

**THE COVID-19 SELF-EMPLOYMENT INCOME SUPPORT SCHEME: HOW WILL IT HELP FREELANCERS IN THE CREATIVE INDUSTRIES IN WALES?**

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On 26 March, the UK Government announced the COVID-19 Self-Employment Income Support Scheme.<sup>1</sup> Freelancers play an important role in the Welsh creative economy – we calculate that there are 40,000 freelancers working in the Welsh creative industries. How have they been impacted by COVID-19 and to what extent will this scheme mitigate this impact? Creative Cardiff, in conjunction with Cardiff University’s Creative Economy Unit, conducted an online survey of 237 creative industry freelancers in Wales to address these questions.

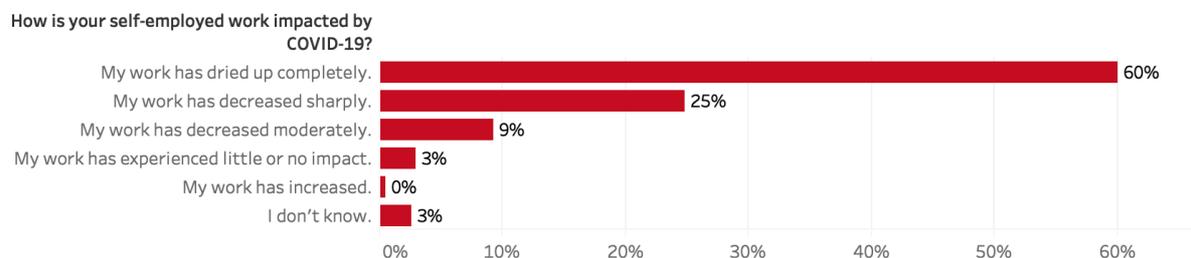
**METHODOLOGY**

What sector are you mainly self-employed in?	Distribution in survey
Advertising and marketing	5%
Architecture	2%
Crafts	5%
Design and designer fashion	6%
Film, TV, video, radio and photography	30%
IT, software and computer services	3%
Publishing (e.g. newspapers, journals)	5%
Museums, galleries and libraries	1%
Music, performing and visual arts	27%
Other	14%

*Distribution of respondents along the creative industries sectors in Wales.*

The 237 respondents of our survey represent the creative industries and cover all of Wales, although 90% come from South Wales, where the bulk of creative industries in Wales are located. The table shows that the sample is drawn from a wide range of creative sectors, roughly in proportion to their relative size. Over half the responses come from two of the largest sectors – Film and TV and Music and the Performing Arts.

**HOW BADLY HAS COVID-19 HIT CREATIVE INDUSTRY FREELANCERS?**



Like many sectors of the economy, the creative industries are heavily reliant on people working together and public spaces to produce, perform, display and sell. Our survey

<sup>1</sup> Details of the scheme can be found via <https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme>

demonstrates the huge impact of COVID-19 has had on the creative industries. Most respondents - 85% - reported a significant decrease in business, with a **majority (60%) telling us that their work has completely dried up.**

**Impact of COVID-19 on creative industries' freelancers:**

*"As a freelancer in the TV industry, our entire industry has collapsed very suddenly."*

*"My work has disappeared over night as a result of COVID-19, and I can't see a time any time soon where normal service will resume."*

*"I'll get nothing and I've lost my big trading opportunity for the year: summer festivals/markets. They're cancelled."*

*"All of my upcoming performances have been cancelled."*

This impact does not just threaten freelance businesses, it is - in many cases - causing considerable hardship which is likely to get worse in the months ahead. As one respondent put it: *"I have lost all my work and am worried about paying bills"*. Others were thinking of abandoning the creative industries – until now, one of the UK's most buoyant and fastest growing sectors – altogether. For example, one respondent reported: *"I am currently looking into ways to work outside the creative industries sector as I don't see there being any sustainable future in this sector."*

The Government's COVID-19 Self-Employment Income Support Scheme is particularly important to the creative industries, where self-employed people make up around half the UK workforce. The survey further explores who will be eligible for the scheme and how it compares to the compensation being offered to PAYE recipients.

## THE SCHEME'S ELIGIBILITY CRITERIA – WHO DOES IT MISS OUT?

**The eligibility gap – ways of working:**

*"I work as a producer in the theatre and performing arts sector in Wales. My work in the past three years has been paid through a mix of contracts including PAYE and freelance fees. Until now this wasn't a problem, however because in 17/18 I was earned more via PAYE than I did as a freelancer I am ineligible for the government scheme."*

*"When income is a blend of PAYE and self-employed work this Government scheme will not support people in my position, where the balance between these elements is not 50% or more"*

*"I feel that the government's offer is at risk of letting performers in particular fall through the gaps (we often do PAYE roles in between freelance jobs). I am incredibly angry and concerned with my financial security for this year, particularly as my husband is also self-employed."*

*"For me, this scheme doesn't take into account mixed earnings - in 2 of the 3 recent tax years, my income has been a mixture of employed and self-employed earnings and so my taxable earnings in my self assessment don't always show the full picture"*

We asked people to provide us information about their eligibility for the scheme. A significant number (18%) reported that, while in practice they operate as self-employed freelancers, they are registered as a Limited Company including PSCs (Personal Service Companies), and as a consequence are not covered by the scheme. Setting up a Limited Company is often less of a choice than a necessity – it

allows them to comply with IR35 tax rules governing “off-payroll” working arrangements, something that media organisations and production companies often require them to do. As this respondent told us: *“I’m unsure of the implications of being set up as a LTD company as my pay comes partly from dividends and may not be classed as ‘profit’. I am set up this way to make it easier to work with production companies such as the BBC.”*

Most of our respondents are concerned because they are unsure (36%) or are not (35%) "exempt for trading because of COVID-19". In other words, while business may have dried up, they themselves are not specifically exempt from trading. Similarly, many respondents (25%) do not meet the eligibility criteria that "self-employed trading profits are more than half of their total income". The reality for many freelancers is that they combine freelancing with short-term PAYE contracts – a position that (since they are not currently employed on a PAYE basis) potentially leaves them high and dry. We received a large number of comments about this eligibility gap.

Eligibility criteria	Yes	No	I dont know
Did you submit your Income Tax Self Assessment tax return for the tax year 2018-19?	81%	19%	0%
Did you trade in the tax year 2019-20?	96%	3%	0%
Are you trading when you apply (in April-June)?	64%	22%	14%
Or would you be exempt for trading because of COVID-19?	29%	33%	38%
Do you intend to continue to trade in the tax year 2020-21?	94%	1%	5%
Have you lost trading/partnership trading profits due to COVID-19?	82%	9%	10%
Are your self-employed trading profits less than £50,000 (for 2018-2019 or on average in the last years)?	94%	4%	1%
Are your self-employed trading profits more than half of your total income?	64%	27%	9%

**The eligibility gap – newer freelancers:**

*“I am part of the unfortunate group which the government does not support: the new sole traders who began this tax year. This means I receive no financial support apart from benefits, which does not cover my bills.”*

*“I’ve been registered self employed/freelancer since end 2016 but filed NIL RETURN last year as was caring for terminally ill mother full time (supported by my savings only). Started sole trader business last November so don't qualify for anything.”*

*“As a new freelancer, I won't be eligible to apply for this grant.”*

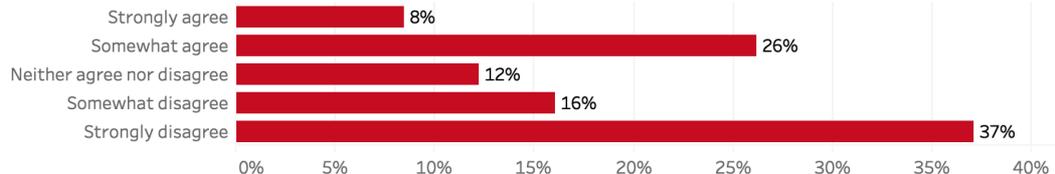
*“I only started freelancing recently so although I’ve been doing this for a year, I fall outside of the criteria but have no way of making the income I would have. The scheme doesn’t seem to apply to me at all.”*

*“I became self-employed in July 2019, which exempts me from any financial support. This seems grossly unfair to me... I need to eat and pay my bills just like everyone else!”*

Many others faced eligibility problems because they had recently embarked on a freelance career, or because, like many in the creative industries, they had recently switched from a PAYE job to working freelance. So, for example, one of our respondents explained: *“I am part of the unfortunate group which the government does not support: the new sole traders who began this tax year. This means I receive no financial support apart from benefits, which does not cover my bills.”*

**THE SCHEME'S SUPPORT - DOES THE SCHEME DO ENOUGH TO SUPPORT THOSE WHO ARE ELIGIBLE?**

"The compensation proposed in the scheme will cover my losses through COVID-19."



Under current plans for the scheme, self-employed people will get up to a maximum of £2,500 per month for three months and a taxable grant which will be 80% of average profits from the tax years 2016-17, 2017-18, and 2018-19 (where applicable). As we have seen, this works against people who are more recently self-employed.

Some of those who fitted the eligibility criteria felt the scheme overall was welcome. One respondent told us for example: *"I welcome any support as otherwise, I would probably not have a business to return to in the Autumn"*.

**Profit and loss – how freelancers will miss out:**

*"I am worried because it's only based on profits after expenses but I still have a lot of large expenses which are still having to be paid during the Pandemic."*

*"I will receive very little compensation based on my profit as a result from this scheme."*

*"Many small traders do not have massive profits. Overheads are what hurts! Insurance due today £600. My 'salary' is £800 a month. It is cash flow. £6000 in outstanding invoices that will never be paid. It is almost hopeless."*

*"Frustratingly, it feels like business expenses have been excluded from government help altogether. In my case the expenses are not just studio rent by also software subscriptions; website/email hosting; insurance and other things that we have to keep paying for even if we can't work."*

*three years I won't be eligible for much at all."*

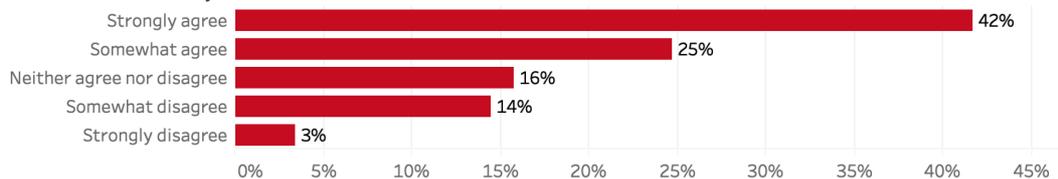
However, when we asked people if they thought that "the compensation proposed in the scheme will cover their losses through COVID-19", the majority (53%) disagreed, with the most popular response – well over a third – strongly disagreeing. There are a range of reasons for this, many of which stem from the uneven nature of self-employment. Again, those who had spent the last three years developing their business are particularly badly hit, as this freelancer told us: *"The first two years of freelance I made very little money. I made more last year but as it's an average of the*

But the biggest problem for freelancers is that while PAYE employees use their income to cover *all* their expenses, the position is very different for freelancers. Profits are what's left

after their expenses. As one respondent told us: *“As a freelancer, I spend most of my small profit on buying equipment to enable me to work. As such, my “profit” is small. It would be fairer to base this on turnover.”* Because such a change may push some over the £50,000 limit, it would need to go alongside raising the limit to be more in line with PAYE workers (since it removes the logic behind this lower threshold for self-employed people).

**DELAYS IN PAYMENT – WHEN DO FREELANCERS NEED THE SUPPORT?**

*“If I do not receive this payment until June, this will cause me significant financial difficulty.”*



**Delays in payment:**

*“It is important to have clarity ASAP as to whether I am eligible and how much I am likely to receive, it is highly worrying to think that I may not know this for certain until June.”*

*“The scheme will pay some of my bills. It will not cover the work I have lost. It will not cover the work I was aiming to get in the time we are locked down.”*

*“It’s all quite hard to understand and I don’t know why it’s not starting now. Most of us can’t wait until June.”*

Finally, we asked people whether the likely period of delay in payment – most estimates suggesting that money will not be received until June – would cause them financial problems. A large proportion – around two thirds (67%) – agreed that this delay would cause them significant financial difficulty. This will, of course, disproportionately affect those on lower incomes, where cash flow is critical. As this freelancer put it: *“I’m concerned about the length of time it will take to receive money. June is a long way off, when a lot of self-employed people live paycheck to paycheck.”* For some, this was about more than financial

insecurity: *“Waiting two months for money that I might not get is not realistic. With rent, bills and food to pay for I feel that this will not help as I’m going to have to go look for work which will put me in the middle of the virus with a possibility of getting ill and passing it on to many more. We need more help, now.”*

**SUMMARY AND CONCLUSION**

Freelancers are a vital part of the Welsh creative economy. Our survey of 237 creative freelancers in Wales demonstrates how badly the creative sectors have been hit by COVID-19. Most film, TV and cultural production has ground to a halt, all performance venues have

closed, artists and craft makers have nowhere physical to sell their work and the demand for most creative services has withered.

In this context, it is not surprising that 85% of freelancers in our survey report that their work has either decreased sharply (25%) or, most commonly, dried up completely (60%). As one freelancer told us: *“My work has disappeared overnight as a result of COVID-19, and I can't see a time any time soon where normal service will resume.”*

A breakdown in the freelance workforce will have multiplier effects across creative sectors. They are embedded in supply chains - notably in film and TV production – which may collapse if the freelance population is reduced.

In this context, the Government's COVID-19 Self-Employment Income Support Scheme is welcome support for a sector that relies heavily on freelancers. While we found some support for the scheme, for many, the devil was in the details. Many creative freelancers do not qualify for the scheme because:

- They (18%) are set up as Limited Companies (encouraged and often forced to do so by many of the companies they work for). As one respondent told us: *“As a small Ltd company paying VAT, Corporation Tax and then Tax on dividends, as yet there is no real help for companies like ours.”*
- A quarter of creative freelancers reported having an employment record that combines short term PAYE employment with freelance work. As this freelancer pointed out: *“When income is a blend of PAYE and self-employed work this Government scheme will not support people in my position, where the balance between these elements is not 50% or more.”* (50% for those wanting to claim as freelancers).
- With the rise of the ‘gig economy’, there are many new freelancers in the creative industries, most of whom are ineligible. This was one of the most commonly reported frustrations with the scheme, expressed succinctly by this young entrepreneur: *“I launched my events company in September 2019 so am not covered by the Government Scheme. I think the lack of support...in these hard times have made it nearly impossible for us to survive.”*

For those who are eligible, the scheme falls far short of the compensation the Government is providing furloughed employees. Unlike PAYE employees, for freelancers profits are the icing on the cake – most of their revenue is swallowed up by overheads and other expenses. As this survey respondent explained: *“Many small traders do not have massive profits. Overheads are what hurts! Insurance due today £600. My ‘salary’ is £800 a month. It is cash flow. £6000 in outstanding invoices that will never be paid. It is almost hopeless.”*

Finally, as one freelancer in our survey put it, *“a lot of self-employed people live paycheck to paycheck”* (or, strictly speaking, invoice to invoice). This will mean a possible three-month

delay to payment will cause real financial hardship. In some cases this may have the consequences of forcing people to take risks with their (and others) health: *“With rent, bills and food to pay for I feel that this will not help as I’m going to have to go look for work which will put me in the middle of the virus with a possibility of getting ill and passing it on to many more.”*

## RECOMMENDATIONS

Finding ways to keep the creative freelancer workforce afloat during the Covid-19 crisis is a complex business. While many welcomed *any* support, the majority felt, as this respondent put it: *“like the Government putting on a plaster over a gushing wound.”*

Our survey points to a number of ways in which the current schemes gaps and inequities might be addressed – by both the UK and Welsh Governments.

1. Find ways to factor in the mix of past PAYE work and freelance income in assessing average income, as well as the time it takes to build up a freelance business;
2. Use metrics that include the income dividends of freelancers creatives who are Limited Companies;
3. Use metrics that include those who have embarked more recently on a freelance career.
4. Consider initial upfront payments to help cover time caused by the delay in assessment.

A simpler way to address all these issues – one suggested by many people in our survey would be to introduce a basic universal income during this period. As one freelancer put it: a *“universal basic income would relieve financial difficulties as well as anxieties.”*

## ABOUT THE STUDY

This survey was conducted on behalf of Creative Cardiff, in conjunction with Cardiff University’s Creative Economy Unit. Creative Cardiff is a network which connects people working in any creative organisation, business or job in the Cardiff region. Find out more: <https://www.creativecardiff.org.uk/>.

**Special thanks to:** the Cardiff Business School, BECTU, Equity and, as always, to Cardiff’s creative community. Please contact [creativecardiff@cardiff.ac.uk](mailto:creativecardiff@cardiff.ac.uk) if you have questions about this study.

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