



Crafts Council

Summary of points made to DCMS on Covid-19 and Brexit

This is a summary of longer responses made to the Department for Digital, Culture, Media & Sport (DCMS) on Covid-19 and Brexit. It draws on information from members of Craft UK, a network of craft organisations convened by the Crafts Council. Submitted 23 October 2020.

Covid-19

What would be the broad impacts on the craft sector?

The craft sector is mostly micro-enterprises, sole-traders and small businesses who don't have the reserves to be resilient in these times. The last six months has been challenging and the mood is not positive for the remainder of the year.

Many have been unable to access government support measures: Self-Employment Income Support Scheme (SEISS), loans or Arts Council England (ACE) emergency funds. This has depleted resources and will make further restrictions very difficult to survive.

But there are examples of craft businesses doing well - usually those already operating online and adept at social media marketing. The #artistsupportpledge (which the Crafts Council worked with) has seen some fantastic successes with estimated global sales in excess of £60m.

Early on there was a surge in people buying to support makers and craft businesses, but as people become more cautious with concerns about job security the initial surge has levelled out.

Autumn through to Christmas is the time many craft businesses make the majority of their income. The next months will be crucial in determining whether businesses make it to the end of the financial year.

Retail

With social distancing restrictions and nervous audiences, custom to galleries and shops continues to be low level. Retail outlets are now forecasting that any upturn will not come until later next year.



Domestic tourism has helped some areas, especially coastal towns with larger numbers of summer visitors but In winter this will change.

Some galleries are using the restrictions to focus on one on one appointments with high net wealth individuals.

Fairs

Fairs are subject to increasing restrictions and costs to be Covid-19 compliant. With lower levels of visitor income, they are struggling to cover the extra costs and have been unable to get insurance cover.

Most makers make work in anticipation of an event. They won't always have large amounts of back stock. So, exhibitors are nervous of committing to events that incur costs and still risk last-minute cancellation. This makes it difficult for fair organisers to plan ahead annually for next year.

Travel is increasingly difficult as regions go into a higher tier of restrictions, impact in on fair organisers, exhibitors and visitors.

Digital

Whilst many craft businesses have moved online some still lack knowledge or confidence with digital marketing and e-commerce to make this transition. In addition, the perceived investment required to sustain a digital presence can be a barrier for some.

There are limited ways of earning income through digital activity. Investment in new e-commerce opportunities and innovations is needed to build the market in the next six months. Crafts Council, as a member of the Creative Industries Trade Investment Board, has co-signed a letter to government requesting that Tradeshow Access Programme (TAP) funds be used for digital export.

Investment in digital export is key to this new operating environment but we yet to exploit fully and it will not immediately convert into sales. E-commerce and e-events are cheaper than mounting physical activity but there are still costs. As with all export activity it takes time, marketing and brand positioning before conversion to sales.

Many businesses don't have the skills (e.g. social media and marketing) or means to operate digitally and drive sales and commissions. Where support agencies have recently provided free or low-cost training, these adjustments take time and will be investments for the future.

Some physical fairs have moved to digital platforms, but sales have been patchy and are yet to increase. Sales also depend on the profile of buyers they target – younger collectors/consumers are more used to buying this way but other will be more cautious.



Digital fairs are a new way of working and we don't yet know the impact. One fair reported income at 25% of what they would expect for a physical fair, but with lower costs. Organisers are assuming it is a longer-term investment and are often subsidising it themselves. Some fairs planned for post-Christmas are already taking the decision to move online.

Workshops and other activities

With many workshops and sessions now going digital a greater time investment has to be made by teachers and workshop leaders in preparing for this new format and employing freelance teachers.

The constant postponement or cancellation of workshops and programmes is now creating financial uncertainty, placing financial pressure on organisation and on their obligations to makers and freelancers.

Home / health and wellbeing

It is increasingly precarious for freelancers, with no sign of any improvement. Many have had to deal with home schooling for long periods, restricting the scope of doing alternative work. This has impacted on their health and well-being. It is welcome that schools have now re-opened, but quarantine and closures continue to affect business operations.

We have seen an increase in people using craft and making during the restrictions. DCMS [Covid-19 survey](#) shows participation in 'other arts, crafts, or creative activities at home' is the top arts activity (49% in May).

Dr Daisy Fancourt has demonstrated the value of this <https://www.gov.uk/government/publications/evidence-summary-for-policy-the-role-of-arts-in-improving-health-and-wellbeing>

Whilst the value of creative activities is clear, the government is removing funding for Art and Design teaching bursaries. This will lead to a further decline in teaching in schools.

Government Emergency and Recovery Funds

A number of organisations have received ACE Emergency Funds and DCMS/ACE Creative Recovery Fund (CRF). These are welcome but the longer-term damage of the pandemic is likely to undermine the benefits. Many organisations still predict a significant shortfall in their budgets at year end, with income continuing to be affected by lockdowns.



Not everyone has had access to these schemes or is able to make use of the government small business support schemes. There has been an increase in enquiries for business support and grants.

National lockdown adds pressure for all businesses and those already in Tier 3 areas. Anxiety about Christmas sales and the ending of CRF money in April comes on top of a recession and Brexit.

Data

Crafts Council continues discussions with DCMS and the Office for National Statistics (ONS) about the collection of data on the craft sector. We have seen significant growth with the craft market generating £3.4 billion sales. Now, more than ever, we need accurate data to track trends and are working together to overcome statistical problems about representing the sector's many sole practitioners and micro-enterprises.

How might these risks be mitigated?

1. Grants and schemes for upskilling in e-commerce, including generating content from studios and homes.
2. Business investment schemes to support innovation in the sector.
3. An export strategy for the creative industries including digital support and tax incentives e.g. help with shipping costs.
4. Funded 'Buy Local' campaigns or support to lead these.
5. Public regeneration projects commissioning work from makers and introduction of 'creative clauses' in capital regeneration development programmes.
6. A longer-term Government approach to Covid-19 through summer 2021 and consistent messaging on precautions.
7. Government financial package for self-employed workers until summer 2021, based on net earnings on top of Statutory Sick Pay.
8. Targeted local support from The Association of Independent Professionals and the Self-Employed (IPSE), small business organisations, chambers of commerce, local authorities and Local Enterprise Partnerships (LEPs).
9. Recognition that many craft businesses will fall between ACE support for freelancers who have lost publicly funded activity and Government support to small businesses.
10. Tailored support for the growing self-employed sector (including craft) once work starts again.
11. ONS commitment to the collection, coding and analysis of aggregated occupational data for craft.



The end of the EU/UK transition period

Risks and policy issues for the craft sector

Around 42% of makers export products, but confidence is shaky with Brexit changes still to impact and many organisations and businesses preoccupied with managing the impact of Covid-19.

A number of businesses have voiced concerns about the need to increase prices, their ability to sell abroad and their viability.

There is still little practical advice for small businesses on Brexit. It is difficult to engage businesses and provide support when information is so generic. The impact of policies on movement of people, goods and e-commerce are especially significant.

Mobility (movement of people from the UK to EU member states and vice versa)

The UK attracts many talented makers wishing to work here with a huge amount to offer, but many may not fit the definition of "useful" or be able to meet the minimum income needed for residency. This will impact particularly on early career makers.

There is significant movement of people between nations as craft businesses and makers take part in international exhibitions and trade shows or teach overseas at universities or summer schools. Many may still be unaware they might need visas in the future, while others question whether the risk is too high to take part.

Movement of goods (temporary and exports/ imports)

There is uncertainty about border controls and tariffs on work for sale or exhibition and about potential transport delays. These add to nervousness amongst EU makers about how to supply work to the UK. One fair which had 10% European exhibitors represented at its events has lost them all due to concerns over red tape.

UK craft businesses who supply wholesale to EU businesses have had profit margins squeezed already. There is concern that tariffs will lead to EU businesses purchasing new stock elsewhere, and that ATA Carnets may be needed to movement equipment between countries.



There is still insufficient knowledge of relevant paperwork needed and a lack of capacity amongst sole traders and micro-businesses. Compounded by the demands of e-commerce under Covid-19, this may deter them from exporting at all.

Supplies

Raw material prices were rising before Brexit and there are difficulties and delays in getting supplies. Gold, for example, has increased by 30%, rising to 40% once passed onto the consumer. This will be a challenge if supplies increase further in price or become unavailable.

Copyright and intellectual property

The Supreme Court ruling against Magmatic in its attempt to protect the design rights of its Trunki suitcases for children suggests that it is extremely difficult to secure effective enforcement of Intellectual Property (IP) in craft and design. Awareness of the dangers of being copied is quite low.

EU funding

The loss of EU funded partner programmes is significant for participating craft organisations. These programmes have supported the exchange of people, educators, exhibitions, work and ideas, all crucial to sustaining the development of culture and the creative industries.

There is concern that the lack of trust and confidence following Brexit could lead to a decline in soft power and engagement with the UK.

E-commerce

Makers sell services and digital goods as well as other products but there is little information and awareness about, for example, VAT MOSS regulations, tax on selling digital downloads and the introduction of a new 2% tax for online sales. This could be a big issue for micro businesses. It is disappointing that Amazon has ensured that sellers should pay the new tax rather than Amazon itself.

How could these risks be mitigated?

- Tax credits to support shipping costs.
- Exemption of the craft sector from some tariffs.
- Investment in digital export.
- Tailored guidance and advice for our sector.
- Removing VAT from international exhibitors at fairs.

Rosy Greenlees
Crafts Council
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