

**Written evidence submitted by National Hair & Beauty Federation  
(CSFU0008)**

**NHBF submission to the Scottish Affairs Committee Covid inquiry, June 2023**

**Background**

The National Hair & Beauty Federation (NHBF) has around 5,500 Members and is the UK's largest trade body for the hair, beauty and barbering industries. The NHBF focuses on helping members to run successful and profitable hair and beauty businesses by providing advice, specialist support and tailored services to meet the unique challenges of running a salon or barbershop.

There are 4000 hair & beauty businesses in Scotland (48,000 UK wide) contributing around £400m<sup>1</sup> to the economy in Scotland, (£4.6 billion to the UK economy and £24.5 billion<sup>2</sup> in wider contribution across the UK economy). Salon businesses are led predominantly by female entrepreneurs, and provide valuable careers to 257,000 people, more than half aged 18-35, across the UK.

**Overview of the response and key recommendations:**

- The hair & beauty sector was severely impacted by Covid pandemic lockdowns and restrictions and a year on, its recovery is only in the early stages.
- The UK and Scottish Government provided a range of support to the sector which was invaluable keeping them in business, including Furlough/Job Retention, SEISS (Self-Employment Income Support Scheme), bounce back loans, business rates discounts and reliefs, in addition to the Close Contact Services Fund in Scotland launched in February 2022.
- Further targeted UK and Scottish Government business support, including on energy and employer incentives for apprenticeships, will be needed if the sector is to thrive in the future.

**Consultation questions**

**1. How well has your industry or sector recovered to pre-pandemic levels?**

The *Impact of the pandemic on the hair and beauty sector*<sup>3</sup> report by Pragmatix Advisory, showed that, with over 140 days of lockdown in 2020, the sector was one of the most impacted with an average loss in turnover of 45% in 2020.

The NHBF *Survival Story* report<sup>4</sup> shows the rollercoaster ride that sector businesses have been on over the last two years or more navigating lockdowns and restrictions from 2020-2022. In September 2022, more than half of businesses (54%) were in debt with nearly 60% saying that it would take them more than two years to clear.

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<sup>1</sup> NHBF Industry Statistics (2022)

<sup>2</sup> British Beauty Council, Power of Beauty Report, Oxford Economics (April 2023)

<sup>3</sup> [Hair, beauty and the pandemic: independent industry report - National Hair & Beauty Federation \(nhbf.co.uk\)](#)

<sup>4</sup> [NHBF Quarterly Survey – A hair & beauty survival story 2020-2022 - National Hair & Beauty Federation](#)

The business environment has continued to be severely challenging for the sector. Short-lived and fledgling recoveries in September 2021 and July 2022 were stamped out by escalating energy costs and the cost of doing business crisis over the autumn/winter 2022/23. It was clear from our quarterly 'State of the Industry' survey data in 2021/22 that due to tighter restrictions and slower reopening in Scotland, compared to other nations of the UK, that the sector recovery took longer in Scotland.

Despite the challenging economic climate and double-digit inflation, the sentiment of positivity that we previously saw in spring/summer 2022, has returned. From our most recent quarterly survey in April 2023, we know that:

- Profits: More businesses are making a small or good profit (43%).
- Prices: The trend towards increasing prices is slowing. Over the previous three months, 64% of businesses raised their prices. A further 51% will do so over the next three months.
- Energy costs are still at the top of business concerns for 80%.
- Reliance on external support has eased back to levels seen in spring/summer 2022; over half of businesses (58%) are either partially or completely reliant on Government support (down from 71% in January).
- Recruitment intentions: There is not enough confidence in the sector yet for staffing or recruitment intentions to improve.
- Business survival expectations have improved. Two thirds (64%) are now confident of their survival. Nevertheless, the number of businesses who are not sure whether they will survive over the next six months until September 2023 is still significant at a third.
- Growth intentions are improved, with 41% saying that they want to grow their business. The proportion planning to downsize or handover the business remains consistent at 19%.

We know from Industry Statistics based on ONS (Office of National Statistics) data that the industry is restructuring, with the number of businesses growing but the overall contribution in turnover has decreased. This reflects the continuing trend towards self-employment in the industry<sup>5</sup>:

- The number of hair & beauty businesses in the UK increased by 2,215 between March 2021 and March 2022, the biggest increase in any single year since 2015. Over the two years of the pandemic, the total number of business increased by 8%.
- Beneath the headline number, there has been a significant re-shaping of the sector. The number of business turning over less than £100,000 per year increased by 5,800, while the number turning over more than £100,000 fell by 3,500. This is likely to reflect an increase in the number of start-ups as well as the contraction of established businesses.
- The first year of the pandemic (2020-21) wiped almost £1bn (16%) off the value of the sector. Turnover fell by 16% from £5.5bn in 2019-20 to £4.6bn in 2020-21.
- Turnover in England fell by 17%, Scotland by 14%, Northern Ireland by 13% and Wales by 12%. Turnover fell by more than 21% in both London and the South East. Only the North-West experienced a fall of less than 10%.
- The number of salon owners and managers fell by almost 5,000 (23%) in 2021, and by more than 12,500 (43%) over the two years of the pandemic.

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<sup>5</sup> NHBF Industry Statistics (2022)

## Impact of high energy costs

*'The energy crisis has been our main problem, it increased our bills from £500, £900 to £2400 per month - just ridiculous'.*

*'My energy usage has been predicted to go up from £1500 to £5700 per annum. This will take most of our profit along with the staff wage costs and stock rises, I am sure we will be forced to initially get smaller then eventually close, increasing our prices will not fix this'.*

Energy prices remain a key concern for businesses. More than three quarters (78%)<sup>6</sup> of businesses are paying more for their energy than they were six months ago. Since the Energy Bill Discount Scheme was introduced on 1 April 2023, businesses say that their energy costs have increased; for around a third (35%) of businesses by up to 40%. For another third (32%) prices have increased by more than 40%; some businesses cited examples of prices rising by 100%, 300-400% and in one case more than 600%.

One quarter (24%) of businesses said that their energy contracts were up for renewal over the next 3-6 months. 15% said that they had been able to renegotiate a current contract and 40% were not able. Where businesses had tried unsuccessfully to change contracts, the main reasons given for this were: offered a contract but unable to pay the offered rate (34%); unaffordable upfront deposit requested (9%) and refused on grounds relating to your business eg. credit rating (8%).

## Skills crisis in the hair & beauty sector

The NHBF *Careers at the Cutting Edge skills report*<sup>7</sup> set out a skills crisis in the hair and beauty sector caused by interlinked factors in recruitment and retention, qualifications and training and financial pressures. Some of these issues are long standing which were aggravated by the pandemic. The reality is that 57% of hair & beauty businesses had unfilled vacancies and half of hair salons said that it took them over 16 weeks on average to fill a vacancy. The report also demonstrates that sector recruitment challenges are even more pronounced than in other areas of the economy.

The top issues in recruiting staff cited by business were candidates lacking the required skills or suitable experience. The NHBF has made the case to the Migration Advisory Committee shortage occupation list consultation to make it easier for a short period eg 3-5 years to bring in experienced staff (Senior Hair Stylist, Beauty Therapist, Salon Manager) from outside the UK to plug the gap in experienced workers. Of similar concern in the current context, is businesses also mentioning insufficient funds to pay salaries and lack of government financial support.

## Impact of Brexit

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<sup>6</sup> NHBF State of the Industry survey (April 2023)

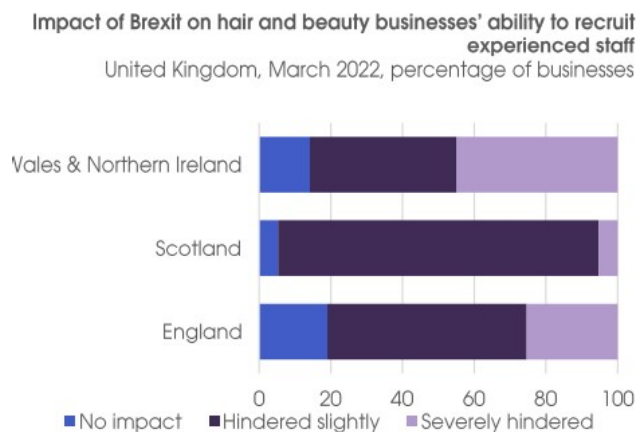
<sup>7</sup> Careers at the Cutting Edge: tackling skills shortages in the hair & beauty sector by Pragmatix Advisory and commissioned by the NHBF (April 2022)

The *Careers at the Cutting Edge* report makes it clear that Brexit has had an impact in terms of the ability to find more experienced staff; half of survey respondents say that Brexit has either severely or slightly impacted their ability to find experienced staff.

The majority of businesses in Scotland reported recruitment being slightly hindered by Brexit, but the severity of the impact has not been as severe as in England, Wales and Northern Ireland. London and the South East have been more impacted than the rest of England, reflecting higher populations of European migrants in these areas prior to the referendum.

Within the hair and beauty sector, barbershops have been the worst affected, with half of survey respondents finding Brexit has severely or slightly impacted their ability to find experienced staff.

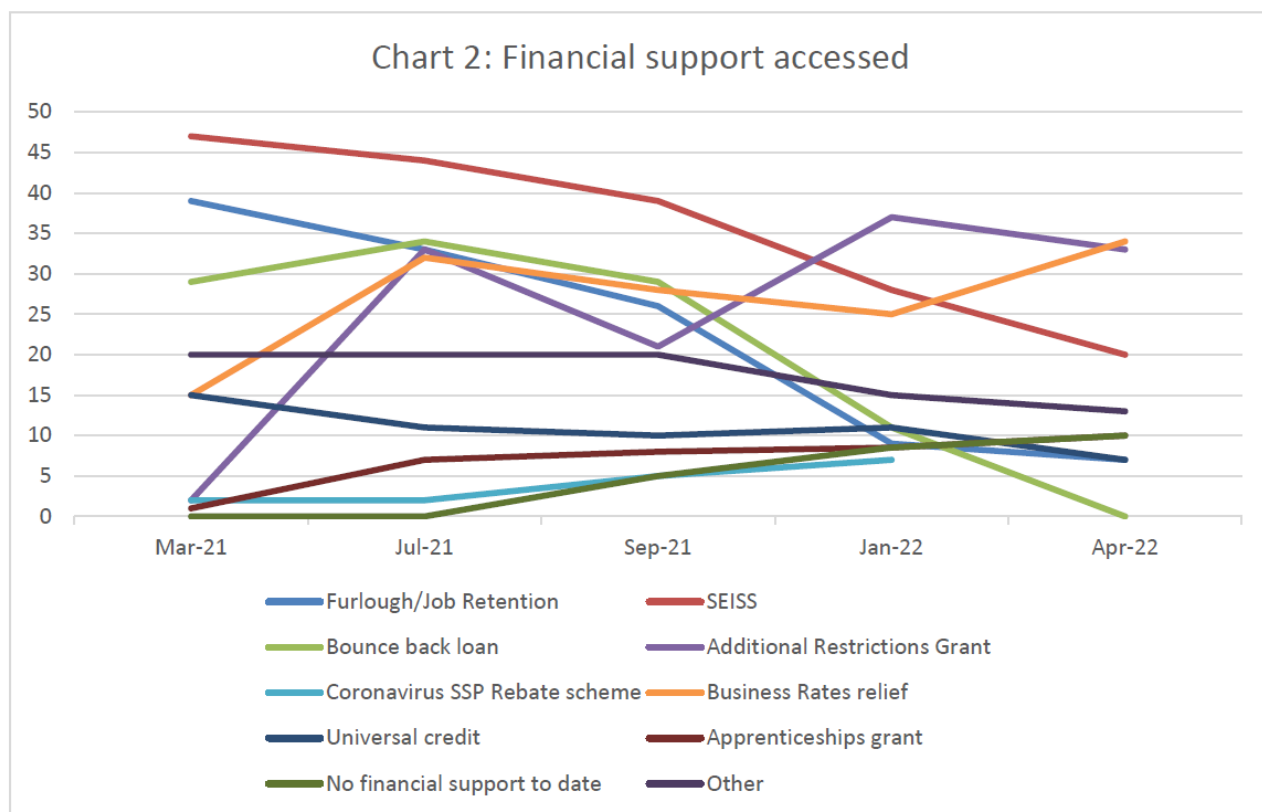
### Chart 1



2. How adequate was the UK Government and Scottish Government support for your industry or sector to get back to pre-pandemic levels?
3. How effective was UK Government and Scottish Government spending around the pandemic?
4. How much did UK Government and Scottish Government financial support assist in the recovery of your industry or sector to pre-pandemic levels?

The NHBF is grateful for all the government support provided to date across the nations supporting businesses through lockdowns and restrictions.

Since March 2021, we have asked businesses about the type of support they were relying on. Sector businesses have relied on Furlough and SEISS (Self-Employment Income Support Scheme) during 2021 in particular (chart 2). Business rates relief has been used by businesses throughout the period. Bounce back loans were also useful as was the Additional Restrictions Grant (ARG) in England where businesses were able access these. A consistent 10-15% also accessed Universal Credit. Sector businesses did not make particular use of the SSP (Statutory Sick Pay) rebate initiative. Less than 10% of businesses made use of the apprenticeships grant.



### Recent support

The latest 75% business rates discount for Retail & Hospitality in England and Wales is particularly welcome along with freezing the multiplier and transitional relief. We welcome similar support in Scotland in the form of the Small Business Bonus, freezing the poundage in 2023 and capping rates increases up to the next revaluation in 2026. We have no doubt that the Energy Bill Relief Scheme has safeguarded many sector businesses across the UK

Whilst the NHBF was relieved that the Government would be providing some level of support to sector businesses via the Energy Bill Discount Scheme, the reality is that many will see the discount swallowed up quickly. We have called on the Government and Ofgem to be more proactive in helping businesses navigate supplier issues and make more flexible payment plans available so that businesses are supported to pay off high bills over a longer period of time.

### Support and advice in Scotland

The Close Contact Services Fund in Scotland was particularly helpful and a lifeline for many businesses during the Omicron wave in Q1 2022 when wider Government support was no longer available. We also welcomed the Scottish Government Retail team keeping in regular contact and us working together on accessible advice and guidance for the sector including a close contact services checklist. With a high proportion of neuro-diverse individuals we are particularly interested in creating content which is as accessible as possible eg. video based.

We welcome planning for future pandemics to ensure that businesses have time to plan and adapt to any guidance or restrictions. We would also like to see even more simple communications to the public in order that they are clear on current measures. There was a

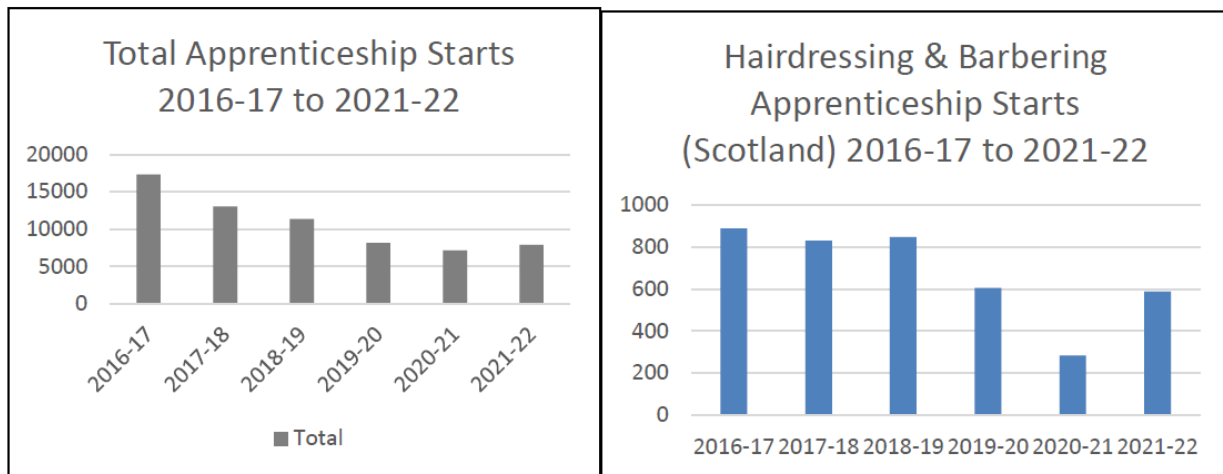
tendency for customers and clients with the later restrictions to revert to old lockdown measures and be more risk averse and not go out because of confusion about what the rules were, having a negative impact on business.

### Declining apprenticeship starts

One issue that we are particularly concerned about for the future of the hair & beauty sector in Scotland, is the decline in apprenticeship starts. Apprenticeship starts in Scotland have fallen more quickly than in other nations. Between 2019 and 2021, the number of people starting a hairdressing or barbering apprenticeship in Scotland fell by 67%.

Hair & beauty apprenticeship starts have fallen across the UK over the past five years. There were 7,000 starts in England in 2020-21, down from over 17,000 in 2016-17. As self-employment has grown, the number of employers available to take on apprentices has fallen; lower levels of funding have also contributed, as has the requirement for 16- and 17-year olds to stay on in education. The skills report estimates that if current trends continue, there could be fewer than 3,400 hair & beauty apprenticeship starts in the UK by 2025.

Chart 3a and 3b



However, recent Industry Statistics show a slight improvement. The number of apprenticeships starts increased in all four countries of the UK in 2021-22 for the first time since 2016-17:

- Hairdressing and barbering apprenticeships in England recovered in 2021-22, moving back to 7,000, the same as in 2019-20.
- The number starting beauty apprenticeships in England in 2021-22 increased from 620 to 890 over the same period.
- The number of hairdressing and barbering apprenticeships starts in Scotland more than doubled from 284 to 589. There were 261 starts in Northern Ireland, up from 163. The growth in hairdressing and beauty apprenticeships in Wales was more modest, up 15 to 560.

The *Careers at the Cutting edge* skills report also sets out that hair and barbering apprenticeship at SCQF level 5 in Scotland receive less than half the funding available for the equivalent level 2 course in England.

	SCQF level 5	SCQF level 6
Age 16 - 19	£2,700	£4,200
Age 20 - 24	£1,350	£2,700

### Cost pressures on business

Unfortunately, we know from the the State of the Industry survey in January 2023 that around half of businesses were actively considering letting go apprentices because of current cost pressures.

The skills report<sup>8</sup> models the cost of employing a 19-20 year old, 21-22 year old and 23+ years apprentice for two years with the forecasted impact of covering the cost between the minimum and apprentice wage. Apprenticeships are a financial risk for businesses. On average, apprentices take two to three years to start covering the cost of a full-time minimum wage employee. In addition, there is material time cost to employing apprentice. The skills report illustrated that qualified employees or salon managers spend 16 hours a week training each apprentice in the salon or barbershop. Based on the median salary of hairdressers in the UK, this equates to an additional cost of **£6,100** at a time of a profit squeeze across the sector.

We believe there is a strong argument to ensure that unspent funds from the Apprenticeship Levy are redistributed to ensure that more small businesses can benefit and provide apprenticeship opportunities through employer incentives:

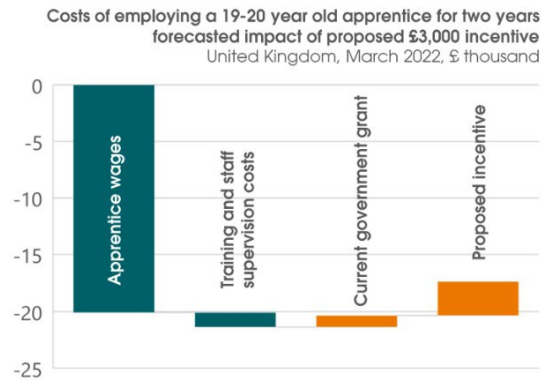
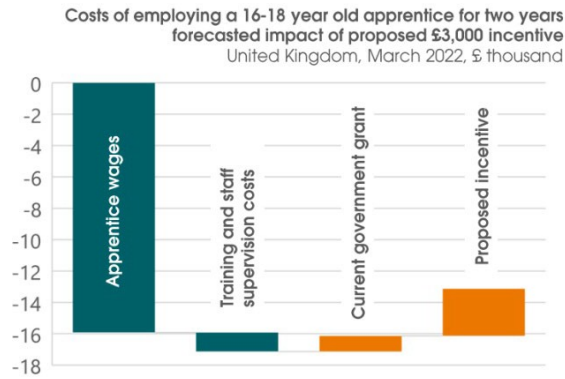
- **Financial incentives for SMEs<sup>9</sup> to employ 16-18-year-old apprentices:** The future of the sector depends on an influx of 16-18 apprentices. An employer incentive of £3000 per apprentice should be channelled to fund apprenticeships to enable training providers to train and employers to take on apprentices, making the apprenticeship more viable and affordable for businesses.
- **Financial incentives for SMEs who hire apprentices aged 19 or over:** Older learners want to train and reskill in the sector, however the National Minimum Wage (NMW) or apprentices' wage restriction have prevented this. Learners are unable to contribute to the business's income until they are qualified and insured, so the increase in their costs after the first-year acts as a deterrent to employers. First year incentives would help support taking on apprentices aged 19+ by bridging the gap between the apprentice wage and the minimum wage.

### Chart 4a and 4b

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<sup>8</sup> *Careers at the cutting edge: skills shortages in the hair & beauty sector*, Pragmatix Advisory Ltd for NHBF, page 69 (April 2022)

<sup>9</sup> Small and Medium Sized Enterprises (SMEs)



In the NHBF *Careers at the Cutting Edge skills* report, we estimated the costs of these initiatives which are a fraction of current unspent £2 billion Apprenticeship Levy funds<sup>10</sup>.

### Concluding remarks

Thank you for the opportunity to respond to this inquiry.

The hair & beauty sector was heavily impacted by the Covid pandemic lockdowns and restrictions and is still working through its recovery. We very much welcome further dialogue with the Scottish Government around support to the sector through business rates and employer incentives for apprenticeships.

<sup>10</sup> NHBF *Careers at the Cutting Edge skills* report (April 2022) [NHBF report confirms skills crisis in hair & beauty - National Hair & Beauty Federation](#)