INQUIRY INTO THE ECONOMIC IMPACT OF CORONAVIRUS
HOUSE OF COMMONS TREASURY SELECT COMMITTEE

Submission in response to call for evidence

The Society of Authors ('SoA') exists to protect the rights and further the interests of authors across the United Kingdom. Founded in 1884, the SoA counts nearly 11,000 members who are published authors writing across all areas of the profession from novelists, broadcasters and textbook writers to ghost writers, illustrators and translators.

The SoA broadly welcomes the Government's financial support for authors and workers across the creative industries sector, which accounted for £111.7 billion in 2018 – up 7.4% on 2017. However, we would welcome further clarification about how the various schemes announced to date will work and how each will complement the other. It is vital that the Government clarifies questions surrounding eligibility for, and administration of, the schemes as soon as possible if they are to work well together in practice.

In particular, financial support needs to be tailored to the sector, notably towards the 33% of workers in the creative industries who are fully or partially self-employed – more than twice (15%) those in the economy at large.

Given that the schemes now in design will be led by HM Treasury, it is important that evidence submitted to the Department for Business, Energy and Industrial Strategy and the Department for Digital, Culture, Media and Sport by the SoA and others within the sector are properly accounted for, and that administration of the schemes does not give rise to loopholes or disparities in treatment between those in employment, self-employment and operating through limited companies.

Key questions

1. Many creative professionals have portfolio careers balancing freelance and employed income, often on zero-hours contracts. An example would be an author who receives royalty income as a self-employed person but also teaches creative writing part-time at a University or Higher Education college. It appears that many such workers may not be able to access support totalling 80% of their combined income where temporary or part-time employment provides more than 50% of their income. Why can the Government not average total earnings across both sources of income?

2. Many authors and other creatives operate through limited companies and are paid in dividends. Will they also receive up to 80% of such income?

3. The SoA notes that there is likely to be a three-month delay before certain payments are made. Many of our members will not be able to access benefits due to 'lumpy' incomes, with royalties typically being paid annually. Can the Government set up a Temporary Income Protection Fund to help those in greatest need?

4. In contrast to popular opinion, the average earning of an author is less than £11,000 a year. How will any applications for Universal Credit be affected by planned payments for them and other self-employed workers?

5. The SoA further notes that the self-employed scheme is to be calculated on profits. However, profits for many authors and creative professionals are low but have served instead to largely cover business expenses. What will happen to those self-employed

workers who have low profits but who are nonetheless obliged to cover their business expenses? Currently, they appear to be facing catastrophic losses under the Government's scheme.

6. What will happen to recent graduates and new entrants to the industry who started their creative careers after April 2019? Would it be possible for them to now submit partial returns for 2019/2020 and claim on the basis of them? Such emerging authors will be particularly hard hit because they are unlikely to have reserves or savings, nor will they be eligible for grants and help from schemes like the SoA's oversubscribed Authors' Emergency Fund, which rely on them demonstrating an established practice.

7. The furlough system appears to be designed for workers on PAYE schemes. However, three further key questions arise:

    a. What will happen to those workers not on PAYE?

    b. Can directors of micro companies (notably, those of sole director-shareholder companies) who are nonetheless on PAYE unilaterally put themselves on furlough?

    c. Will sole directors still be allowed to comply with their statutory and directors' duties under sections 171-177 of the Companies Act 2006 having been furloughed?

8. What pressure is being brought to bear to make it easier for Business Interruption Loans to be claimed on fair and reasonable terms? The SoA and others within the creative industries are hearing reports of high interest rates being charged (up to 9% in some cases) and disproportionate securities being requested of applicants by way of personal guarantees on property and planned pension savings. This is clearly inappropriate given the Government's commitment to backstop such support.

9. What further pressure is being brought to bear on banks to reduce interest on overdrafts? Apart from NatWest/RBS, none of the UK's major banks appear to have paused the introduction of excessive overdraft rates (up to 40% in some cases) or passed on successive Bank of England base rate cuts to unsecured overdraft borrowers, despite many major lenders passing on such reductions to mortgage customers. Overdraft rates of up to 40% are clearly unjustifiable at a time when the Bank of England base rate stands at only 0.1%.

For further information about this submission and to arrange for oral evidence to be taken, please contact Chief Executive Nicola Solomon and Public Affairs Manager Eddie Reeves.

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