House of Commons

Business and Trade Committee

Oral evidence: Small business strategy, HC 1057

Tuesday 1 July 2025

Ordered by the House of Commons to be published on 1 July 2025.

Watch the meeting

Members present: Liam Byrne (Chair); Antonia Bance; John Cooper; Sarah Edwards; Alison Griffiths; Sonia Kumar; Charlie Maynard; Mr Joshua Reynolds; Matt Western; Rosie Wrighting.

Questions 37 to 66

Witnesses

II: Victoria Brownlie, Chief Policy and Sustainability Officer, British Beauty Council; Toby Dicker, Chief Executive, Salon Employers Association; Caroline Larissey, Chief Executive, National Hair and Beauty Federation; Gareth Penn, Registrar, Hair and Barber Council.

Examination of witnesses

Witnesses: Victoria Brownlie, Toby Dicker, Caroline Larissey and Gareth Penn.

Q37 **Chair:** Welcome to the second panel of the Business and Trade Committee's inquiry looking at small business strategy. Thank you very much indeed to our witnesses from across the hair and beauty industry for coming together this afternoon to give us evidence.

Caroline, perhaps I can start with you. Can you just tell us what is going on in your sector at the moment? Is it growing? Is it shrinking? What are the dynamics that you see?

Caroline Larissey: We class it as a perfect storm within the hair and beauty sector. There are so many things that are contributing to small and micro-businesses, predominantly, really struggling out there. We do state of the industry surveys on a quarterly basis. We have done that since covid. We get a really good picture of what is happening in the sector. We also do independent reports. We are part of that.

I will give you some of the figures: 77% of businesses are going to have to increase their prices and put new costs in place; 47% are planning to reduce numbers or cut working hours; 59% are going to be taking on fewer apprentices, who are the blood of the industry; 20% are moving from employed status to self-employed status; and 18% are adopting a hybrid employment model.

Q38 **Chair:** What does "hybrid employment model" mean?

Caroline Larissey: That means having full-time employed staff, part-time employed staff and self-employed people within the business. Then 26% are planning to downsize or exit the industry.

There is a big history in the industry. I have members who have been part of my organisation for 80 years. We have been going round and speaking to them about some of the problems and other things. They have gone through wars; they have gone through various things. They say, "We have never seen it so tight as it is at the moment".

Gareth Penn: I would reinforce entirely what Caroline has said. For us, you have the increased cost of energy, which the previous panellists talked about. Hairdressing salons are large energy users. You have the increased cost of NI and the threshold. Minimum wage rates have gone up a huge amount. That has hugely impacted apprentices. I know we will come on to that in more detail.

There are two other big input issues for us. The first is around the misrepresentation of employed workers as being self-employed. It is disguised. These people are told that they will become self-employed on the next working day but have identical terms and conditions. They are told what to charge, where they are going to go to work and even what they are going to wear. These are employees. Because of a lack of enforcement or visible enforcement, the playing field is not level. If Business A is paying employers' tax and VAT, it cannot compete with Business B, where all the workers have been disaggregated for VAT and they do not pay any employer taxes. It cannot compete. The two things will never meet.

Lastly, because there is not a mandatory register of those who wish to trade as hairdressers or barbers, anybody can set up as a hairdresser or barber. This means, particularly in the barbering sector, lots of money laundering is taking place with illegal gangs. I am sure you have all seen it in your constituencies. There has been a lot in the media recently. These gangs are using barbershop fronts for cleaning money, for crime purposes. That also impacts on the viability of legitimate businesses, which again cannot compete on price.

Q39 **Chair:** There is a portion of the high street that is being undercut because of the spread of organised crime and money laundering.

Gareth Penn: Yes, absolutely. When you combine that with the other issues, how can a legitimate business survive?

Q40 **Chair:** Okay, let us keep building out the picture. We want to get a 360-degree perspective on what is going on from your point of view. Victoria, how do you see things?

Victoria Brownlie: All the points made are completely valid. It might be helpful if I give a broader overview of the industry more widely, very quickly.

We publish a value of beauty report each year, which is pulled together by Oxford Economics. Its evaluation of the industry over this last year is that we are a growth industry. We contributed £30.4 billion to GDP over this last year. In terms of our high street representation, for every £1 you spend in one of our businesses, which you have to have because you need that personal care touch—you cannot do these things online—£1 is spent elsewhere in the high street.

Not only that, but we have a huge dwell time issue. You are coming in and having a service; you are probably going to be there for a minimum of an hour. You are going to hear about the lives and experiences of the employees working in that salon. If they are happy or not happy, they are going to be perpetuating and passing on that information to the person they are doing the work on.

Q41 **Chair:** Could you say a very brief word about the positive impact that your members and employers have on the nation's mental health?

Victoria Brownlie: It is huge. In terms of upward social mobility, the Oxford Economics data shows that around 40% to 50% of our businesses are in the most deprived areas of the UK. They have the highest levels of unemployment and they are where people have the least opportunities available to them, but you will have businesses like ours across the high street.

The FSB has a fantastic statistic, which is that 83% of other businesses highlight that they are near a personal care business on their high street because we drive that footfall into the high street and give vital funding to jewellers, bakers and butchers, for example. It is really important in that sense.

They have a huge impact from the employability side. They have an 81% female workforce and 86% of businesses are owned by women. We have a huge group of part-time self-employed, as we have discussed here. That is much higher than the wider economic average. We offer experiences and opportunities to people who may need to work around caring responsibilities. They may want to become entrepreneurs and set up their own businesses. You can do that at any employment level. You can enter into our industry and have a long and meaningful career.

Q42 **Chair:** Could you give us a quick word about how your members are feeling in the current economy?

Victoria Brownlie: The phrase that we keep using is "cumulative impact". There is absolutely no doubt that the Budget was hugely impactful. We estimate the cost implication at around £400 million, which Oxford Economics predicts will lead to a 2% to 3% decrease in employment figures over the next year. There will still be some level of growth, but the growth will be significantly reduced from this previous year.

Q43 **Chair:** Toby, just finish rounding out the picture for us. How are your members feeling?

Toby Dicker: It is important just to clarify a point. I represent salon owners and service-based businesses. The £30.4 billion that you referred to is across the beauty retail sector. I am talking about the service side of the business, which is £4.6 billion in 2023. The story is extraordinarily different within service-based businesses. They have an average of 3% retail and 97% services. We are looking at two very different things here.

With regards to growth or decline, we produced a report with CBI Economics in February 2025. It demonstrated that the industry is in a great deal of trouble for some of the reasons that people have already talked about, specifically around disguised employment and faux self-employment, and the imbalanced tax system. The taxes on hairdressing and beauty service businesses are the highest on the high street. We can go into that more in a moment.

The CBI report demonstrated that, fiscally, between 2009 and 2023 our industry contracted, in terms of VAT, turnover, number of businesses, et cetera, by 10%. It was 10% down from 2009 in the official figures. The economy grew by 53% over the same time. We are 44% lower than we should be, had the industry been able to grow legitimately throughout that period. That is my point.

Chair: That is not a happy picture. Let us just dive into some of the details, starting with Joshua Reynolds.

Q44 **Mr Reynolds:** I want to talk a little more about the impact of last autumn's Budget on the sector. Victoria, you have already started the ball rolling. You mentioned the £400 million of cost impact. Could you go into a bit more detail on that? Where is it coming from?

Victoria Brownlie: We had national insurance contributions going up and the threshold lowered. There are wage increases. We are largely an employer that generally is on the lower end of the minimum wage rate. They will have staff that are starting on that level. When that minimum wage rate goes up, the incremental increases between the members of staff generally have to go up as well.

We are also a huge user of apprenticeships. We were previously in the top five most popular apprenticeships. We are now seeing a huge decline in that because it is generally one of the first things to go when a business is struggling to make ends meet.

In addition, business rates relief was reduced from 75% to 40%. That had a massive implication, as was mentioned in the previous evidence. I would echo the points that were made in relation to business rates relief. That will continue to have a massive impact on small businesses in our sector.

We also had the capital gains tax changes. We have utility costs. We use a huge amount of water, as I am sure you can imagine, and utilities more generally. The cost of products from suppliers has also increased. Many businesses are tied to lease agreements and face rent rises, which are generally difficult to manage and control.

All those things accumulated together created, as Caroline rightly said, this perfect storm. A lot of burdens are hitting businesses at a time when they are really only just beginning to recover post-covid.

Q45 **Mr Reynolds:** Caroline, do you have a sense of what impact those increases, in NI, the thresholds, the minimum wage and everything else, are having on the faux self-employment figures?

Caroline Larissey: I mentioned the figures before. It is growing. I have 4,600 members across the UK. They are hair and beauty businesses of all different shapes and sizes.

One of the biggest things that we did when we had the announcement was to put in a campaign called "Survive and Thrive". That is about supporting those businesses to look at their business model with a fresh set of eyes. We have been working with Ofgem and a lot of other people to try to support those businesses because, at the grassroots, they are frightened. They are frightened for their livelihood. Some of these businesses, as I said before, have been on the high streets for such a long time. They are going, "We can increase our prices only so far until the consumer does not want to pay any more".

Q46 **Mr Reynolds:** Gareth, you have said that you do not have to register. There is no official log of who is a hairdresser or a barber. It is done on a voluntary basis. What are you hearing from your members about the impacts of the Budget hitting home not only on the members but on their clients as well? Is it impacting how many times clients come to see your members?

Gareth Penn: I would absolutely reiterate what Victoria and Caroline have said. The hairdresser does not feel they can increase their prices any more because of the unlevel playing field. If the Budget was in exclusivity and the playing field was level, we would be in a different position. Part of the issue is that the Budget really did hit service-based industries, such as ours, hard and continues to do so. Any further increases in minimum wage, for example, particularly on the apprentice side, will have a really devastating impact.

These are people who want to do the right thing by their community. Hairdressing is at its heart a community enterprise. You mentioned mental health, Chair. That is an important part of your hairdressing or beauty service. It is the core of our community. That is what is at risk. Our members, as Caroline says, are scared.

Q47 **John Cooper:** Toby, if I could come to you first, you mentioned VAT and we are hearing about some of the imbalances within the Budget. Everyone knows about the £90,000 VAT registration limit. It is a real cliff edge and lots of industries complain about that. There is a particular quirk here, is there not? You are an employment-heavy industry, but you are not able to claim those VAT charges back to the same extent that others might be. Could you just walk us through that?

Toby Dicker: I will just give you the figures on what has happened with self-employment in the sector. In 2015, we had around 300,000 people in the service-based sector. We are now at 230,000, so 70,000 people have disappeared. The CBI report has already shown that employment in the sector was 150,000 in that period. It has already reduced to 86,500. Post-Budget, the survey predicts a 97% fall to 7,000, while self-employment, and sometimes faux self-employment, is going to grow to 225,000.

The unique problem that we have in this industry is pretty simple. Most of the other things are across the rest of retail. Most of them do not worry about us. For us, labour is 60% of our costs. If you increase labour costs in the way that NICs were increased, as has been done by successive Administrations, you hit our businesses five times harder than other retail.

You have two businesses next door to each other. One turns over £400,000 and employs five people. The other one turns over £400,000 and is five separate businesses or micro-businesses that employ nobody. They do not pay any VAT. That one business, which is employing people and doing the right thing, pays £105,000 in tax. Next door, they are paying 47 grand. I can tell you that you would not know the difference, if you stood outside them.

Q48 **Chair:** Let us just make sure we are really clear about this, Toby. You have two businesses. One is employing five people. The other is five separate micro-businesses. They might all be hiring a chair, a bed or something. What is the VAT difference?

Toby Dicker: It is £67,000 in VAT. The overall tax is £105,000 for one and £47,000 for the other. It is 123% more tax. What do you do, if every single person around you is doing this? You have 15 salons around you. You are in a town in the north-east. If someone says, "I want to go self-employed; otherwise, I am going to leave you". What do you do? Your house is on the line. What do you do? You move because you have to.

Q49 **Chair:** What happens with the businesses paying less VAT? Do they basically charge lower prices?

Toby Dicker: That is exactly what happens. They can afford to charge lower prices. If it is £120 for a haircut at one place, it is £100 next door. What happens to the employing business? They have to reduce their prices again and again. There is no margin left. What do they do? They get rid of their apprentice. They get rid of the person doing front of house. They get rid of every single thing that is good about our industry. Our industry is incredible. We have been the number one occupier in the high street for the last 10 years.

Q50 **John Cooper:** You are painting a picture in which people are effectively being driven away from VAT. They are actively seeking to avoid it. They are doing, as you say, the wrong thing. Is that quite a common story?

Toby Dicker: I am not saying that they are actively doing it; I am saying that there is absolutely no choice in certain circumstances. If there is absolutely no choice, what do you get? You get a society where people are treated like the woman who came to work for me recently. She was told, "Sign this chair rental contract. Don't worry. It is just for tax", and they patted her on the head. She came to me not very long ago and asked for a job. She was getting paid £7 an hour.

There is a city in the south-west where not one barber in the whole city employs barbers, not one. A guy puts himself through college, gets his kickstart loan and all his things. He goes in and does a 12-hour shift; he is told what to do. He earns 36 quid. That is where this goes. If you do not protect workers' rights, that is where this goes.

If you have the imbalance in the system that we have right now and you do not level the playing field, there will be no employees left and there will be no Employment Rights Bill. You need to look at businesses across the spectrum, across society, and understand that when all taxes are applied equally some businesses get hammered.

Q51 **Chair:** Which city is it?

Toby Dicker: I will tell you later because it will protect the anonymity of the person I am talking about.

Q52 **Sonia Kumar:** I am going to ask my question in two parts. The business birth rate in the hair and beauty sector has increased since 2023 compared to the national picture. Why has this sector bucked the trend? You might have mentioned some of these things. I will start with Toby and then go across.

Toby Dicker: I do not think there is a trend at all. We have already described it. You talked about there being 91% more micro-businesses. Salons across the land—we have given you some details already—close their businesses overnight and open 10 new businesses tomorrow. It is absolutely not growth. It is categorically not growth.

Caroline Larissey: Can I add to that? Each of the sectors is different. Generally what happens with hair and beauty is that it all gets lumped into one. Unfortunately, the hairdressing sector is different from the barbering sector, which is different from the beauty sector.

Sonia Kumar: Yes, I am saying that it might be different from Victoria's—

Caroline Larissey: If you go on the high street, you will see beauty salons and aesthetic clinics that are doing really well because consumers are spending on that area. It seems to be peaking at the moment. That is probably where your statistics are coming from on the growth side of things, not predominantly perhaps the hair and the barbering side.

Victoria Brownlie: That is where the SIC code comes in; my boss is going to love that I have mentioned this today. Under the standard industrial classification code, we are currently lumped in with laundrettes, funeral directors and other services. It is frankly insulting because it means that there is absolutely no way to distinguish between the many facets that Caroline has identified across our industry.

The British Beauty Council has been working diligently for five years to update these to a certain degree. We are basically there, but we are still in a situation at the moment where hair and beauty is clubbed in as one.

While the hair sector has been in decline for over a decade, even pre-covid, the other elements of the beauty industry—we are talking about professional services—have been in growth, as Caroline mentioned. Aesthetics is hugely on the rise. Barbering, to be fair, is very popular.

As Toby mentioned, over the last decade we have seen a 46% increase of businesses with under five employees. Ultimately, those are one-man bands. Those are people who are working for themselves. Let us get this straight. There are people who want to do that, who are doing it legitimately, who are earning a good wage and who should be able to do that legally.

There are others who are going through a disguised self-employment model, which we do need to tackle. That is where we are working with people such as HMRC to produce better guidelines so employers can make sure, if they are going down this line of having self-employed and employed people working in their salons, they are clear what that distinction is and what the expectation is from both sides.

Q53 **Chair:** Are we going to fix this with better guidelines?

Victoria Brownlie: It is a start. That is as far as we have got so far. There absolutely is more that we should be doing. Yes, I completely take your point there.

Q54 **Sonia Kumar:** Gareth, I want to come back to the point that you made at the beginning about money laundering and what is happening on shop fronts. Can you go into a little bit more detail on that?

Gareth Penn: On our high streets, we can all identify barbers that do not look right. You talked about growth. Some of the growth in barbering is because of these illegal enterprises. They have a similar look and feel to these shops, but, because there is no register of who can trade as a hairdresser or barber, there is nothing to stop these enterprises being opened.

It is not right to call them Turkish barbers. That is a misnomer. These are criminal enterprises being used for money laundering, which has been derived through people smuggling, drugs, prostitution and other illegal activities. They are clever people. They have identified a loophole in our system and they are taking advantage of it.

Victoria Brownlie: It goes to modern slavery as well. We have worked on this with the Home Office around barbershops and nail bars, which can be particularly prevalent in this area. It is not something that we want to excuse. We are here to professionalise and raise the reputation of the industry. We do not want to be standing next to these people who are frankly abusing a fantastic industry for their own ill-gotten gains.

Toby Dicker: Can I politely jump in? For me, it is a really simple fix. You have tried to give us rules; you have supposedly tried to enforce. The gap is so wide that, if you do not level the playing field between gig economy workers, self-employed and disguised self-employed, this will continue forever.

Look at the biggest organisations in the country that deliver goods. Do they employ anybody? No, they do not. Did they get touched by the last

Budget? No, they did not. You have to narrow the gap between different business models, if you want employment to be a success. Otherwise, we will all go that way because enforcement has not worked.

Q55 **Matt Western:** I am really interested in the associations' perspectives. Victoria, you mentioned the Home Office. What response are you getting from the Home Office on the suggestion that there are a lot of illegal businesses involved in money laundering? I am sure many of your members are on the high street. They could identify or suggest which businesses these are. How is that process of identification being fed to Home Office and then to the police for them to investigate?

Victoria Brownlie: I must admit my work with them has mainly been around modern slavery as opposed to money laundering. That question may be for Gareth. At the moment, it is mainly around a whistleblowing facility. We encourage members and businesses to report information to the relevant authorities within their local area or the police and the Home Office directly.

Q56 **Matt Western:** Sometimes it does not work so well with the police directly. It might be better to have this channelled straight into Home Office and then for it to come back down again. Would you agree with that?

Victoria Brownlie: Yes. I tend to find that a team in Home Office get put with us. They will do a little bit of work, and then we get a change of personnel. When they come back again 18 months later, the work starts again. You hear nothing. You wait another 18 months and there is another change.

Q57 **Matt Western:** What is the industry's sense of how much is being lost in terms of business to these illegal operations?

Gareth Penn: That is very difficult to answer because we do not know how many there are. Picking up on Victoria's comment, the work is often done in silos instead of it being country-wide.

It may be one police force. We were doing quite a lot of work with the west midlands, for example. They were very proactive for a three-month period. The project runs out of funding and it stops. All that happens is that the people are arrested one day and released. Somebody else is back in that premises the next day because, again, they are clever. We would like to see a much wider cross-governmental approach to this. DBT has been good. It has been helping to drive this towards the Home Office.

Q58 **Chair:** We have a loophole. It is driving good firms out of business; it is laundering money; it is contributing to modern slavery; and there is no sustained enforcement effort to shut it down. Is that what you are telling me?

Gareth Penn: That is correct. The Hairdressers (Registration) Act 1964 is a voluntary register of those who wish to practise as hairdressers or barbers. If it was simply changed to be a mandatory register, at least we would know who was working or wanting to work in this sector. It would not solve all these problems.

Q59 **Chair:** How many of these establishments, to the best of your knowledge, have ever been shut down as a result of enforcement action?

Gareth Penn: How many have been shut down and not reopened? None.

Caroline Larissey: I do not think there has been any. We work on environmental health. We work with environmental health officers, who can go into these businesses. The environmental health officers say to us, "We do not have teeth. We do not have the teeth to shut these down". Some of them are doing really illegal practices and really poor techniques, but there is nothing that those environmental health officers can do. All they can do is the employment at law work.

Q60 **Chair:** We have these epicentres of crime on the high street. It is not just a crime in itself; it is destroying other small businesses around it. None has been shut down, and there is no sustained enforcement effort either.

Gareth Penn: That is correct. Our industry, as Victoria said, is primarily women. There are many young people. This is not safer streets.

Q61 **Matt Western:** The same applies to nail bars, presumably.

Caroline Larissey: Yes.

Toby Dicker: Can I just be specific about that? It is very prevalent in the barbering and nail bar industries. There is not the same problem in hairdressing. Hairdressing is about the imbalance. It is 90% about that and 10% about enforcement. The focus has to be on balancing the playing field. That is the point that I wanted to make.

The only other thing that I was going to say with regard to hairdressing is about the tax system. When you look at taxes applied versus retail, we are paying 200% more in taxes. We have the stats to back that up, which we can give you later.

Q62 **Antonia Bance:** This Committee has previously discussed, during its Employment Rights Bill inquiry, the issues around the commitment to the review of employment status. If employment status were to be reviewed, that would be a way into some of the issues that you have flagged, Toby. Would it be worth presuming that everybody is employed unless they can prove they are self-employed? That is one suggestion that has been made around employment status and might be something that we all hope the Government take forward when they get to their review.

Toby Dicker: It would be helpful. I do not really want to pit an industry against itself. I do not blame these people for moving to self-employment.

Q63 **Antonia Bance:** No, it is a collective action problem. It is individually helpful and collectively dreadful.

Toby Dicker: From a personal perspective as a business owner who employs everybody, yes, it is great. Go for it. The industry is so far down the line, so ill advised, and does not have the knowledge or the enforcement. You talked about guidelines. We are in a sort of grey zone where nobody really knows what is going on.

If you put that in place, it might be helpful. I actually think it would be very helpful, but I am going to be incredibly unpopular for saying that because 70% of our workforce is self-employed. As an employer, I want to protect employment rights and protect employees. I want to make it a level playing field so my employees can earn the same as those in supposed self-employment. What happens is that you just drive the whole business down.

We occupy high streets. We have been the number one occupier for 10 years. Give us an opportunity. Give us a level playing field. We will grow high streets for you. We will bring millions and millions of people in. That is what we do. We will make people feel amazing. We will bring tens of thousands of young women into a profession that gives them status and career, which they would not have otherwise had.

Caroline Larissey: Self-employment is not something new. As an ex-hairdresser, in my first job 37 years ago I was self-employed. I worked in that business. We used a cash till, had a uniform and everything. It is not something new for the industry, but over the last couple of years it has grown massively. There has to be an informed view from the industry to tell them this is not right. Yes, HMRC has checklists and stuff like that, but it really needs a mindset shift. You are talking about something like 20 or 30 years of people being used to this and thinking it is the norm. It is not something that can change overnight.

Gareth Penn: When done properly, self-employment is something to aspire to. That has been wonderful within our sector, as Caroline says, for many years. Most salon owners were employees at some point. Whatever changes come must not penalise that aspiration. That is something that we should encourage, but we should try to stop self-employment being used as a vehicle for tax avoidance.

Victoria Brownlie: It was still the number one aspiration for all the people we surveyed in our recent future of hairdressing survey. Everyone still aspires to own their own salon one day.

Q64 **Rosie Wrighting:** Toby, you touched on this a little bit, but I just wanted to bring in a couple of other points around apprenticeships. When I was finishing school, lots of girls from my school aspired and were very proud to go on to do apprenticeships in salons.

The British Hair Consortium says we risk being at zero apprenticeships by 2027, which is a really shocking number. Caroline, I know the National Hair and Beauty Federation has said that is because of the stigma around the sector. I wanted to ask all of you why you think that is and what we can do to make hair and beauty apprenticeships viable again. I will start with Toby because you picked up on it previously.

Toby Dicker: We do not have any problem with young women wanting to come into the industry whatsoever. We have no employers willing to take them on. Apprenticeships were at 16,000 in 2016. They are already down to 6,000 by 2023. That is why we are predicting those things. You increase national minimum wage; you increase NICs; you give nothing back on those things; you take away all the profit that an employed business has. There is nothing left.

I will tell you a story. The biggest employer of apprentices in this country told me last night that they had 150 apprentices six months ago and they were responsible for the qualification of 10% of all apprentices in this country every year. They now have 50. They lost 100 in six months. That is 100 young people in that one organisation. It is franchises, small businesses and all these things. We are not talking about big business here.

The tax burden on our sector is too big. Drop it to 10% for service-based businesses. Allow them to grow past that ridiculous threshold of £90,000. That cliff edge makes nobody want to move. There is a reason why electricians and plumbers do not take on apprentices. As soon as you go above the VAT threshold, you lose 15 grand. Why do no electricians or plumbers have medium-sized businesses? You can ask them in a minute when they come in. It is that VAT cliff edge. The £15,000 loss scares people so much that they are not willing to grow at all. If you can split the business into five that do meet the threshold, why would you not?

We have massive oversubscription. I spoke to a trainer in the north-west who had 344 applications for 62 places. They can only fill 56. They are worried about getting fewer because there are no employers to take the apprentices. These training organisations get paid to train people. The employer gets nothing. As a salon owner, I get nothing—I will maybe get £1,000. It really does not make that much odds. Why would I spend £30,000 a year training somebody when, once they have qualified, immediately someone goes, “Why not come and work for me? You don’t have to pay any tax”? That happens every single day. That is why we have a crisis.

Caroline Larissey: I have been involved in apprenticeships for the last 20 years. We have gone from having 14,000 apprentices in 2014 to now, as Toby said, under 5,000. A lot of things have changed. The apprenticeship funding band really did obliterate the apprenticeships. It is great now. We had to reapply and redo it, and it is great. Unfortunately, we now do not have the employers to take those apprentices on.

Careers advice is another thing. We are not the career of choice. We do not get promoted in schools. We are doing a lot of work on that sort of thing. Again, many different types of issues have contributed to this. It is not one thing. Employment status is the icing on the cake for businesses.

Victoria Brownlie: Can I add one quick point? The completion rate of apprenticeships has also completely fallen off the face of the earth. Now 82% generally do not finish. They do not complete it.

That can be due to many different things. If you have an older apprentice, after the first year you have to pay them whatever the level of minimum wage is for their age band. If you have an apprentice who is over the age of 25, there is a huge increment increase from your apprenticeship wage rate to the minimum wage rate for that age band.

It is also things like the young people coming in not really understanding what the apprenticeship is giving them. Now there is mandatory education until 18, a lot of people are just falling into the industry. We did 77,000 qualifications each year for hair and beauty services, but we know those people are not coming into the industry. That is a massive issue for us. We definitely need to be doing more to educate people as to what they can expect from that and to educate employers so they know what they are using their apprentices for. Sometimes they are used for cheap labour. That should not be allowed either.

We need to be making sure that our apprenticeship system is fit for purpose and ends up with business-ready people at the end of it. Some of the feedback that we get from businesses is, "They have just done a three-year course, and they are really no use to me. They are not ready to earn money for me and my business".

Q65 **Sonia Kumar:** Lots of barriers and challenges have come up today, but I want to know what your one ask would be for the small business strategy. If you had one ask of DBT, what would it be?

Caroline Larissey: If I asked my members what their ask would be, the big things would be a reform on VAT and then education, training and apprenticeships.

Gareth Penn: To reform of the tax system I would add a mandatory register of those who wish to trade.

Victoria Brownlie: I completely agree on VAT and tax reform more generally, but business rates relief has had huge implications. I would echo what the gentleman from the FSB was saying. Increasing that multiplier and the thresholds around that would be massively helpful.

Toby Dicker: I was once asked this question by the former Minister for Skills Robert Halfon. He said, "What can I do to help you?" I said, "You can level the tax playing field". He came back to me and said, "No, but what could I really do?" I said, "You can level the tax playing field". Guess what? He asked me a third time, and my answer was the same.

For me, it is levelling the tax playing field. Allow the brilliant people of this industry to grow it back to what it was. Do not act in silos. That is probably the other thing that I would say. That is very much something that has happened in Government. Education is separate from HMRC, which is separate from DBT, which is separate from Treasury. Get us all in a room for a day and we will sort the problem out. We will come up with a system that puts more money in Treasury's coffers, grows the economy and grows high streets.

Q66 **Sarah Edwards:** Leading on from that question, you have all given different answers. We have heard a lot of things that need to change and a lot of problems. One area that we have looked at is business energy costs. In particular, the issue is not just around how high the cost is but the behaviour of the suppliers and the imbalance in the way they deal with small or medium-sized businesses and the giants with billions in turnover.

Have you had any experiences of this? Have your members come to you? Are there things that you want to share on that? What needs to change in that area?

Gareth Penn: I would echo the comments made by the previous panel around treating small business owners like consumers. Many of our members are not purchasing in a sophisticated manner, whether that is energy, insurance or a credit card terminal. They consider themselves to have the same rights as a consumer because that is their mindset. I would absolutely encourage those rules to be extended to small business owners.

Victoria Brownlie: We often find there is huge appetite for more greener measures. There could be greater incentives around greener energy and transitioning into greater energy efficiency within our businesses. As I mentioned, we use a huge amount of water. There will be huge amounts that you could do to reduce that. There are new special showerheads and things. If there was a tax relief around green energy or green products that help with energy efficiency, that would be massively helpful.

Chair: I am not a huge user of the services of your companies and representatives.

Victoria Brownlie: How many products did you use before you left the house today?

Chair: Very few, I would say.

Victoria Brownlie: Did you use toothpaste? Did you use shower gel?

Chair: I am hugely grateful to you for your evidence and for the contribution that your members make to the dynamism, entrepreneurialism and energy of our economy. The evidence today has been absolutely brilliant. Thank you so much for coming together and spending time with us this afternoon as we launch our small business inquiry. That concludes this panel.