry recompense.” (*The Wealth of Nations*, Book I, Ch. 10)

By the nineteenth century, it was thought that copyright law may provide a solution. As Thomas Babington (Lord) Macaulay argued in a famous speech on copyright reform in the House of Commons (5 February 1841): “...there are only two ways in which [*men of letters*] can be remunerated. One of those is patronage; the other is copyright.”

In a continuous line of reasoning, the thought persisted into the recitals of current European legislation. The 2001 Information Society Directive (2001/29/EC) is introduced thus: “*If authors or performers are to continue their creative and artistic work, they have to receive appropriate reward for the use of their work...*” (Recital 10). “*A rigorous, effective system for the protection of copyright and related rights is one of the main ways of ensuring that European cultural creativity and production receive the necessary resources and of safeguarding the independence and dignity of artistic creators and performers*” (Recital 11).

This study shows quite conclusively that current copyright law has empirically failed to meet these aims. The rewards to best-selling writers are indeed high but as a profession, writing has remained resolutely unprosperous.

For less than half of the 25,000 surveyed authors in Germany and the UK, writing is the main source of income. Typical earnings of professional authors are less than half of the national median wage in Germany, and one third below the national median wage in the UK. 60% of professional writers hold a second job of some kind.

Throughout the study, we have attempted to differentiate between copyright and non-copyright earnings (following concepts developed for a pilot study on music for the Arts Council: M. Kretschmer, 2005, “Artists’ Earnings and Copyright: A Review of British and German Music Industry Data in the Context of Digital Technologies”, www.firstmonday.org). We also have analysed for the first time systematically the distribution of income in a creative profession, calculating the Gini Coefficient for all earnings data collected (Gini = 0: every writer earns the same/perfect equality; Gini = 1: one earner earns everything/perfect inequality).

After this study, copyright policy cannot remain the same. Still, for the purposes of this report, we have resisted drawing policy implications. Instead we have attempted to shape the raw data into a form that will allow multiple analyses. Emphasis has been given to providing context from statistical data held by governments, and from a comprehensive review of previous studies.

The study was funded by the UK Authors' Licensing & Collecting Society (ALCS) whom we thank greatly for their trust and cooperation, in particular Owen Atkinson, Jane Carr, Richard Combes, Penny Grubb and Barbara Hayes. They gave us unprecedented access and support when nobody could predict what an independent survey of 25,000 writers would return. We also have to thank the German writers' collecting society VG Wort (in particular Prof. Ferdinand Melichar) for valuable discussion of their databases, and two German professional bodies Verband deutscher Schriftsteller VS (in particular Imre Török) and Verband deutscher Drehbuchautoren VDD (in particular Katharina Uppenbrink) for mailing the German questionnaires.

Finally, a study on this scale is necessarily a team effort. Dr Friedemann Kawohl (CIPPM Research Fellow) translated the questionnaire, processed the German part of the survey, and provided critical commentary throughout. Dr Michel Guirguis (Business School Research Fellow) calculated the Gini Coefficients, and computed the questionnaires assisted by Natalie Swann (LLM) for Germany. Emily Cieciora (CIPPM Co-ordinator) formatted the final report. Mistakes remain our own.

Bournemouth, 1 December 2007

Martin Kretschmer

Philip Hardwick

Professor Martin Kretschmer (Chair in Information Jurisprudence)

Professor Philip Hardwick (Chair in Economics)

2. Executive summary

1. In 2004-05, professional UK authors (defined for the purposes of this study as those who allocate more than 50% of their time to writing) earned a median ('typical') wage of £12,330 (= 64% of the national gross median wage). In 2005, professional German authors earned a median wage of €12,000/£8,280 (= 42% of the national net median wage).
2. Although authors' earnings are well below average, the crucial distinguishing feature is the risky nature of the profession. Writers work in winner-take-all markets. The distribution of income is highly unequal, as reflected in high Gini Coefficients: The top 10% of professional writers in the UK earn about 60% of total income (they earn at least £68,200 per annum); the bottom 50% earn about 8% of total income (Gini: 0.63). In Germany, the top 10% of professional writers earn about 41% of total income (they earn at least €40,000/£27,600 per annum); the bottom 50% earn about 12% of total income (Gini: 0.52). In contrast, the national Gini Coefficient for all employees in the UK is 0.33; in Germany it is 0.31.
3. Compared to the UK, writers' earnings are lower and less skewed in Germany. This may reflect a more regulated environment for copyright contracts in Germany. It may also reflect the globalised nature of English language markets. In the UK sample, 7.2% of professional writers earned £100,000 or more from writing (mean = £188,062). In the German sample, just 1.7% of professional writers earned £100,000 (€145,000) or more. No German writers in the sample earned more than £345,000 (€500,000).
4. Only 20% of UK writers earn all their income from writing. 60% of professional writers need another job to survive, both in Germany and the UK. However, UK and German writers show a distinct sociological profile. German authors are prepared to enter the market as a professional author (= allocating more than 50% of their time to writing) at a much lower median income than UK authors. UK authors also appear to have a more "establishment" background. UK writers' households (including partners' earnings and income from non-writing jobs) earn almost double the amount of their German counterparts (UK writers' household mean: £55,620; German writers' household mean: €41,644/£28,734).

5. Income that reflects actual use of copyright works is most skewed. For UK professional authors, the Gini Coefficient for writing income is 0.63, for total individual income of writers it is 0.51, and for total household income of writers it is 0.47. For German professional authors, the Gini Coefficient for writing income is 0.52, for total individual income it is 0.43, and for total household income it is 0.42. The distribution of income for collecting society payments (which follows actual use) is more skewed than contractual writing income (which includes risk mitigating advances). The Gini Coefficient for ALCS (UK collecting society) payments to professional writers is 0.78; for VG Wort (German collecting society) payments it is 0.67. This suggests that current copyright law may exacerbate risk.
6. Writers who bargain with their publishers/producers earn about twice as much as those who don't (both in Germany and the UK). Compared to the UK, disputes over moral rights (the authors' rights to be credited where their work is used and to prevent its derogatory treatment) are double as likely in Germany, reflecting perhaps the "inalienable" legal status of these rights in Germany.
7. Female writers earn considerably less than male writers. The greatest gap is for main-income writers (those who earn at least 50% of their income from writing): UK female main-income writers earn 59% of male average (mean) earnings; German female main-income writers earn 69.5% of male average (mean) earnings.
8. Increased exploitation and use of copyright works through the Internet has not translated into increased earnings of writers. Only 14.7% of professional UK writers and 9.2% of German writers have received specific payments for Internet uses of their works. The typical earnings of authors have deteriorated since 2000, both in the UK and Germany.