



Supporting the hair, beauty
and barbering industries

Impacts of COVID-19: Call for evidence

Economy, Infrastructure and Skills Committee

September 2020

The National Hair & Beauty Federation (NHBF) is the principal trade association for the hairdressing, barbering and beauty industries. It represents over 6,500 hair salons, barbershops and beauty salons, across the United Kingdom. In Wales, the hair and beauty industry generates a turnover of more than £275 million per year. As a whole, UK salons and barbershops generate an annual turnover of £7.5 billion and employ around 260,000 people across 43,000 businesses.

NHBF members predominantly consist of micro-businesses which are typical of the sector and largely benefit from small business rate relief. 72% of businesses employ fewer than 5 people and 94% employ fewer than 10 people. There is also a growing trend of self-employment in the sector with 54% of people working in hairdressing and barbering and 57% of people working in beauty being self-employed¹.

There are over 2,000 hair and beauty businesses operating in Wales on local high streets, in city centres and remotely, and almost 2,000 apprentices studying and working in salons and barbershops gaining vital qualifications for their future. The importance of this industry should not therefore be underestimated when discussing the Welsh economy.

The Organisation for Economic Cooperation and Development has predicted that Britain's economy is likely to suffer the worst damage from the COVID-19 crisis of any country in the developed world. This is already becoming apparent with the NHBF's most recent research suggesting more than a third of business owners cannot be sure that their businesses will survive until the end of the year as things currently stand. With more than 2,000 hair and beauty businesses in Wales, this would be a huge blow in terms of significant unemployment and its impact on the high street more generally, with salons and barbers renowned for helping to increase footfall to town centres.

The State of Industry survey, conducted in August across hair and beauty salons and barbershops in Wales and the wider UK shows business is down for three in four salons and barbershops compared to the same period last year with a further 67% predicting it to be even quieter in the next three months. This latest data demonstrates the urgency of the need for financial support for the sector.

The beauty sector has been particularly impacted due to the extra time they have been forced to close and the bans on treatments around the face, with some treatments still strongly advised against in Wales. Based on their current workload and the operational restrictions within the government guidelines, 30% of businesses in the beauty sector were not earning enough to cover outgoings such as rent, overheads, staff costs and stock. One in five businesses across the entire hair and beauty sector also reported they could not cover their costs.

The recovery of the hair and beauty sector is dependent on additional help from the Welsh and UK Governments. Throughout the pandemic, the NHBF has lobbied hard for support both during the peak of the crisis and lockdown, and as businesses start to reopen and beyond. Our proposals below outline measures such as fund extensions,

¹ p.9 [Hair & beauty industry statistics 2019](#), November 2019

hardship grants, further business rate reliefs, support to train, retrain and diversify and other wider measures needed from the UK government. Without these, the survival of businesses and thousands of jobs remain at risk.”

The NHBF is therefore grateful for the opportunity to outline the effect of COVID-19 on the hair and beauty sector and provide recommendations to Economy, Infrastructure and Skills Committee on the cohesive package of measures needed from the Welsh Government, and indeed the wider UK Government if the sector is to survive the current crisis and preserve jobs and skills.

Re-opening of the Economic Resilience Fund

In its first week the second phase of the Economic Resilience Fund received almost 9,000 requests for support leading the Welsh Government to increase the amount of funding for this phase to £300 million. This is in addition to the COVID-19 Wales Business Loan Scheme, which was fully subscribed after more than 1,500 applications were received in just over one week. This clearly demonstrates how desperate businesses are for financial support during this crisis and as such measures such as these must be continued in some capacity for as long as businesses are unable to be fully-operational.

The NHBF’s most recent data suggests that whilst only a small number had yet made redundancies, almost one in four employers said they expected to cut staff in the next three months and 43% could not guarantee job security. Additional funding such as the Economic Resilience Fund is essential for business survival and to preserve jobs.

Further financial assistance and support for apprenticeships, training and reskilling

As one of the largest providers of apprenticeships, the hair and beauty industry has an important role to play in ensuring that apprenticeships do not cease to exist in the future. Our recent survey painted a bleak picture in terms of recruiting potential new apprentices in the months approaching the end of 2020. 66% said they would definitely not be taking on apprentices, despite the recently announced apprenticeship incentives, with a further 21% unlikely to. This is of course of major concern in terms of the developing skilled and qualified practitioners to ensure the future of the sector.

The NHBF, as part of its Apprenticeship Intermediary Ambassador role, provides valuable insight from hair and beauty businesses as well as early warning alerts to emerging issues. With income down and limited staff capacity in order to safely follow the government guidelines, sadly apprentices are the first to go.

The NHBF is calling for increased funding to provide more attractive apprenticeship incentives in order to encourage employers to keep on apprentices. Employers are heavily impacted by increases in National Minimum Wage and apprenticeship rates, even more so in the current climate, especially considering apprentices bring no income into salons and barbershops.

We also call for a dedicated training and reskilling fund for those businesses such as those in the hair and beauty sector who have been most severely impacted by current restrictions and guidelines required in order to be compliant and operate safely. The Welsh Government’s ReAct II² retraining programme is a good example of this.

Extension to 100% business rate relief

As previously highlighted, forecasts for the economy suggest that cash flow within the retail and hospitality sectors, as well as more broadly, would not withstand the introduction of business rates at pre-COVID levels, resulting in business closures and further unemployment.

The NHBF would therefore implore the Treasury allocate funding to extend the current 100% relief support. Based on the Treasury’s own assessment this would cost £1.5 billion and represent 5% of the total business rates income. This would avoid a ‘cliff edge’ scenario of businesses being faced with full business rates again in April 2021 without adequate time to recoup costs from lockdown and meet such financial obligations.

² <https://www.react2training.co.uk/react-funding.html>

Grants

The NHBF believes funding should be made available for the allocation of one-off hardship grants for sectors such as ours that have been heavily impacted by the current guidelines in respect of business operations. This has severely affected salons and barbershops ability to reopen and generate income to pre-COVID levels and will continue to do so until such time as the guidance can be relaxed.

High street vouchers

One in five businesses across the sector are not earning enough to cover their existing outgoings, with the figure rising to 30% for beauty businesses alone according to our most recent survey findings.

In gathering this data, one of the most favourable government support measures that salons and barbershops felt would most benefit them in recovering their business was the introduction of a voucher scheme similar to that of the 'Eat out to help out' hospitality initiative, which ran throughout August.

Similar initiatives have been championed by think tanks including the Resolution Foundation, who have also called for every household to receive 'High Street Vouchers' of £500 per adult & £250 per child in order to provide a £30bn "kickstart" to the economic recovery that focuses support on the firms and workers hardest hit by the crisis³.

The objective for stimulus in the current crisis is to drive extra consumption in those areas such as the hair and beauty sector, as well as general bricks & mortar retail and leisure and hospitality struggling to recover due to the impact of social distancing restrictions. Therefore, targeted sector specific voucher schemes, or slightly boarder 'high street vouchers' are necessary to achieve the intended outcome of reinvigorating those businesses struggling most to recover. If the Welsh government is unable to fund such an initiative itself, the NHBF would ask that they support calls from ours and other sectors for a high street voucher scheme.

Jersey introduced a similar £11m scheme throughout September which saw all Jersey residents receive £100 via a voucher or pre-paid card to stimulate the island's economy. The money is time-limited to two months, and cannot be spent online, used for savings or spent on gambling⁴.

More support for those businesses who fell through the cracks for support

Extend and revisit the Welsh Government Business Grants criteria to allow those salons and barbershops who were ineligible for funding because their rates are too high (not between the £12,001 and £51,000 criteria) to obtain essential funding. This would be a provide a vital cash boost to those businesses really struggling due to previously falling through the cracks in terms of government support.

In terms of wider support from the UK Government, we need help from the Welsh Government to push for the following UK wide support for businesses:

Student loan style repayment schemes

Whilst we welcome the Chancellors most recent measures on the extension of repayment periods and extensions to government guarantees, the NHBF would like to see a student loan style repayment scheme once the 12 months' interest-free period has ended. This would involve capped interest rates and HMRC recovering it's emergency COVID-19 funding once businesses return to trading at a profit.

Such proposals are supported by trade bodies such as The British Retail Consortium, The Federation of Small Business and British Independent Retailers Association as well as think tanks such as Onward⁵. Onward's most recent paper, which outlines its 'New Start' proposal, states nearly one in 20 firms (4.3 per cent) are technically

³ <https://www.resolutionfoundation.org/events/the-real-deal/#:~:text=The%20real%20deal,for%20Britain%E2%80%99s%20economy>

⁴ https://www.bbc.co.uk/news/world-europe-jersey-53336512?utm_source=RF+Mailing+List&utm_campaign=b16344cb10-EMAIL_CAMPAIGN_2020_09_11_09_35&utm_medium=email&utm_term=0_c0e8a99f92-b16344cb10-313077602&mc_cid=b16344cb10&mc_eid=1384ce97a1

⁵ <https://www.ukonward.com/wp-content/uploads/2020/09/Paying-it-Forward-.pdf>

insolvent with liabilities greater than their assets due to the levels of debt they have already built up since March. These firms employ an estimated 1.8m workers.

Many business owners within the hair and beauty sector have taken out loans which they cannot start paying back and, according to our most recent data indicating 1 in 5 businesses are not earning enough to cover even their existing outgoings, may not be able to do so for some time. As previously highlighted, the hair and beauty sector employs over a quarter of a million people, a proportion of which work within the 2,000+ Welsh businesses within the industry. These people would be significantly impacted by future closures. Measures such as a student loan style repayment scheme would considerably improve these businesses chances of recovery and the NHBF would implore the Welsh Government to champion such proposals.

A fairer tax system

HM Treasury have recently been seeking views regarding various elements of taxation. The National Hair & Beauty Federation would ask that the Welsh Government joins the call for the VAT threshold to be significantly increased for labour-intensive service industries, allowing them to recover and grow. More specifically, a reduction in the VAT rate to 5% in recognition of the fact that there are few costs from which salons and barbershops can claim VAT back.

Restrictions within the current guidance on the numbers of clients on the premises, adequate cleaning times between clients etc. means that earnings are greatly reduced. In addition, many beauty treatments have been significantly impacted due to the social distancing restrictions around the 'high risk zone', further hampering their ability to generate earnings at pre-coronavirus levels. A VAT reduction would provide a much-needed boost for the hair, beauty and spa sector. This view is supported by the NHBF's most recent survey, which showed initiatives such as the reduction to 5% VAT offered to the hospitality and leisure industries in recent months and extended in the Chancellors most recent Winter Economy Plan as most popular in terms of the most effective forms of support to help businesses recover and grow post the pandemic.

Conclusion

The Welsh Government must avoid the temptation to be flippant of the hair and beauty sector or entertain the misguided perception of the industry as frivolous and unnecessary. Its sheer contribution to the Welsh economy, the number of people it employs and the students it nurtures through training and apprenticeships provide reason within itself of its value to the people of Wales, without the additional benefits of improving mental health, assisting clients suffering with cancer, alopecia, and numerous other health conditions.

As things stand, many businesses within the hair and beauty sector will not withstand the coming months. Already staff have seen their hours reduced (39% across the hair and beauty sector, rising to almost half of beauty businesses). Whilst many have not yet made redundancies, almost a quarter expect to cut staff in the next three months and 43% cannot guarantee job security. Restrictions within the current guidance on the number of clients on the premises, adequate cleaning times between clients etc. means that earnings are greatly reduced. Beauty treatments have been (and continue to be) significantly impacted due to the restrictions around the 'high risk zone', further hampering their ability to generate earnings at pre-coronavirus levels.

Ultimately there is not a level playing field in respect of hair and beauty businesses and other sectors that have been permitted to reopen with less onerous restrictions. Support is being withdrawn and businesses are expected to begin contributing regardless of the length of time they have been reopened or been able to generate income. The financial support measures we have outlined within this submission are essential for the industry's recovery.

The sector also needs more flexibility from the Welsh Government in areas within the current operating guidance that do not diminish safety or hygiene to rebuild the client experience - making clients feel more comfortable and the experience more of a 'treat' that people want to spend their hard earned money on. As far as industries go, the hair & beauty industry is arguably better placed to operate as 'Covid secure' than many other industries which are operating under these constraints for the first time. Masks, gloves, cleaning stations, continuous hand washing etc. form the basis of entire modules when gaining qualifications within the sector. Increased choice

regarding refreshments, food, reading materials etc. could be carefully reintroduced following hospitality sector standards and would go a long way towards improving the experience for clients, thereby increasing revenue.

Ultimately, the Welsh Government, has a choice to allow the hair and beauty sector to fall or recognise its many contributions to society and the economy and give it the support it needs, whilst putting pressure on the UK Government to push ahead with additional, targeted support measures separate to those announced in the Winter Economy Plan. Supporting businesses such as those in the hair and beauty industry to remain operational post the crisis will be a significant milestone in its journey to secure the country's economic recovery.