Measuring the Craft Economy

Defining and measuring craft: report 3

Defining and measuring craft: a review for the Crafts Council

Report three: Measuring the craft economy

Prepared by TBR's Creative & Cultural Team

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22 October 2014

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Foreword

The Craft Economy gives the fullest picture to date of the value and scale of craft's contribution to the UK economy.

Craft is important in the lives of people in the UK. The sector provides employment and income through many successful businesses. Craft skills are key also to the success of other creative sectors, and makers are increasingly using their specialist materials knowledge to diversify into markets outside the creative sector. This report provides firm evidence of the economic contribution of making across the spectrum: in craft businesses, in other creative arenas and in wider industries.

The findings in this report build on the Crafts Council's 2013 series of reports Defining and Measuring Craft. Whilst craft has always been one of the creative industries defined by Department for Culture, Media and Sport (DCMS), its contribution has not been reflected in official statistics. We commissioned a review of how craft was measured and the scope for the sector to be classified and included by DCMS in its revision of economic estimates for the creative industries. We were pleased that DCMS accepted and used this approach when it published its 2014 economic estimates for the creative industries . Whilst those estimates include a partial figure for craft for the first time, DCMS noted this was a significant under-estimate of the scale of the full craft industry.

Building on the success of this approach, we commissioned this further report from TBR, a leading economic research consultancy. Using the same methodology, TBR have included all occupations and industries in which craft skills are deployed to generate a full set of economic estimates for craft. We are grateful to colleagues at TBR for their work.

The figures in this report mean there can be no further doubt about the significance of makers and their craft skills to our economy. We will continue to work with DCMS and other bodies to ensure that full estimates of craft's value are reflected in future Government figures.

Executive Summary

This report seeks to measure the full economic impact of craft within the UK in 2012/13, by understanding its contributions to key economic measures: the number of businesses, number of employees, the total turnover, the total Gross Value Added (GVA), the average wage and the impact of micro-businesses (i.e. those businesses that are unregistered[1] and operating below the VAT threshold).

In 2013 the Crafts Council commissioned TBR to support a response to the Department of Culture, Media and Sport (DCMS) consultation on revised definitions for the UK creative industries. This resulted in the publication of two documents:

1. Defining and measuring craft: Definitions 1998-2012[2]
2. Defining and measuring craft: Proposals for a way forward[3]

Using these reports, the Crafts Council was successful in lobbying for the inclusion of craft within the DCMS creative industries definition used to produce their economic estimates[4]. However, not all of the recommendations in *'Proposals for a way forward'* were taken on by DCMS and they acknowledge in their revised estimates that coverage of craft within the DCMS definition is still considered to be partial. As a result this report applies the definitions proposed by DCMS and the additional definitions from *'Proposals for a way forward'* (that were not taken forward) to ensure that a full craft footprint is captured and understood. In addition to this the research also includes businesses below the VAT threshold, which are normally excluded from official statistics.

Across the UK, there are 11,620 businesses involved in craft industries, which account for 0.2% of the UK business population. Over 50% (approximately 6,200) of these businesses are unregistered micro businesses operating below the VAT/PAYE threshold, suggesting a strong reliance on small independent makers.

These 11,620 businesses employ 43,250 employees across the UK. Almost 7,300 (or 17%) of this employment is attributable to unregistered micro businesses. Overall the combined employment of craft industries accounts for 0.1% of the UK employment total, suggesting the majority of craft businesses are relatively small (as one might expect).

Whilst craft industries employ 43,250 people in the UK, it is also important to consider those individuals working in craft occupations outside the craft industries. For example, there are an additional 9,630 people employed in craft occupations in 'other' creative industries (as defined by the DCMS) and an extra 96,360 individuals employed in craft occupations in non-creative Industries. The combined impact of craft industries and occupations means that there are 149,500 people employed in the craft economy.

Individuals employed in craft industries earn approximately £406 per week on average (gross), which is £55 per week less than the national average of £461 per week. Those working in craft occupations outside craft industries earn less than their counterparts in craft industries. This is especially the case for those employed in craft occupations in non-creative industries, whose average wage is £384 per week. Those craft workers employed in 'other' creative industries earn slightly less than those in craft industries at £400 per week.

[1] This refers to businesses that are not registered for VAT. The current threshold for VAT registration (at September 2014) is a turnover of £81,000 in the past 12 months. (http://www.hmrc.gov.uk/vat/start/register/when-to-register.htm)
[2] http://www.craftscouncil.org.uk/downloads/defining-and-measuring-craft-definitions-1998-2012
[3] http://www.craftscouncil.org.uk/downloads/defining-and-measuring-craft-proposals-for-a-way-forward1
[4] https://www.gov.uk/government/statistics/creative-industries-economic-estimates-january-2014

The 11,620 businesses involved in craft industries generate nearly £1.9bn in turnover in the UK, of which £197m (10%) is attributable to unregistered micro businesses operating below the VAT/PAYE threshold. The total turnover of craft industries accounts for 0.1% of all UK turnover (including that of unregistered micro businesses).

Businesses involved in craft industries contribute £746m to the UK economy in Gross Value Added (GVA), of which £81m (11%) is attributable to unregistered micro businesses.

It is also possible to measure the contributions of craft occupations outside craft industries, through combination of data from the Annual Population Survey and Annual Business Survey. This approach identifies an estimated £243m of GVA generated by craft occupations in 'other' creative industries and a substantial £2,410m of GVA generated by craft occupations in non-creative industries as demonstrated in Table 1 below.

Table 1: Summary of UK craft GVA in craft industries & occupations

Key craft GVA figures	Total (£m)
Craft Industries	£664
Craft Industries – Micro Businesses	£81
Craft Occupations in 'Other' Creative Industries	£243
Craft Occupations in Non-Creative Industries	£2,410
Craft Economy	**£3,398**

Source: Annual Business Survey 2012 & Business Population Estimates 2012, TBR Ref: W3/S2c

Combining the economic output of craft industries **and** occupations indicates that the craft economy generates nearly £3.4bn for the UK economy, accounting for 0.3% of UK GVA.

1. Introduction

1.1 Document structure

This document is divided in to three main sections:

Introduction:	This section considers the current position of craft within the DCMS Economic Estimates and highlights the aims and objectives of this report. It also provides an explanation of the craft economy.
Methodology:	This section provides an overview of how this research builds on that from the DCMS, as well as explaining the analysis, sources and method of calculation. Guidance is also provided on how results should be interpreted.
Measuring the craft economy:	This section explores the economic impact of craft in terms of businesses, employees, average wages, turnover and GVA. It also considers the economic impact of unregistered micro businesses operating below the VAT/PAYE threshold.

1.2 The current position of craft

In 2013 the Crafts Council commissioned TBR to support a response to the Department of Culture, Media and Sport (DCMS) consultation on revised definitions for the UK creative industries. This resulted in the publication of two documents:

1. Defining and measuring craft: Definitions 1998-2012[5]
2. Defining and measuring craft: Proposals for a way forward[6]

Using these documents, the Crafts Council was successful in lobbying for the inclusion of craft within the DCMS creative industries definition using the following industries and occupations:

Industries (Standard Industrial Classifications - SICs)	Occupations (Standard Occupational Classifications - SOCs)
31.12 – Manufacture of Jewellery	5211 – Smiths and forge workers 5411 – Weavers and knitters 5441 – Glass & ceramics makers, decorators & finishers 5442 – Furniture makers and other craft woodworkers 5449 – Other skilled trades not elsewhere classified

Using this definition, the DCMS estimates that craft employs approximately 102,000 people in the UK. Approximately 7,000 of these individuals are employed in craft industries and 95,000 are employed in craft occupations outside the creative industries. The DCMS estimates craft industries to generate approximately £248m in GVA to the UK economy in 2012.

Whilst the inclusion of these codes for craft is indeed welcome, as recognised by the DCMS, this provides only a partial view of the economic footprint of craft, as not all recommendations in *'Proposals for a way forward'* were taken on by DCMS. As a result, the Crafts Council has therefore commissioned TBR to produce this third report:

3. Defining and measuring craft: Measuring the craft economy

This document seeks to measure the economic impact of craft within the UK, by understanding its contributions to key economic measures: the number of businesses, number of employees, the total turnover and total Gross Value Added (GVA) as well as the average wage and the impact of micro-businesses (i.e. those businesses that are unregistered and operating below the VAT threshold).

[5] http://www.craftscouncil.org.uk/downloads/defining-and-measuring-craft-definitions-1998-2012
[6] http://www.craftscouncil.org.uk/downloads/defining-and-measuring-craft-proposals-for-a-way-forward1

This report follows the Creative Intensity method used by the DCMS, but goes further by including *all* SOCs that the Crafts Council recognises as including makers and recognising *all* predominantly craft SICs that are then pushed over the Creative Intensity threshold (which were identified in *'Proposals for a way forward'*). The report goes beyond the DCMS methodology, by providing an estimate of the scale of the 'missing tier' of independent craft practitioners that are not captured in ONS data sources because they fall below the VAT threshold. However, throughout the analysis these figures are presented separately in order that the reader is able to understand how this report builds on the figures provided by the DCMS. This approach also allows for easier comparison between this report and the DCMS estimates.

1.3 Understanding craft industries and craft occupations – the craft economy

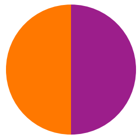
Previous economic analysis of the creative sector has taken a very industry focused view, so the inclusion of creative occupations within the DCMS economic estimates is welcomed. However, this does add a layer of complexity in understanding the results. To add to this complexity, only certain economic measures can include the analysis of creative occupations (e.g. employment, wages) due to constraints of the data sources used, meaning other economic measures (businesses and turnover) can only be measured at the industry level.

For the purposes of this report we distinguish between three groups of craft workers:

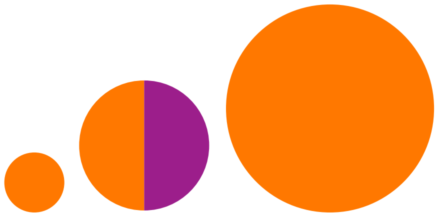
1. All workers employed in craft industries, this includes:
    a. Craft workers in craft industries
    b. Non-craft workers in craft industries (i.e. support workers)
2. Craft workers employed in 'other' creative industries
3. Craft workers employed in non-creative industries

Category 1 is available across all the economic measures used as it is based on SIC codes alone. Categories 2 and 3 call on SOC codes alone and therefore only analysis of employment, wages and GVA can be provided (due to constraints of the data sources used, see Section 2.2, page 7).

In order to help distinguish when analysis is based on industries or when it is based on industries and occupations we have developed the following icon system based on the results of the employment analysis:



This refers to craft industries only. The employment analysis (excluding micro businesses) identifies 36,000 people employed in craft industries, of which 18,070 are employed in craft occupations (the light (or orange) segment) and 18,160 are employed in non-craft occupations (the dark (or purple) segment), so approximately a 50:50 split.



This refers to the full craft footprint, which consists of craft industries as above (the middle circle), as well as craft workers in 'other' creative industries (the small circle) and craft workers in non-creative industries (the large circle). During our analysis of employment we identified 9,630 craft workers in 'other' creative industries and 96,360 craft workers in non-creative industries. As such the circles demonstrate the difference in scale between the different industries & occupations. This collection is referred to as the craft economy.

These icons are used throughout the economic analysis sections to demonstrate whether the analysis is focused on craft industries alone (the single circle) or on the craft economy as a whole (the three circles).

2. Methodology

2.1 Definition overview

This document does not take issue with the DCMS definition. Instead, it uses it as a foundation for measuring the full economic impact of craft. Table 2 below provides an overview of the definition used in this report. The first row of the table sets out the definitions in the DCMS footprint and the second row shows the additional SOCs and SICs that are added to this. Table 11 on page 13 of *'Proposals for a way forward'* presents the calculation of Creative Intensities using these SOCs.

Table 2: Craft industries (SICs) and occupations (SOCs)

Grouping	Industries (SICs)	Occupations (SOCs)
Craft (DCMS)	31.12 – Manufacture of Jewellery	5211 – Smiths and forge workers 5411 – Weavers and knitters 5441 – Glass & ceramics makers, decorators & finishers 5442 – Furniture makers and other craft woodworkers 5449 – Other skilled trades not elsewhere classified
Craft (DCMS+)[7]	18.14 – Binding & related services 23.41 – Manufacture of ceramic household & ornamental articles 31.09 – Manufacture of other furniture 95.24 – Repair of furniture & home furnishings	5412 – Upholsterers 5423 – Print finishing and binding workers

Whenever these particular industries or occupations are mentioned in this document, they are referred to as either:

- 'Craft (DCMS)': Craft industries or occupations included by DCMS,
- or 'Craft (DCMS+)': those additional industries and occupations identified in *'Proposals for a way Forward'*.

Preliminary analysis of these additional Craft (DCMS+) industries and occupations indicated that the economic impact of SICs 31.09 (Manufacture of other furniture) and 18.14 (binding & related services) perhaps overestimated the total impact of craft, as over 50% of the workforce in each SIC were employed in non-creative occupations. As a result the decision was taken to filter these two SICs (31.09 and 18.14) to include only those businesses (along with their associated employment, turnover and GVA) that have 10 or fewer employees. This is an attempt to filter out those larger businesses that are likely to be operating mechanised processes and to include only smaller makers.

The impact of this filtering is explored further in the Appendix (Section 4.1, page 25). However, for the rest of this report the analysis uses the filtering of Craft (DCMS+) industries and refers to the full craft footprint as the combination of Craft (DCMS) and Craft (DCMS+) industries and occupations.

In addition to these two craft categories, comparisons are also made against the wider (or 'other') creative industries and non-creative industries. The definition for 'other' creative industries is provided in the appendix of this document (Section 4.2, page 27).

[7] Table 11 in the *'Proposals for a way forward'* report also suggested that the SICs 18.13 (Pre-press and pre-media services) and 32.40 (Manufacture of games and toys) could also be included if following the full logic of the revisions to the definitions to include all craft SOCs. However, the document also states that 'the craft SOCs make a minor contribution [to these industries], but the addition to the other creative SOCs pushes them over the threshold'. For this reason these two SICs have not been included as craft industries, because the proportion of each SIC's workforce that is made up by craft SOCs is minimal.

2.2 Economic measures and data sources

As noted in the introduction, the aim of this report is to provide a full estimate of the size of the craft footprint based on the following key economic measures:

1. Number of businesses
2. Number of employees
3. Average wage of employees
4. Total turnover of the craft footprint
5. Total GVA of the craft footprint

In addition to understanding these measures for all employing businesses, an estimate of the impact of non-employing micro businesses operating below the VAT/PAYE[8] thresholds has also been calculated and included.

The key sources for these five measures are all collected and maintained by the Office for National Statistics (ONS):

Inter-Departmental Business Register *(2013):* This business database forms the sample frame for all of ONS's business surveys and is updated on a continual basis. This source provides details on the number of businesses involved in craft industries as it only provides detail at an SIC level.

Annual Population Survey *(Oct 2012-Sept 2013):* This household survey by the ONS is built from four quarters of the Labour Force Survey and consists of a sample size of over 300,000 people. This source provides details on employment and wages in craft industries and occupations as it contains both SIC and SOC classifications.

Annual Business Survey *(2012):* This business survey was formerly part of the Annual Business Inquiry, but now surveys 80,000 businesses per annum about their financials. This source provides details on turnover and GVA of businesses in craft industries as it only provides detail at SIC level.

In addition to the above sources, an additional source was also used to estimate the impact of non-employing micro-businesses.

Business Population Estimates *(2012 & 2013):* This dataset is produced and maintained by the Department for Business, Innovation & Skills (BIS) and provides estimates of the total business population in the UK, including non-employing micro businesses operating below the VAT/PAYE thresholds (also known as zero class businesses). This includes their employment and turnover contributions. This source is used in combination with the other sources listed above to provide estimates on the additional contribution of non-employing micro businesses.

All these sources use the most recent classification systems, SIC 2007 for industries and SOC 2010 for occupations (where stated).

[8] Businesses are required to operate a PAYE scheme if they pay their employees more than £5,772 per annum (http://www.hmrc.gov.uk/payerti/getting-started/paye-basics.htm). Businesses may have staff paid below this rate, but it is more likely that businesses not operating a PAYE scheme will be non-employing companies.

2.3 Measuring impact

2.3.1 For craft industries & occupations

To understand the impact of all five of the measures listed on the previous page, the relevant SICs and SOCs (as identified in Section 2.1) are collated[9] together within each of the data sources to arrive at an estimate.

Through a combination of Annual Population Survey and Annual Business Survey data it has also been possible to estimate the GVA contributions of craft workers in 'other' creative industries and non-creative Industries. This is achieved by calculating the distribution of wages amongst SOCs using the Annual Population Survey and then applying this distribution to the total GVA figure for the UK. Wages are a major component of Gross Value Added and the distribution of wages is used as a proxy here to estimate how GVA is distributed amongst different occupations. Once this has been calculated it can be combined with industry level analysis in a similar manner to that of employment.

2.3.2 For Micro Businesses

The BIS Business Population Estimates were used to calculate estimates for the number of non-employing micro businesses. To calculate these estimates a ratio of unregistered micro businesses to registered businesses was calculated for each 2-digit SIC (the greatest detail available in the BPE). These ratios were then applied to the business counts that had already been determined (using data from the IDBR), by matching on the 2-digit SIC the craft businesses were based in. This then provided an estimate of the number of unregistered micro businesses involved in craft industries.

To calculate their associated employment, the Business Population Estimates were used once again to calculate an average employment figure for every unregistered micro business in each 2-digit SIC (the greatest detail available in the BPE). This average employment was then multiplied by the estimate for micro-businesses calculated in the previous step, to provide an estimate of the number of employees in unregistered micro businesses in craft industries.

Associated turnover was calculated on a very similar basis to that of employment, in that an average turnover figure for every unregistered micro business in each 2-digit SIC (the greatest detail available in the BPE) was calculated. This average turnover per firm was then multiplied by the estimate for unregistered micro businesses calculated previously, to provide an estimate of the total turnover of unregistered micro businesses in craft industries.

A two-step process was then used to calculate a GVA estimate for non-employing micro businesses. The first step was to calculate the ratio of GVA to turnover for every 4-digit SIC using data from the Annual Business Survey. These ratios were then applied to the micro business turnover estimate for each craft SIC in the definition to arrive at an estimate for micro business GVA.

[9] This includes the filtering of SICs 18.14 and 31.09 as specified in Section 2.1

2.4 Understanding industry results

This section demonstrates how tables based on industry results should be interpreted. It should be noted that industry figures contain people working in craft occupations as well as non-craft occupations, as all people working in the SIC, regardless of their occupation, are included. Those working in non-craft occupations are likely to provide auxiliary support within a craft business, for example administrative functions, cleaning, etc., and these non-craft workers (in craft industries) are also included in the analysis.

The total number of employees (or businesses, turnover or GVA) involved in SICs designated as craft by DCMS (i.e. SIC 32.12).

The total number of employees (or businesses, turnover or GVA) involved in SICs not specified by DCMS, but identified in the *'Proposals for a way forward'* document (i.e. SICs 18.14, 23.41, 31.09 and 95.24).

The total value of craft to the UK economy. Created by adding totals for DCMS SICs and additional craft SICs together

Sectoral activity	Total Employees Value	Total Employees Percentage
Craft (DCMS)	7,700	0.0%
Craft (DCMS+)	35,820	0.1%
Sub-total Craft	**43,520**	**0.1%**
'Other' Creative	2,321,740	7.3%
All Industries	**31,988,080**	**100.0%**

Source: Annual Population Survey Oct12-Sep13, TBR Ref: W3/S2a

The total value of 'other' creative industries to the UK economy using the DCMS definition.

The total number of employees (or businesses, turnover or GVA) across all industries in the UK.

Analysis may also be presented by nation (as columns) or provide a split between economic activity from registered or unregistered businesses, but the same row categories will be present meaning the guidance above will still apply.

2.5 Understanding industry & occupation results

This section demonstrates how tables based on industry and occupation should be interpreted.

These rows provides the total employment within Craft (DCMS) and Craft (DCMS+) industries as a combined figure for registered employment and employment in unregistered micro businesses. This covers the SICs that were identified earlier in this paper (SICs 32.12, 18.14, 23.41, 31.09 and 95.24).

This row provides the total employment of Craft (DCMS) and Craft (DCMS+) occupations that are working in 'other' creative industries (as defined by the DCMS). This covers the SOCs that were identified earlier in this paper (5211, 5411, 5441, 5442, 5449, 5412 and 5423).

Key craft employment figures	Total
Craft Industries	36,230
Craft Industries – Micro Businesses	7,290
Craft Occupations in 'Other' Creative Industries	9,630
Craft Occupations in Non-Creative Industries	96,360
Total contribution of Craft Industries AND Occupations (the Craft Economy)	**149,510**

This row provides the total employment of Craft (DCMS) and Craft (DCMS+) Occupations that are working outside of craft and creative Industries (i.e. in the rest of the economy). This covers the SOCs that were identified earlier in this paper (5211, 5411, 5441, 5442, 5449, 5412 and 5423).

This row combines the top three rows to provide a total figure for the craft economy covering all individuals employed in craft industries and those craft workers employed in 'other' creative industries (as defined by the DCMS) and non-creative industries. This provides a full picture on the impact of craft.

Analysis may also be presented by nation (as columns) but the same row categories will be present meaning the guidance above will still apply.

3. Measuring the craft economy

3.1 Businesses

There are over 11,600 businesses involved in craft industries across the UK, accounting for 0.2% of all the UK's business activity. Using the DCMS definition alone indicates that there are just over 2,400 businesses involved in craft, whereas the additional industries identified in the '*Proposals for a way forward'* document indicate there are an additional 9,195 craft businesses in the UK.

Table 3: Total number of craft businesses in the UK

Sectoral activity	Micro-Businesses	Registered Businesses	Total Businesses Number	Total Businesses Percentage
Craft (DCMS)	1,145	1,280	2,425	0.0%
Craft (DCMS+)	5,050	4,145	9,195	0.2%
Sub-total Craft	**6,195**	**5,425**	**11,620**	**0.2%**
'Other' Creative	365,510	295,315	660,825	12.3%
All Industries	**2,739,990**	**2,625,390**	**5,365,380**	**100.0%**

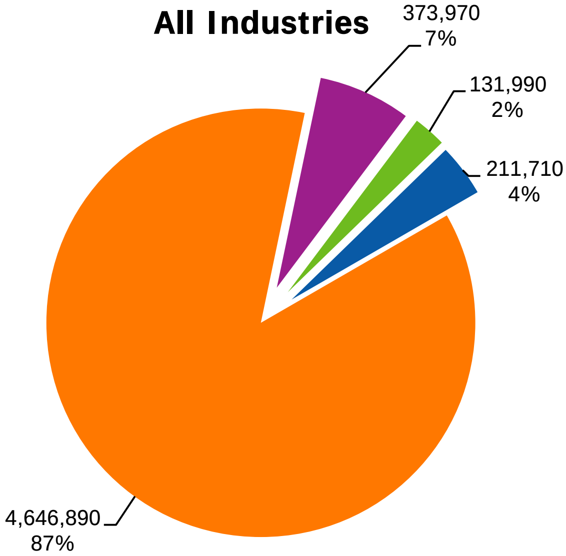
Source: IDBR Business Counts 2013 & Business Population Estimates 2013, TBR Ref: W3/S1a

The majority of craft businesses (nearly 6,200) are unregistered micro businesses that are operating below the VAT/PAYE threshold. There are slightly more micro businesses based in Craft (DCMS+) industries whereas Craft (DCMS) industries are more reliant on registered businesses.

'Manufacture of other furniture' (SIC31.09) is the key driver behind the large number of additional craft businesses identified outside the DCMS definition. This SIC alone accounts for 6,270 (68%) of the additional 9,195 businesses identified in Craft (DCMS+) industries.

This total estimate of UK craft businesses is broken down further by nation in Figure 1 below. This highlights that the majority (89%) of craft businesses are based in England. By comparison only 5% of businesses are based in Scotland; and Wales and Northern Ireland each contain approximately 3% of the UK's craft businesses.

Figure 1: Distribution of craft businesses across nation



Source: IDBR Business Counts 2013 & Business Population Estimates 2013, TBR Ref: W3/S1b

This distribution amongst the nations is broadly similar to that of the wider creative industries, albeit with Scotland making a slightly greater contribution for 'other' creative industries. Compared to craft, the wider economy is (relatively) less concentrated in England, with approximately 85% of all UK businesses compared to 89% of all craft businesses.

3.2 Employment

The revised approach to the DCMS Economic Estimates means that creative occupations are also taken into account alongside creative industries. This approach is mirrored here focusing on craft occupations and craft industries using the DCMS definition and the additional SICs and SOCs identified in *'Proposals for a way forward'*.

This section provides an initial overview by industry and then takes this one step further by determining the impact of craft occupations outside craft industries.

3.2.1 Employment in craft industries

Craft industries employ over 43,500 individuals in the UK, which is the equivalent of 0.1% of the total UK workforce. This indicates that the majority of craft businesses are small as the impact of employment is almost half the impact witnessed in relation to business counts (0.2%). As with the number of businesses, this is driven primarily by craft industries outside the DCMS definition, accounting for over 35,800 of the total workforce in craft industries.

Table 4: Total number of employees in the UK in craft industries

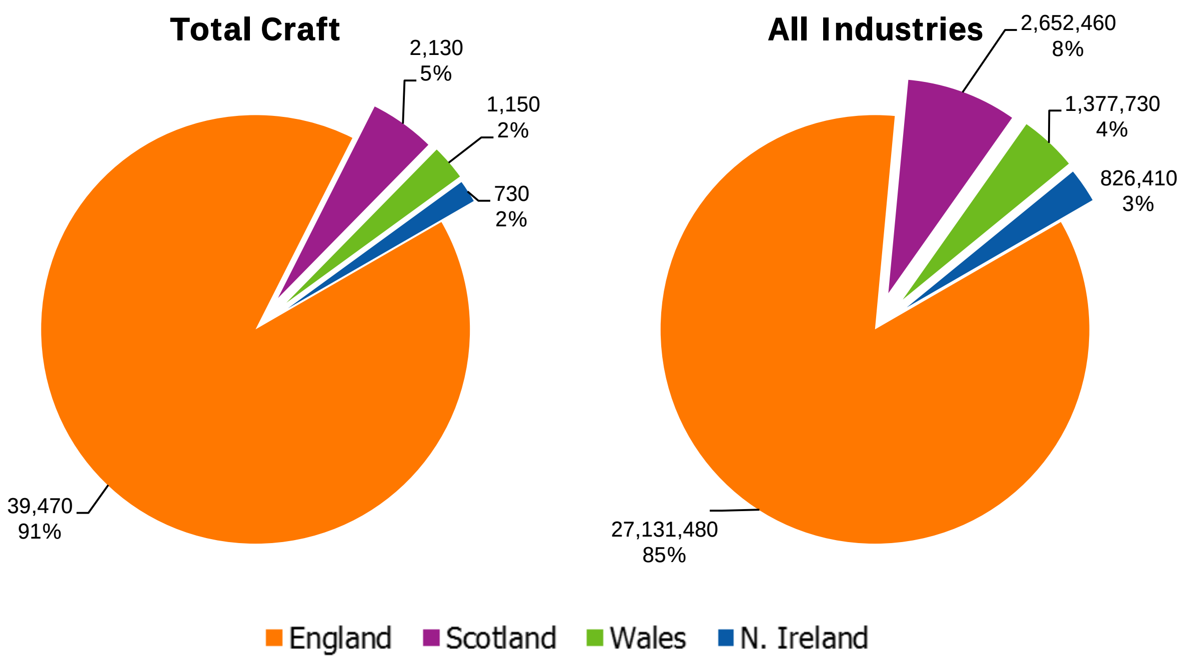
Sectoral activity	Micro-Employees	Registered Employees	Total Employees Number	Total Employees Percentage
Craft (DCMS)	1,280	6,420	7,700	0.0%
Craft (DCMS+)	6,010	29,810	35,820	0.1%
Sub-total Craft	**7,290**	**36,230**	**43,520**	**0.1%**
'Other' Creative	405,670	1,916,070	2,321,740	7.3%
All Industries	**2,980,000**	**29,008,080**	**31,988,080**	**100.0%**

Source: Annual Population Survey Oct2012-Sep2013 & Business Population Estimates 2013, TBR Ref: W3/S2a

Unlike businesses, the impact of the 'Manufacture of other furniture' (SIC 31.09) is less pronounced (due to filtering out businesses with more than 10 employees) but it is still the largest contributor accounting for nearly 13,200 employees of the 35,800 from additional craft industries. This is followed closely by 'Repair of furniture & home furnishings' (SIC 95.24), which accounts for 12,500 employees.

The distribution of this combined employment (of 43,520 people) in craft industries is broadly similar to that of businesses, with approximately 91% of employment being based in England and 5% being based in Scotland. Wales and Northern Ireland, account for between 2.6% and 1.7% of UK craft employment, which is a smaller percentage than witnessed for businesses, indicating that businesses in these areas are generally very small.

Figure 2: Distribution of employment in craft industries across nations



Source: IDBR Business Counts 2013, TBR Ref: W3/S2b

3.2.2 Employment in craft industries & occupations

This section builds on the industry analysis by determining the number of employees working in craft occupations outside craft industries.

Table 5 provides a breakdown detailing the number of employees identified as working in craft industries (in registered businesses) as well as the number of employees identified as working in unregistered micro businesses (the 43,520 presented in Table 4 on page 13). This is then followed by the number of employees working in craft occupations in 'other' creative industries (as defined by the DCMS) and non-creative industries.

By combining these four groups it indicates that there are almost 150,000 people employed in the craft economy in the UK, which accounts for approximately 0.5% of UK employment.

Table 5: Summary of UK craft employment in craft industries & occupations

Key craft employment figures	Total
Craft Industries	36,230
Craft Industries – Micro Businesses	7,290
Craft Occupations in 'Other' Creative Industries	9,630
Craft Occupations in Non-Creative Industries	96,360
Craft Economy	**149,510**

Source: Annual Population Survey Oct2012-Sep2013, TBR Ref: W3/S2c

One of the key findings here is the large number of people employed in craft roles that are outside craft industries, which is more than double the impact of craft industries alone. By comparison the DCMS creative industries as a whole (i.e. Craft (DCMS) plus 'other' creative industries) employ just over 1.9million people across industries and an additional 811,000 people in DCMS creative occupations outside creative industries, which is half the impact of industries alone.

Using the Annual Population Survey it is also possible to understand how the craft industries (excluding unregistered micro businesses) are split between craft occupations and non-craft occupations. This highlights another key finding, explored in the following table:

Table 6: Split of craft Industries between craft and non-craft occupations

Sectoral activity	Craft Occupations	Non-Craft Occupations	Industry Total
Craft (DCMS)	3,450	2,970	6,420
Craft (DCMS+)	14,620	15,190	29,810
Craft Industries	**18,070**	**18,160**	**36,230**

Source: Annual Population Survey Oct2012-Sep2013, TBR Ref: W1/S2a

Whilst there are 36,230 people employed in craft industries (in registered businesses), only 18,070 people (which is just less than 50%) are employed in craft occupations, the remaining 18,160 people are employed in non-craft occupations. Craft (DCMS) industries are more reliant on craft occupations, whereas craft (DCMS+) industries are more reliant on non-craft occupations.

Using the Annual Population Survey it is possible to identify those 'other' creative industries (SICs) employing the greatest number of people in craft occupations (i.e. the industries where the additional 9,630 craft workers are based):

1. 74.10 – Specialised Design Activities *(2,560 employees)*
2. 73.11 – Advertising Agencies *(2,190 employees)*
3. 90.03 – Artistic Creation *(1,150 employees)*

The majority of these craft workers are based in design and creation activities within the creative industries.

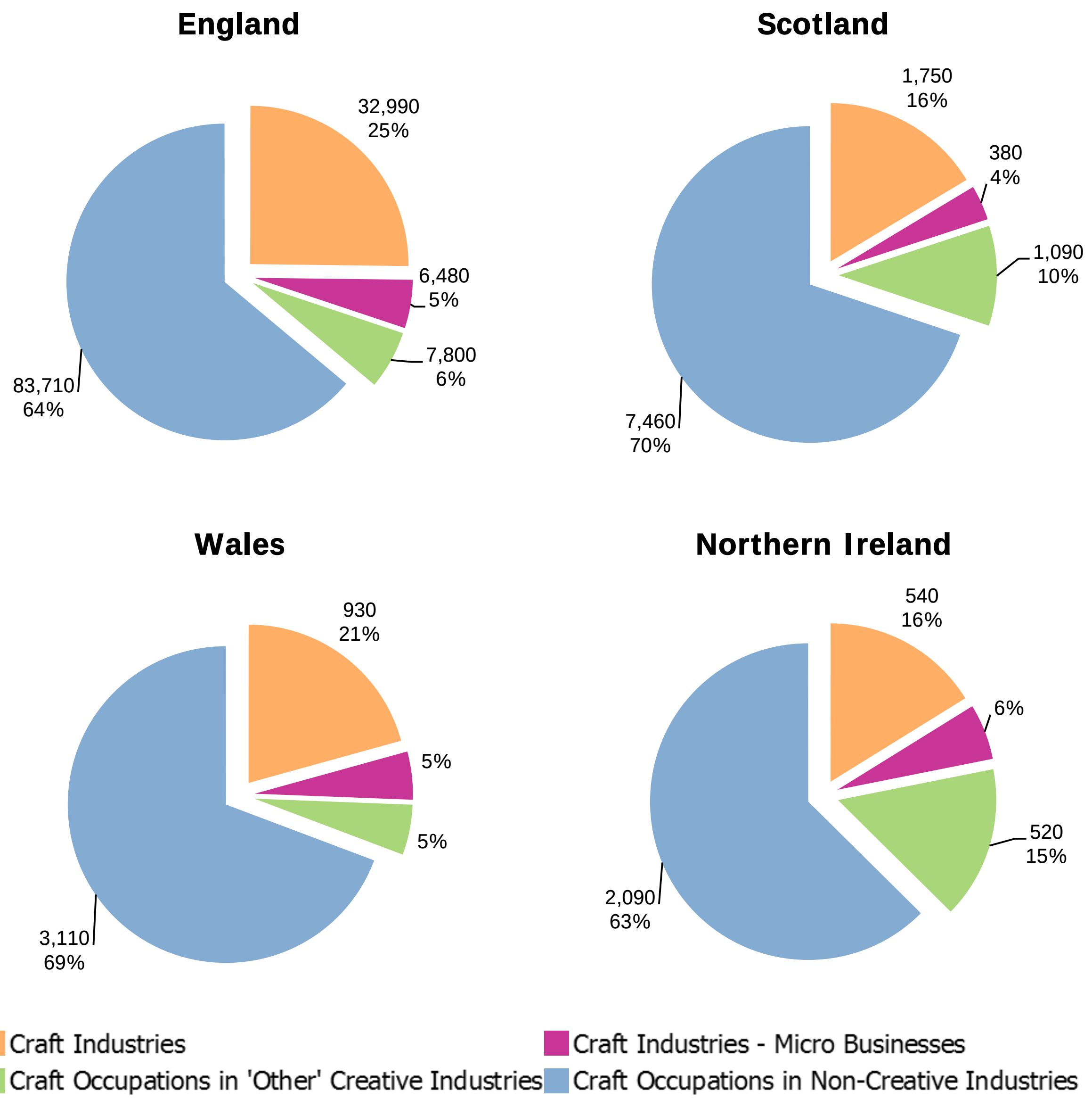
Similarly, the top non-creative industries (SICs) employing the greatest number of people in craft occupations (i.e. the industries where the additional 96,360 craft workers are based) include:

1. 18.12 – Other printing *(8,370 employees)*
2. 43.32 – Joinery *(6,390 employees)*
3. 16.23 – Manufacture of other builders' carpentry and joinery *(5,100 employees)*
4. 13.92 – Manufacture of made-up textile articles, except apparel *(4,200 employees)*

The non-creative industries employing individuals in craft occupations are generally manufacturing based industries, which one might expect.

Figure 3, over the page, investigates each nation's reliance on either craft industries or craft occupations working outside craft industries.

Figure 3: Reliance on craft industries & occupations across nations



Source: Annual Population Survey Oct2012-Sep2013 & Business Population Estimates 2013, TBR Ref: W3/S2c

Approximately 30% of England's craft employment is based in craft industries (including unregistered micro businesses), whereas the remaining 70% are based outside craft industries, specifically in non-creative industries, which account for nearly 65%. By comparison all other nations have a greater proportion of employment in craft occupations outside craft industries.

This is particularly true of Scotland, where only 20% of craft employment is from craft industries (including micro businesses) and the remaining 80% is based in 'other' creative industries (10%) or non-creative industries (70%). The same is true of Northern Ireland which has a slightly higher proportion of employment in craft industries (approximately 21%). Wales compares more closely to England, with approximately 25% of craft employment based in craft industries.

These findings indicate that each nation has a broadly similar reliance on craft occupations in non-creative industries (approximately 65-70%) suggesting that these skills are embedded within each nation's workforce. Where the nations differ is in the levels of employment in craft industries, which as the business analysis indicates is higher in England.

3.3 Wages

Our ability to analyse industry and occupation detail in the Annual Population Survey means it is possible to understand the average wages of individuals in craft industries as well as those employed in craft occupations outside craft industries. These are both explored in the following sub-sections.

3.3.1 Average wages in craft industries

People employed in the craft industries earn, on average, £406 per week. This is slightly below the national average (of £461 per week) and substantially below the average wages of those employed in 'other' creative industries (of £681 per week).

Table 7: Total number of employees in the UK in craft industries

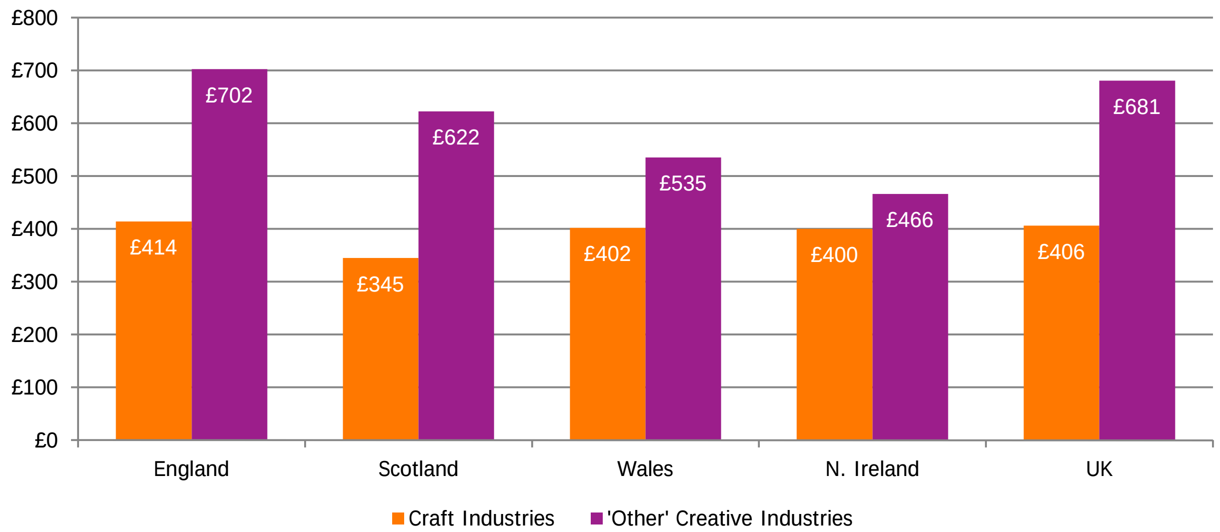
Sectoral activity	Average Gross Weekly Wage (£)
Craft (DCMS)	£319
Craft (DCMS+)	£411
Sub-total Craft	**£406**
'Other' Creative	£681
All Industries	**£461**

Source: Annual Population Survey Oct2012-Sep2013, TBR Ref: W1/S4a

Individuals employed in Craft (DCMS) industries earn almost £100 per week less than those employed in Craft (DCMS+) industries. This is driven by higher than average wages for individuals employed in the 'Manufacture of ceramic household & ornamental articles' (SIC 23.41) and the 'Manufacture of other furniture' (SIC 31.09) of £453 per week and £430 per week respectively.

Wages in the craft industries are broadly similar across each of the nations as demonstrated in Figure 4 below, with the exception of Scotland, where individuals earn almost £60 per week less than the UK average. The disparity between craft industries and 'other' creative industries is also present here and in England. However in Wales and Northern Ireland the average wages between industries are more closely aligned.

Figure 4: Average weekly wage in each nation for craft & 'other' creative industries



Source: Annual Population Survey Oct2012-Sep2013, TBR Ref: W1/S4_Ind

3.3.2 Average wages in craft industries & occupations

This section considers the average wages of those individuals working in craft occupations outside the craft industries, to understand how these individuals' earnings compare with that of their counterparts in the craft industries.

The following table provides an overview at the UK level, demonstrating that those in craft industries are, on average, better paid than those working in craft occupations outside the craft industries. Those employed in craft occupations in 'other' creative industries earn a similar amount to those in craft industries, albeit slightly (£6) less. However, those individuals employed in craft occupations in non-creative industries earn over £20 less than those in craft industries.

Taking an average of these groups means that the average wage for those employed in the craft economy is £397 per week, which is 13% lower than the national average of £461 per week.

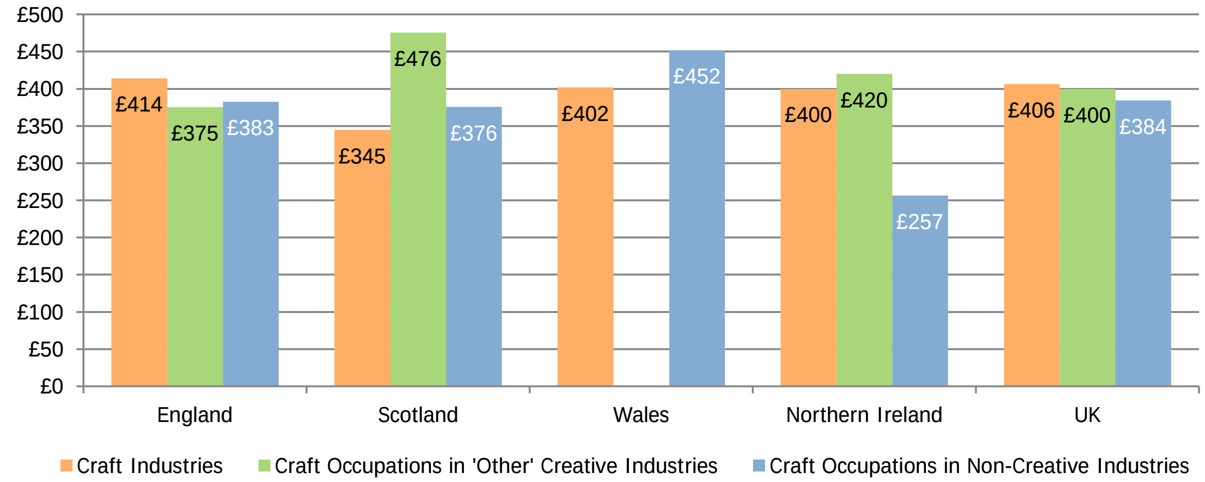
Table 8: Summary of UK craft employment in craft industries & occupations

Key craft average gross weekly wage figures	Average (£)
Craft Industries	£406
Craft Industries – Micro Businesses[10]	N/A
Craft Occupations in 'Other' Creative Industries	£400
Craft Occupations in Non-Creative Industries	£384
Craft Economy	**£397**

Source: Annual Population Survey Oct2012-Sep2013, TBR Ref: W1/S4_Sum

The following chart presents these groups across the nations showing relative levels of pay.

Figure 5: Average weekly wages of craft industries & occupations*



Source: Annual Population Survey Oct2012-Sep2013, TBR Ref: W1/S4_Sum
* - Please note that no wage data is available for craft occupations in 'other' creative industries in Wales for this instance of the APS due to sample sizes in the Oct 2012 – Sept 2013, the sample in future iterations may allow analysis of this group in the future.

As noted in the previous section, those employed in Scottish based craft industries earn substantially less than other nations. However, Scottish individuals employed in craft occupations in 'other' creative industries earn much more than all other nations and £76 per week more than the UK average for this group. Across the nations the other groups have similar average wages, with the exception of craft occupations in non-creative industries, where Wales earns almost £70 per week more than the UK average for this group and Northern Ireland earns almost £130 per week less.

[10] Please note wages data is not available for unregistered micro businesses operating below the VAT/PAYE threshold.

3.4 Turnover

Craft Industries generated nearly £1.9bn in turnover in 2012, which accounted for 0.1% of the UK's total turnover. The majority of this turnover (£1.7bn) was generated by registered businesses, whilst micro businesses generated a much smaller proportion of almost £200m.

Table 9: Total turnover (£m) of craft businesses in the UK

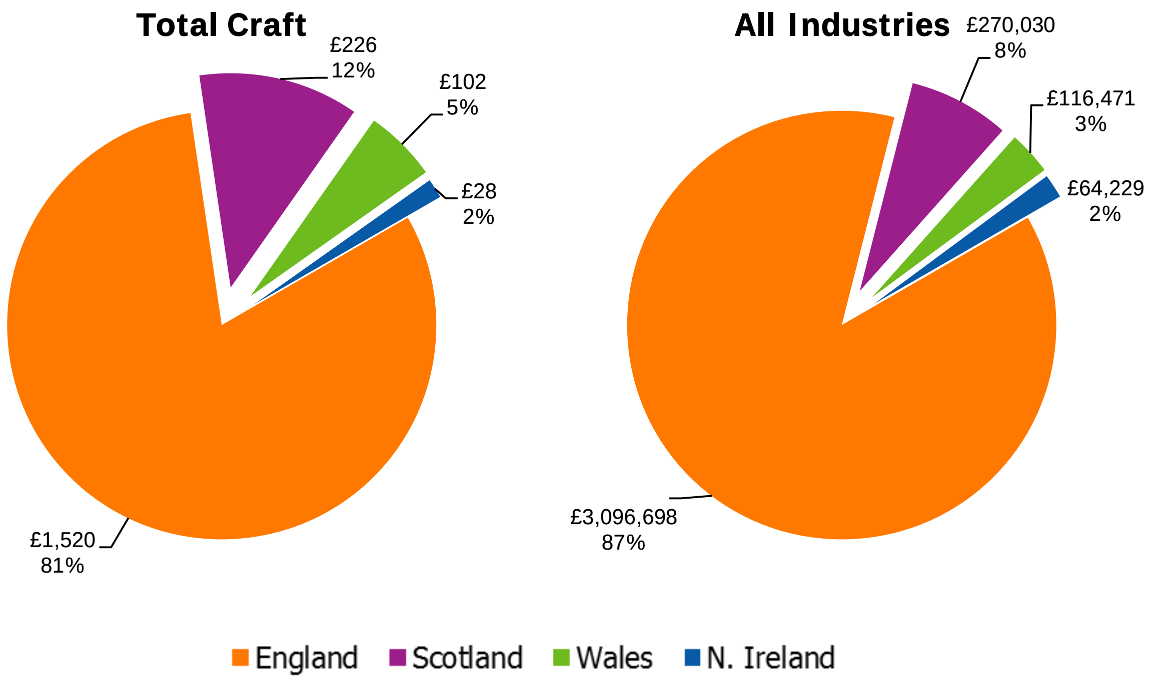
Sectoral activity	Micro-Turnover	Registered Turnover	Total Turnover (£m) Number	Percentage
Craft (DCMS)	£33	£702	£735	0.0%
Craft (DCMS+)	£164	£978	£1,141	0.0%
Sub-total Craft	**£197**	**£1,680**	**£1,877**	**0.1%**
'Other' Creative	£11,262	£180,851	£192,113	5.4%
All Industries	**£91,116**	**£3,456,311**	**£3,547,427**	**100.0%**

Source: Annual Business Survey 2012 & Business Population Estimates 2012, TBR Ref: W3/S3a

Approximately 40% (£735m) of the craft industries' turnover is generated by industries falling under the DCMS definition (namely SIC 32.12). The remaining £1.1bn is generated by industries that fall outside the DCMS definition. The main contributor to this total is the 'Manufacture of other furniture' (SIC 31.09), which generated £466m in turnover. This is followed closely by 'Manufacture of ceramic household & ornamental articles' (SIC 23.41) which generated £427m in sales in 2012.

The distribution of turnover amongst the four UK nations is explored in Figure 6 below, which highlights that whilst almost 90% of businesses and employment are based in England, this only accounts for 80% of craft turnover. This indicates that craft firms in England generate less turnover per business than those in other nations. This is particularly the case in Scotland, which accounts for 12% of turnover but only 5% of employment, indicating highly productive firms are based in this nation.

Figure 6: Distribution of craft turnover across nations



Source: Annual Business Survey 2012 & Business Population Estimates 2012, TBR Ref: W3/S3b

3.5 Gross Value Added

As highlighted in the methodology GVA data has been mapped to the SOC system using wages data from the Annual Population Survey as a proxy. As such it is also possible to estimate the economic output of craft occupations outside craft industries in a similar manner to that of employment. As such, this section provides an initial overview by industry and then takes this one step further by determining the GVA impact of craft occupations.

3.5.1 Gross Value Added in craft industries

Craft industries contributed approximately £746m to the UK economy in terms of GVA in 2012. Of this, approximately £81m is attributable to unregistered micro businesses. The combined total is the equivalent of 0.1% of the UK's total GVA, which is a similar proportion to that of turnover and employment. In a similar manner to these other key economic measures the majority of this GVA is generated by industries outside the DCMS definition, accounting for £484m.

Table 10: Total GVA (£m) of craft businesses in the UK

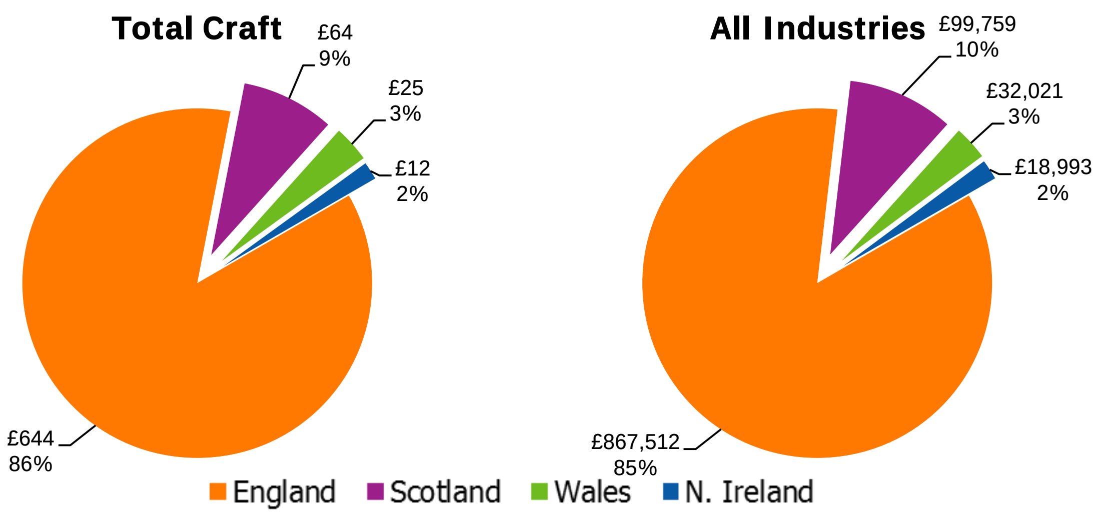
Sectoral activity	Micro-GVA	Registered GVA	Total GVA (£m) Number	Total GVA (£m) Percentage
Craft (DCMS)	£14	£248	£262	0.0%
Craft (DCMS+)	£68	£416	£484	0.0%
Sub-total Craft	**£81**	**£664**	**£746**	**0.1%**
Other Creative	£5,123	£92,811	£97,934	9.6%
All Industries	**£26,028**	**£992,257**	**£1,018,285**	**100.0%**

Source: Annual Business Survey 2012 & Business Population Estimates 2012, TBR Ref: W3/S3a

The GVA contributions of Craft (DCMS+) industries are generated primarily by the 'Manufacture of other furniture' (SIC 31.09) and the 'Manufacture of ceramic household & ornamental articles' (SIC 23.41), which contributed £188m and £171m to craft Industries respectively.

Figure 7 demonstrates a similar trend to that seen in other economic measures, in that the majority of GVA is based within England. However, as was the case with turnover Scotland has a much higher proportion of GVA in Craft (DCMS) industries than employment, suggesting that a number of firms are highly productive.

Figure 7: Distribution of GVA in craft industries across nations



Source: Annual Business Survey 2012 & Business Population Estimates 2012, TBR Ref: W3/S3b

3.5.2 Gross Value Added in craft industries & occupations

The following analysis builds upon the GVA analysis of craft industries by estimating the GVA contributions of craft occupations outside craft industries.

The following table provides a breakdown of the GVA contributions from craft industries (in registered businesses) as well as the GVA contributions of unregistered micro business, which combine together to the £746m identified in the previous section. This is then built upon further by adding in the GVA contributions of craft occupations in 'other' creative industries (as defined by the DCMS) and non-creative industries.

The additional GVA generated by craft occupations outside craft industries indicates that the craft economy contributed almost £3.4bn to the UK economy in 2012. This is the equivalent of 0.3% of the UK's total GVA.

Table 11: Summary of UK craft GVA in craft industries & occupations

Key craft GVA figures	Total (£m)
Craft Industries	£664
Craft Industries – Micro Businesses	£81
Craft Occupations in Other Creative Industries	£243
Craft Occupations in Non-Creative Industries	£2,410
Craft Economy	**£3,398**

Source: Annual Business Survey 2012 & Business Population Estimates 2012, TBR Ref: W3/S2c

In a similar pattern to that of employment, the majority of contributions are generated by craft occupations in non-creative industries, with this group alone generating over £2.4bn. The GVA generated by craft occupations in 'other' creative industries, is very similar to the level of GVA generated by Craft (DCMS) industries (of £248m).

The majority of this GVA is generated by employees in England, accounting for £2.9bn (86%) of the craft economy GVA total. Scotland is the next largest generator of GVA, contributing £331m (10%) to the craft economy. The contributions of Wales and Northern Ireland are much smaller by comparison, contributing £89m (3%) and £45m (1%) respectively.

In a similar manner to that of employment, it is possible (using a combination of Annual Population Survey and Annual Business Survey data) to identify those 'other' creative industries (SICs) based on GVA generated by craft occupations (i.e. which industries contribute the most to the £243m generated by craft workers):

1. 74.10 – Specialised Design activities *(£64m)*
2. 71.12 – Engineering Activities and related technical consultancy *(£35m)*
3. 58.19 – Other Publishing Activities *(£31m)*

The majority of this additional GVA is generated by craft workers involved in design activities within the creative industries.

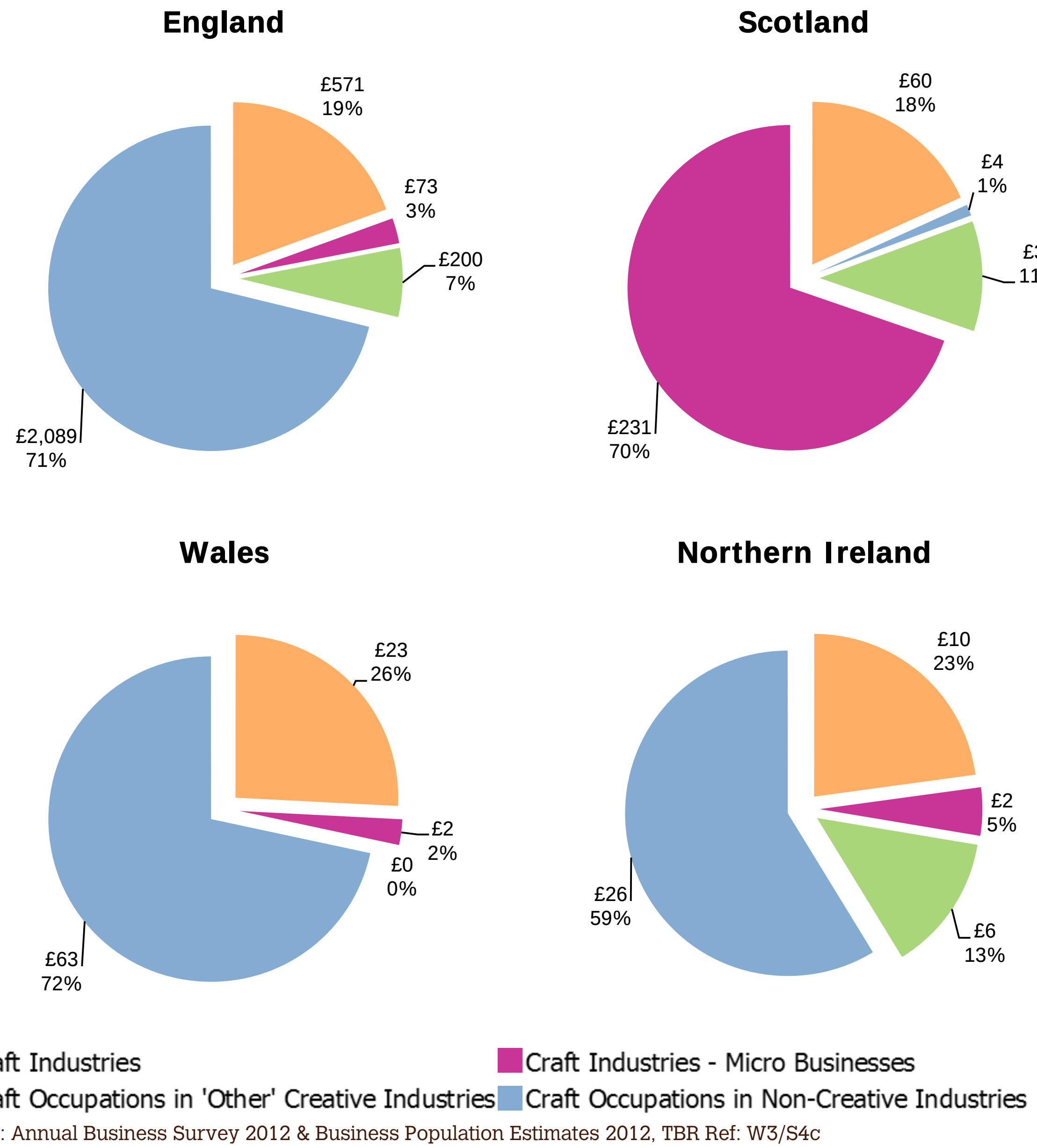
Similarly, the top non-creative industries (SICs) based on GVA generated by craft occupations (i.e. which industries contribute the most to the £2,410m generated by craft workers) include:

1. 43.32 – Joinery *(£273m)*
2. 18.12 – Other printing *(£265m)*
3. 16.23 – Manufacture of other builders' carpentry and joinery *(£126m)*
4. 25.62 – Machining *(£99m)*

As was the case with employment, the largest contributions are by craft workers involved in manufacturing and construction industries.

Figure 8 below demonstrates how each nation's GVA figure is generated and the reliance on either craft industries or craft occupations.

Figure 8: Reliance on craft industries & occupations across nations



Source: Annual Business Survey 2012 & Business Population Estimates 2012, TBR Ref: W3/S4c

England and Scotland have similar dependencies on craft industries, with approximately 20% of GVA in each case generated by this group; craft occupations in non-creative industries account for approximately 70% of GVA. Wales and Northern Ireland also have equivalent reliance on craft industries, which accounts for approximately 30% of GVA in each case. The key difference between these groups is that Northern Ireland has a much larger proportion of GVA generated by craft occupations in 'other' creative industries than Scotland and other nations.

4. Appendix

4.1 Impact of filtering Craft (DCMS+) SICs

As described in the methodology section (Section 2, page 6), where more than 50% of an addition SIC's (a Craft (DCMS+) SIC) workforce was employed in non-creative occupations, the SIC has been filtered to only include businesses that have 10 employees or fewer. The reason for this is to exclude those businesses that operate mechanised processes and, instead, to focus on smaller independent makers. The application of this methodology led to the filtering of the following two SICs throughout this report and the accompanying analysis:

- SIC 18.14 – Binding & related services
- SIC 31.09 – Manufacture of other furniture

The impact of this filtering is explored below for each of the main economic measures, specifically the number of businesses, number of employees, total turnover and total GVA.

4.1.1 Businesses

Removing businesses with more than 10 employees from the measurement of businesses reduces the impact of craft by 910 businesses, as demonstrated below.

Table 12: Impact of filtering Craft (DCMS+) SICs on businesses

SIC	Pre-Filtering	Post-Filtering	Difference
18.14 – Binding & related services	315	180	135
31.09 – Manufacture of other furniture	4,000	3,225	775
Combined Total	**4,315**	**3,405**	**910**

Source: IDBR Business Counts 2013

If we were to use the total number of businesses in each SIC, the total number of businesses in the craft footprint would increase to 6,335 businesses (from the current estimate of 5,425).

4.1.2 Employment

Removing businesses with more than 10 employees from the measurement of employment reduces the impact of craft by 45,295 employees, as demonstrated below.

Table 13: Impact of filtering Craft (DCMS+) SICs on employment

SIC	Pre-Filtering	Post-Filtering	Difference
18.14 – Binding & related services	7,420	2,540	4,880
31.09 – Manufacture of other furniture	49,975	9,560	40,415
Combined Total	**57,395**	**12,100**	**45,295**

Source: IDBR Business Counts 2013

If we were to use the total employment in each SIC, the total employment in craft industries would increase to 81,530 employees (from the current estimate of 36,230).

This would also affect the total contribution from craft industries & occupations as the filtering means that craft employment in organisations in SICs 18.14 and 31.09 with more than 10 employees is moved to the non-creative industries category. As such, the inclusion of the full employment figures in these two SICs would reduce the number of craft employees in non-creative industries to 84,410 (from 96,360). Combined with the increase in craft industries, this would increase the total craft employment footprint to 182,860 employees (from 149,510).

4.1.3 Turnover

Removing businesses with more than 10 employees from the measurement of turnover reduces the impact of craft by £2,389m in turnover, as demonstrated below.

Table 14: Impact of filtering Craft (DCMS+) SICs on turnover

SIC	Pre-Filtering	Post-Filtering	Difference
18.14 – Binding & related services	£186m	£62m	£124m
31.09 – Manufacture of other furniture	£2,626m	£361m	£2,265m
Combined Total	**£2,812m**	**£423m**	**£2,389m**

Source: IDBR Business Counts 2013

If we were to use the total turnover of businesses in each SIC, the total turnover of businesses in the craft footprint would increase to £4,069m (from the current estimate of £1,680m).

4.1.4 Gross Value Added

Removing businesses with more than 10 employees from the measurement of GVA reduces the impact of craft by £1,003m in GVA, as demonstrated below.

Table 15: Impact of filtering Craft (DCMS+) SICs on GVA

SIC	Pre-Filtering	Post-Filtering	Difference
18.14 – Binding & related services	£131m	£44m	£87m
31.09 – Manufacture of other furniture	£1,062m	£146m	£916m
Combined Total	**£1,193m**	**£190m**	**£1,003m**

Source: IDBR Business Counts 2013

If we were to use the total GVA in each SIC, the total GVA in craft industries would increase to £1,668m (from the current estimate of £664m).

This would also affect the total contributions from craft industries & occupations, as the filtering means that craft GVA in organisations in SICs 18.14 and 31.09 with more than 10 employees is moved to the non-creative industries category. As such, the inclusion of the full GVA in these two SICs would reduce the level of craft GVA in non-creative industries to £2,407m (from £2,410m). Combined with the increase in craft industries, this would increase the total craft footprint to £4,410m in GVA (from £3,398m).

4.2 Definitions of 'other' creative industries

The following table details the SICs used in the DCMS definition.

Table 16: DCMS SICs used to define 'other' creative industries

Code	Description
58.11	Book publishing
58.12	Publishing of directories & mailing lists
58.13	Publishing of newspapers
58.14	Publishing of journals & periodicals
58.19	Other publishing activities
58.21	Publishing of computer games
58.29	Other software publishing
59.11	Motion picture, video & TV programme production activities
59.12	Motion picture, video & TV programme post-production activities
59.13	Motion picture, video & TV programme distribution activities
59.14	Motion picture projection activities
59.20	Sound recording & music publishing activities
60.10	Radio broadcasting
60.20	Television programming & broadcasting activities
62.01	Computer programming activities
62.02	Computer consultancy activities
70.21	Public relations & communication activities
71.11	Architectural activities
71.12	Engineering activities & related technical consultancy
73.11	Advertising agencies
73.12	Media representation
74.10	Specialised design activities
74.20	Photographic activities
74.30	Translation & interpretation activities
85.52	Cultural education
90.01	Performing arts
90.02	Support activities to performing arts
90.03	Artistic creation
90.04	Operation of arts facilities
91.01	Library & archive activities
91.02	Museum activities