

Covid-19 Impact on the Cultural Sector: Survey Results Report (Update: 3)

Sector Update 3: 17th April 2020

Introduction

This is the third follow up report to the Culture Counts impact survey.

We received 340 responses to the survey between the 13 March and 14 April. We asked those completing the survey to tell us about the impact Covid-19 is having on them as an individual, a sole trader or entrepreneur, or an organisation. We asked organisations to tell us how it impacted on them. A third question was added on the 20th March, asking simply, 'What would help'. There were 101 responses which included an answer to this question.

This report also includes evidence and information gathered from Culture Counts member organisations representing the music, visual arts, and theatre industries who shared their experiences and concerns outwith the survey.

Since our last report, the UK government has released updated information on the employee furlough scheme, which will allow employees to be paid up to 80% of their wages, as well as a scheme for self employed people, which will similarly reimburse people who earn at least 50% of their income from self employment. Further support has been announced by the Scottish government, aiming to fill the gaps left by the UK provisions.

The furloughing scheme has been welcomed. Many organisations report that some staff are already furloughed, with these numbers expected to increase.

There was gratitude expressed for the 'significant economic safety nets' provided by the Scottish Government.

Above all, the sector is looking for reassurance, guidance, and more information on the likely extent of the lockdown and of prolonged social distancing measures.

The main concerns and issues raised can be divided into three main areas:

- Short term – issues such as cash flow, income, rent, insurance, which have immediate consequences for individuals and organisations.
- Medium term – strategies necessary for coming out of lockdown; a need for co-operation and communication within the creative industries; re-establishing the creative industries during a time of social distancing.
- Long term – Financial issues related to long term business closure and long term loss of income. How will the creative industries exist and function if social distancing measures are implemented, to some extent, as a long-term strategy of a year or longer?

Recent developments

The responses informing this report were collected before the following recent announcements from the UK and Scottish Governments:

On the 15 April the UK government announced that the furlough scheme eligibility has been expanded to employees who were on payroll by 19

March (previously 28 February), which will assuage some concerns expressed.

The Scottish Government has announced a £100 million fund designed to assist self-employed people and micro and SME businesses in distress due to COVID. This is intended to support newly self-employed people and businesses which are ineligible for other schemes.

Culture Counts,
Friday 17 April 2020

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Short Term - How are people managing now? (1.0)

1.1 Furloughed employees

1.11 Issues around furloughed employees and the functioning of organisations.

- Staff are either furloughed or not: there is no option for someone to work on reduced hours and be furloughed for the rest.
- Furloughed staff are not allowed to do any work for their employer, even in a voluntary capacity.
- Concerns have been expressed about the mental health of staff who are on furlough and isolated from the workplace, with concerns about their job security.
- Holidays are accrued whilst staff are furloughed meaning that when they return to employment, the employer is responsible for paying for them to be on holiday, potentially without the means to pay people.

1.12 Eligibility for furlough scheme

There were numerous requests for more clarity on who/which organisations are eligible for furlough, and respondents expressed concern that they would be penalised for misinterpreting legislation.

- Update on 15 April that furlough scheme has been expanded to include employees who were on payroll until 19 March will be very helpful, as the previous date of 28 February meant that many organisations were concerned that they had members of staff ineligible for the scheme.
- The UK Gov job retention scheme eligibility rules state that:

“Where employers receive public funding for staff costs, and that funding is continuing, we expect employers to use that money to continue to pay staff in the usual fashion – and correspondingly not furlough them. This also applies to non-public sector employers who receive public funding for staff costs.”

- Clarity is needed around arts organisations in receipt of public funding but not classed as public sector, in terms of whether or not they are allowed to furlough staff.
 - Clarity is needed for charities and Arm’s Length External Organisations (ALEO’s) on whether or not they may furlough staff without risking future funding. The funds that ALEOs receive is for activities and much of the income they bring in from trading (such as ticket sales) is used for staff costs; though they have no way to prove this; and therefore feel they cannot take action until there is clarification that they will not face a challenge to accessing support.
- 1.13 Community Leisure after liaising closely with the Treasury confirmed on Friday 3rd April that:”all UK-wide employers with a PAYE scheme are eligible for the Coronavirus Job Retention Scheme, this includes the public sector and charities. Employees can be on any type of contract, including zero-hour or temporary. If the funding for an organisation comes from a number of sources a judgement needs to be made on what that funding is for. If public sector funding explicitly covers staffing costs, then the money still exists to pay for staff and there is no need to furlough. If it does not cover staffing costs the organisation can furlough. Responsibility for that decision lies with the Accounting Officer of the organisation who pays the public funds so that they are clear there is no duplication.”

1.2 Support for Self employed people

- 1.21 The creative industries rely on freelancers and contract staff, with these workers often equalling or exceeding numbers of PAYE staff within organisations.
- 1.22 There are concerns that many self-employed creative freelancers do not earn 50% of their income through self employment.

- 1.23 Other people who may not be covered by the current legislations include early career artists who are recently self-employed, those who registered as self-employed outwith the timescales covered by the legislation, and those who augment their self-employment income with income from part time PAYE work, from the gig economy, or from other sources which are now no longer available to them due to the current situation.
- 1.24 Many self employed creative freelancers are on a low income:

Over 80% of Scottish Artist's Union members are self employed, over 80% earn less than £10K from their practise, many are in receipt of top up benefits.

Culture Counts welcomes the very recent announcement from the Scottish government of a new £100 million fund designed to assist self-employed people and micro and SME businesses in distress due to COVID. This is intended to support newly self-employed people and businesses which are ineligible for other schemes.

1.3 Insurance Claims

Respondents have reported no success in claiming insurance payouts, suggesting that insurance companies are failing to support their customers during this crisis.

Insurance companies should be lobbied to pay out under Business Interruption clauses to those organisations that have these policies in place.

1.4 Studio Rent

Many respondents are still expected to pay rent on studio and workshop spaces, even though they are unable to use them. Artists need to be able to ensure that their studio space will still be available for their use as soon as they are safely able to use it again.

Respondents suggested that 'rent holidays' for studio space (similar to mortgage holidays available to homeowners) could be made available. However, this would affect the incomes and futures of studio providers and studio services, some of which (eg WASPS) are run as charitable enterprises.

We hope that the Scottish Government additional funds for business will be able to support studio owners to in turn support rent holidays.

1.5 Loans and rates holidays

There was some concern that loans are not suitable for small and precarious organisations with small reserves, as repayments would cause extra financial pressure at an already difficult time.

Rates holidays are not very useful to organisations already paying no or greatly reduced rates due to charitable status.

We hope that the cultural sector will be able to apply for third sector funds being directed through SCVO and that any gaps will be covered by Scottish Government additional funds for business.

How will the industry come out of the lockdown? (2.0)

2.1 Planning for coming out of lockdown

- 2.12 There is an understanding that this is an unprecedented situation, and that answers and solutions may not yet be available. However, there is a need for communication within the sector, as well as direction and communication from the government in order to help the industry prepare for the future. At the moment, many organisations are preparing themselves for worst case scenarios, and while this type of planning is practical, it can have a detrimental effect on the mental health of individuals.
- 2.13 Many responses to the survey called for more connection and engagement within the sector, particularly in terms of planning to come out of lockdown. It is important to recognise how interdependent the sector is, and how loss of work and income for individuals has an effect on and is affected by broader losses throughout the sector. Individual artist losses can also affect agents, venues, management, PR, stage crew, events planners and suppliers. Venues folding will affect individual workers and artists within the sector.

- 2.14 Co-operation within the sector will be essential for the phased return of large scale events which is anticipated. 'Back to normal' is no longer seen as a short term goal, as there is an understanding that even if larger gatherings are no longer banned, audiences may still be anxious about attending large scale events. There is also an understanding that coming out of lockdown will be a long-term process made up of different phases. Working with the tourism sector may also be a useful strategy.
- 2.15 Concrete direction from the government (as opposed to advice) is essential for venues and organisations as they negotiate coming out of lockdown, as they need contractual/force majeure positions within negotiations. Long lead times for cultural events mean that resources are currently being used to plan for events planned which may not (or will likely not) take place. Full information on the possible time-scale of the lockdown would therefore be very useful to the industry in terms of future planning and resource management.
- 2.2 There was a suggestion for a post-lockdown campaign promoting the use of small businesses, and emphasising their value.
- 2.3 Childcare and back to school issues continue to be a barrier for staff who are responsible for looking after children. If the phasing out of lockdown means that schools remain closed while venues and workplaces reopen, childcare responsibilities will continue to affect workers' availability.

Preparations for the future (3.0)

- 3.1 There is an understanding that the end of lockdown and social distancing measures are very far in the future, and also that this is a time of uncertainty for everyone. However, it is recognised that the industry will benefit from being given as much information and notice as possible, in order to be able to prepare for the future.

3.2 Financial

- 3.21 How will organisations and individuals recover from a long period with no or limited income (eg ticket sales, sales of work)? How will funding be allocated in future?

For example, the Scottish Government funds grants to the heritage sector of £14.5 million per annum. Will this figure be reassessed to take into account the lack of visitors and resulting steep decline in income?

The current situation has affected the work that organisations and individuals have been able to carry out or complete during the period of lockdown.

Will grants, budgets, and funding opportunities be similarly re-assessed to take into account these limitations on current work?

3.3 Sustainability

3.31 There are fears that large swathes of the industry will not survive the effects of the lockdown, of prolonged social distancing measures, and of the projected financial recession.

Long term negative impacts will affect, for example: touring venues, ticket sales projections, audiences, fundraising/public funding.

3.32 As well as necessary financial support, the sector will have to work collaboratively and innovatively to protect and support what remains of the industry, and to nurture and encourage new opportunities.

3.33 There will be a major impact on the sustainability of careers in the sector; which were already precarious and unfortunately not equally accessed. Perhaps this is an opportunity to radically re-think the sustainability of the sector and how we balance careers and support a talent pipe-line.

END

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