

## **NATIONAL HAIRDRESSERS FEDERATION**

### **Background information**

The National Hairdressers' Federation (NHF) is the UK's biggest trade association for hairdressing, barbering and beauty salon owners. There are 35,000 salons within the hair and beauty industry, which generates turnover of more than £6bn per year and employs almost 250,000 people. NHF's members are mostly micro-businesses, often family-owned salons, with 93% employing fewer than 10 people although NHF's membership does also include large national chains.

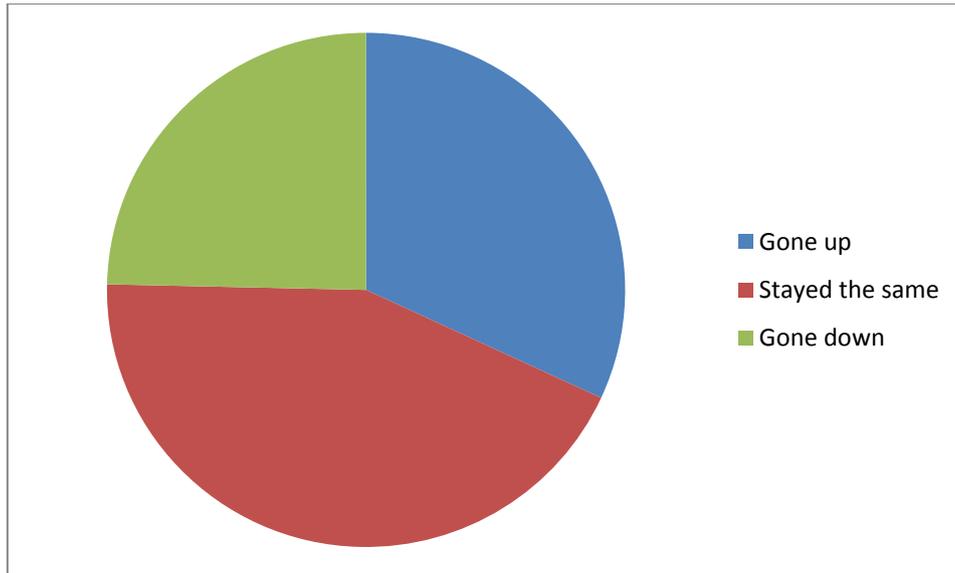
Many salons also rent out styling chairs (chair renting) to self-employed hairdressers and there are also mobile and freelance hairdressers who work from their own homes or travel to a client's home.

In common with all service industries, the hair and beauty industry is very labour intensive with staff-related costs making up the majority of business expenditure. Apprenticeship is by far the most usual entry into the hair and beauty industry and hairdressing is always in the top 10 for Apprenticeship applications. The industry's workforce is predominantly female (90%).

The data informing our response to the Low Pay Commission's consultation is drawn from two member surveys, the first one about our members and their businesses carried out in June/July 2013 and the second one specifically relating to the National Minimum Wage and the consultation questions.

### **UK economy and business outlook**

In our member survey we asked whether turnover had gone up, stayed the same or gone down compared to the same time last year. The outlook was fairly positive with 32% saying that annual turnover had increased compared to last year or that it had stayed the same (43%). However, for 25% annual turnover had decreased compared to last year, evidence that small businesses are struggling in the current economic climate.



NHF operates a 24/7 legal helpline and business support service. In 2010, 2011, 2012 redundancy was consistently in the top 5 reasons for calls from members requesting assistance. In 2013, in the year to date it remains the fourth most common reason for calls, suggesting that the trading environment is still tough. When asked what their top three business concerns were, the overwhelming response was about profitability. There were a significant number of members expressing interest in support on selling their business and exit strategies.

There were a number of comments from members about how they are struggling financially in the face of ever-increasing competition, coupled with concern about the introduction of auto-enrolment for pensions and the potential for increases costs:

*'the government may be seeing an end to the 'recession' but we are not. The further increase [in NMW] and pension contributions could see us having to put staff on short time or consider laying them off'*

Our view is that employment and unemployment levels will not change significantly between October 2014 and September 2015 and that business within the sector will continue to face challenging economic realities.

### **Impact of the National Minimum Wage and employment prospects**

Reassuringly, 94.4% of our members consider that they fully understand the NMW rules and how to apply them in their businesses, although there is still some confusion around Apprenticeship rates and age limits. NHF continues to provide information to members to reduce the complexity and added administration NMW represents for business owners.

While we recognise the importance of the NMW and that the cost of living and inflation do increase, 77.4% of our members do not want to see any increase in the NMW. This is because of significant concerns about the impact the NMW has on employment prospects for young people and the viability of the businesses concerned:

*'very hard in the present economic climate to afford wages at the level they are now'*

*'as a small business owner I struggle with salaries, it will stop me employing more full-time staff'*

*'most staff on minimum wage don't make a significant contribution to turnover'*

*'in hairdressing an employee may not be bringing in money for all the hours they are employed'*

*'if a business cannot afford a certain rate then either there is no job or the business suffers a gross profit decrease'*

*'we cannot afford to pass onto our customers this increase every year, we have not increased prices since 2008 because we are struggling to stay open'*

*'if I increase my prices, clients cut back eg colour their own hair at home, longer spans between haircuts etc'*

Regarding employment prospects, often salon owners have to reduce hours if pay rates increase:

*'Senior staff start demanding more pay = increase in wages bill or less staff'*

*'I am currently reducing the number of staff I have so I can pay the rises due to age and qualifications, 4 members of staff have had a pay rise last month'*

Overall, while employers recognise the importance of paying the NMW wage, it is having a negative impact on employment, for Apprentices in particular:

*Small businesses are struggling to pay the current minimum wage to apprentices. I employ less young people than I used to due to this, therefore this contributes to the high unemployment of 16-25 year olds.*

### **Impact of the Apprentice Rate of the NMW**

An even higher proportion of NHF members (83.8%) oppose any increase in the NMW for Apprentices. There is insufficient understanding of the cost for salons providing quality Apprenticeships. Employers expressed concerns about the cost of training and the fact that apprentices do not generate income for the salon, plus it is often the owner who has to take time out of the business to carry out the training, further decreasing profits:

*'The NMW for apprentices is stopping many salon owners from hiring as they do not provide an income and are an expense as the salon is in effect providing their education'*

*'there are a lot of costs to get an apprentice through the course and no guarantee of being able to keep them when they've finished'*

*'We are paying just to train them, whilst training I am not earning'*

*'Because they are non-productive staff and it costs a lot to train them'*

*'At least we can give someone a job, whereas if [the NMW] increases we would not employ apprentices'*

*'Apprentices take a long time to start earning their wage. Why should an apprentice be paid the same as a qualified stylist that has been on the floor for years'*

*'Increasing the wage will mean less salons can afford apprentices, they may as well take on assistants who don't want to train for hairdressing or employ a hairdresser as that person would bring in money to the salon'*

*'Most apprentices live at home with parents and their wage is purely disposable'*

### **One-year time limit – over 19s**

The National Hairdressers' Federation is particularly concerned about the impact that the one-year time limit has on the NMW for Apprentices aged over 19. There was a strong sense that this is effectively discrimination against older Apprentices who miss out on employment opportunities because of the additional cost they represent to salon businesses, even though they are likely to be doing the same work as a younger Apprentice:

*'There is a huge disincentive to employ Apprentices at 19 or over compared to school leavers due to the NMW'*

*'It penalises this age group who are often the most appropriate employees'*

*'It stops us taking on anyone over a certain age, it is ageist'*

*'So many over 19 apply and financially it doesn't make sense for us to train them so they are discriminated against before they start'*

*'As a result of this rule we look to employ 16 and 17 year olds. We don't recruit people 19 and over, it's too expensive'*

*'If you take on a trainee who is 19 it means after 1 year they are on the same wage as a stylist who is bringing money into the salon'*

NHF strongly supports a change and we would welcome a move for the same rate to apply throughout the period of an Apprenticeship in our sector:

*'It should be the same as an 18 year old until they finish their Apprenticeship to encourage older people to start an Apprenticeship'*

*'All Apprentices should be equal regardless of age and stay on the Apprentice rate until training is completed. Employers would be more likely to employ Apprentices of all ages and increase the margin for the skilled workers pay'*

*'Should be for the duration of the apprenticeship regardless of age, up to 3 years'*

It typically takes 2 years for someone to complete an NVQ programme at level 2, and 3 years before they can be considered skilled. One year is simply not long enough for older Apprentices to complete their training and reach the skill levels needed to get established and generate enough income to cover the cost of their wages.

*'It rushes over 19s to get through training and puts them and their employers under pressure'*

*'Over 19 year old Apprentices without any previous experience are simply not getting employment in salons due to costs. In larger salons training lasts for a minimum of 3 years. You cannot train anyone in one year or even two from scratch'*

*'Change to two years. It promotes indirect discrimination as employers steer away from employing older staff – there's no way they can qualify in one year to the national standard'*

*'Please add a second tier Apprenticeship wage for year 2 to encourage salons to employ older Apprentices'*

It should also be borne in mind that the impact of the NMW rate for 19 year olds disproportionately affects females as they make up 90% of the workforce in the hair and beauty industry.

### **Pay differentials**

Furthermore, the higher NMW for over 19 year olds decreases the differential between trainees and newly qualified hairdressers:

*'My senior staff have spent years building their client base and the money they bring in carries the junior staff. However, NMW means there is only a token difference in wages'*

*'I find it difficult to pay my senior staff what they deserve as the trainees get so much'*  
*'Older staff members who bring in the money resent the younger staff'*

The erosion of pay differentials between trainees and junior staff was much more of a problem than for senior staff who are more likely to earn commission or benefit from incentives or performance-related pay.

### **Accommodation offset**

While there is a high level of awareness of the NMW, 73.8% of our members did not know that accommodation provided by an employer is taken into account when calculating the minimum wage. NHF took the opportunity of providing information about this to members who responded to the survey and will continue to raise awareness.

However, it suggests there is much more that needs to be done to raise awareness about accommodation offsets before resorting to enforcement measures.

## **Compliance**

The National Hairdressers' Federation has supported our members with information and advice about the NMW and implementing it within their businesses. We believe that reputable businesses are fully aware of the requirements and we do not condone any deliberate non-compliance. However, we recognise that the rules are complex, particularly relating to the Apprentice NMW, and we suggest a more lenient approach would be helpful where any non-compliance is due to interpretation if it is voluntarily corrected as soon as it comes to light.

There is a much higher degree of ignorance around the accommodation offset, although it will apply to only a small proportion of our members. As noted above, we will work with our membership to raise awareness of this and suggest that enforcement is not appropriate until this message has been disseminated.

However, our members are rightly concerned about the disadvantages reputable salon businesses face when compared to cut-price operators. Evidence of this is anecdotal but in areas of London and Cardiff and other large cities, barber shops offering cuts for £3-£5 or shaves for £6 are springing up, often operated by Turkish, Albanian or other Eastern Europeans. We know that the prices being charged by these cut-price operators are simply unviable unless corners are being cut and we would support any move by the Low Pay Commission and HMRC to investigate these kinds of businesses and to enforce compliance with the NMW and tax-related issues.

## **London NMW rate**

While NHF recognises that the cost of living varies around the country and that London is more expensive than other areas, small businesses in London also have higher business rates, rents and other bills compared to other parts of the country. For employers a higher NMW for London would increase wage bills, further exacerbating the problems highlighted above for small business owners. NHF would not therefore support differential NMW rates for London therefore.

## **Conclusion**

In conclusion, the view of the National Hairdressers Federation is that the NMW should be frozen for a year as micro-businesses will find any increase difficult in the continuing uncertain economic climate.

Hilary Hall  
Chief Executive (Secretary-General)  
National Hairdressers' Federation

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