



## **Covid 19: how to address the impact on craft businesses**

### **Crafts Council summary**

This paper summarises early feedback from craft business about the immediate and anticipated impacts of Covid 19 and proposes measures to address these. The Crafts Council has surveyed makers (573 responses) and their responses are reflected here (quotes in *italics*).

The pandemic takes place at a time when our forthcoming The Market for Craft study (out in May) shows a significant growth in the market and how craft is now central to people's lives (73% of people buy). There is a fourfold increase in the value of craft to the UK economy since 2006. We now need to build on this more than ever.

### **Current concerns**

#### Routes to market

Orders are down 67% and the largest group of makers (31%) anticipate losses of between £5,000 to £10,000 (note average earnings are around £10,000pa) with a further 25% anticipating losses of over £10,000.

The speed of the crisis is further impacting on craft businesses.

*'Loss of outwork. I did prep on Faberge lockets for Baltic cruises which are all grounded'*

*'South East Open Studios cancelled, Brighton Open Studios cancelled, new designs for a USA chain of shops on hold (possibly cancelled)'*

*'I lost £18,000 worth of work including events, commission and workshops in 3 days.'*

Closure of galleries/shops is the primary impact on makers (71%)

*'£10,000 owed from an overseas gallery – no contract in place, gentlemen's agreement, believe that it will get paid – just don't know when'*

Closure of fairs/markets 64% (eg Independent Ceramics Market), open studios, talks, fairs (eg Milan Furniture Fair, Ceramic Art London). Some without refunding deposits/booking fees, removing face-to-face sales.

*'I am a milliner so spring events are when I make any income';*

*'What concerns me is that our galleries and ceramics fairs may not survive, so our networks may be broken at the end of this.'*

Terminology is important – not clear if some events are postponed or cancelled

Makers are unable to deliver orders as deliveries are delayed or because clients are closed.

Personal contact is important to makers and there are no visitors to studio workshops, makers are not meeting new clients so no new commissions; and makers can't run classes.

*'Commissions tend to come through face to face interactions, meeting people is so important. Also, if there's a huge recession people won't want to commission me to make things.'*

*'No workshops but am looking at how to make up kits and make books and videos so it will be learning how to make up and market them.'*

Tourism stopped

Consumers' financial worries – few buying online when in lockdown, everyone with far less money [55% of UK creative businesses and freelancers expect their income to decrease by over 50%; only 4% of respondents' income has remained stable since the coronavirus outbreak<sup>1</sup>; in over 4,300 responses, 70% of respondents to a Creative Industries Federation survey have already suffered a loss of income]

### Logistics

Challenge of setting up online sales when work may be elsewhere, materials not available, transit hard to organise

Galleries holding on to work when exhibitions are closed early and challenges negotiating release

Closure of assay office, casting companies, forges

Fall in the value of sterling

International freight restrictions

*'My customers are cancelling or delaying orders that I have purchased materials for.'*

*'Shops /galleries which have received stock and I'm waiting for payment (ie previous customers so not on pro forma invoice) may be unable to pay or have gone out of business'*

- Postponement of events running into logistical planning problems (eg Contemporary Craft Fair in Devon can't book marquees for the autumn as everyone hopes to be in business again then)
- Galleries are seeing confirmed sales cancelled

### Portfolio working

Cancellation of teaching, classes and workshops – 60%.

Makers now need to refund private bookings.

*'As an hourly paid Tutor at a highly respected Adult Education College in London - I've taught there for 25 years - I, along with many other Tutors there, are all on hourly paid contracts = zero hours contracts and as such have been working for years with very precarious employment conditions ..... the current situation is devastating for so many of us who are on incredibly low and precarious incomes as having managed to accrue savings to fall back on simply isn't possible on very low incomes!'*

Portfolio workers' other jobs are affected – 26%

Impact of cancelled work for other creative industries eg film, theatre, fashion

Many craft businesses are inter-related: they outsource work to other makers or provide a service to others.

*'I am a milliner so spring events are when I make any income, so even if things get back to normal after 6 months I won't have work until next spring, so will be hard to survive.'*

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<sup>1</sup> Creative Industries Federation and Creative England 18.0320

*'apart from my own design work, I work as a freelancer, making for other designers, this is the equivalent of a zero hours contract as I only get paid for the work I do, so as they are all closing there will be no work, or pay for me - if this goes on - what do I do?'*

### Supply chains

No access to materials and suppliers during lockdown, particularly those abroad

*'The major concern for me is being able to access materials. I have a good stock of some things, but the materials I use most often need to be replaced. And postal services. If I can't post, I don't get paid.'*

Price of materials is escalating e.g. a roll of wadding was £36.99 and is now £150

Suppliers insisting on prompt payment even when businesses and galleries have ceased all trading

*'I borrow to produce goods and pay staff in the winter and sales in the summer repay my investment. This will not happen now and so I'm now in debt with no prospect of recovering in the summer. I have had to lay off my staff as I can not continue borrowing with no prospect of repaying my debt. Also the debt is on my personal credit card so this makes it harder.'*

### Studio space

Makers have lost access to space to make

- in another premises requiring travel and/or juggling with home caring responsibilities
- in a shared studio that has had to close – 60%
- at home with caring responsibilities
- confusion at the moment as to government guidance on travel for essential work

Those who work at home have no business rates to freeze

Landlords practice varying in handing on the benefits of business rate and/or mortgage holidays to the business tenants

*'the small business rates relief only goes to those whose premises are separately rateable. Many of us, in shared workshop buildings, have discovered that the landlords rate the building as one, pay it themselves and include it in our rent. This means in Bristol alone, 75% of small arts businesses can't access the rates relief grants. My last unit was rated, my new larger one is not and I need that relief to pay the rent.'*

*'A whole swathe of small maker businesses can't now access the rates relief grants as we aren't listed as single units with the local council.'*

### Access to finance/ are current Government measures helpful

Need the same assurances as contract workers

Need compensation based on % of income not profit – most craft businesses have ploughed their profits back in

Some makers have set up companies and pay themselves a dividend and therefore are not eligible

Some positive feedback on mortgage repayments, tax deferrals and business loans but very dependent on size and structure of the business.

*'No. I don't want to take out a loan. Especially when the employed are being covered 80%. Rates don't apply to me as I work from home. And I don't earn enough for the tax deferral to be of any help. We need to be treated as fairly as employees.'*

*'We need fair, equal treatment and 80% of our income paid to is too.'*

*'They are in no way useful. I couldn't pay back a loan.'*

Those who sell via street fairs and markets are not covered by this support

*'No, not at all. I am a 'mobile' retailer, I don't pay rates for fixed premises but I do contribute by paying a street trader's licence and parking permits. The help so far is based on amount of rates paid. So all street traders and market operators have been overlooked. We are equally retailers and should be offered, in my opinion, the £10,000 grant.'*

Little or no reserves in craft businesses – 60%

- Lack of confidence in navigating bureaucracy (including any forthcoming Government schemes to help) - *'don't understand what I'm entitled to'*
- Delays in payment from insurers for business interruption cover
- Invisibility of size of self-employed sector in government stats (many craft businesses are below the VAT threshold)
- Lack of bank confidence in loaning sector<sup>2</sup>
- Unwillingness to take out loans - *'just more debt', 'too risky'*- especially now
- No sick pay - 64%

#### Impact of Brexit

*'Trade last year was very poor as with Brexit uncertainties I had less UK visitors to sell too, plus less UK sales (including on line) and had one of my worst Xmas trading years since I started in 2011'*  
*'In normal circumstances my margins are too small to accommodate extra costs. People have already been buying less because of the havoc of Brexit causing consumer uncertainty.'*

#### **Proposed action to support the survival and growth of craft businesses coming out of Covid 19**

##### Actions needed

- Government financial package for self-employed workers based on net earnings, above and beyond Statutory Sick Pay.
- Targeted local support from IPSE, small business orgs, chambers of commerce, local authorities and LEPS.
- Recognition that many craft businesses will fall between ACE support for freelancers who have lost publicly funded activity and government support to small businesses.
- Offer small, incentivising grants to makers to generate content from their studios and homes.
- Greater recognition of the growing self-employed sector (including craft) and for tailored business support once work starts again
- Tax incentives to boost exports eg help with shipping costs

##### Craft business positive characteristics

- Craft businesses are good at paying back loans/low default rate
- As sole traders they can be fleet of foot with the right finance<sup>3</sup>

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<sup>2</sup> The Creative Industries Council, a UK government and industry body, found that in creative businesses 'There was a significant reliance on informal sources of funding from friends and family with 27% of businesses using this source as opposed to 9% of businesses generally.' Easton, Eliza and Evy Cauldwell-French, *Creative Freelancers*, (London, Creative Industries Federation, 2017).

<sup>3</sup> 'Creative freelancers are often innovative and entrepreneurial, with many juggling a string of different contracts and work streams in portfolio careers.' (ibid)