



Supporting the hair, beauty  
and barbering industries

Rt Hon Rishi Sunak MP  
Chancellor of the Exchequer  
HM Treasury  
Via email

17 March 2022

Dear Chancellor,

## **SPRING STATEMENT - SUPPORT FOR THE HAIR & BEAUTY SECTOR**

As you know, the hair and beauty sector is 'essential' to the UK's health and wellbeing whilst contributing £8 billion to the UK economy every year and employing 288,000 workers, most women and young people, across the UK nations and regions. Pre-Covid, the sector was in the top three fastest growing parts of the retail sector.

The National Hair & Beauty Federation (NHBF) has around 6,400 Members and is the UK's largest trade body for the hair, beauty and barbering industries.

### Current sector context

We have already shared with you the results from our latest State of the Industry survey in January. After the previous iteration of the survey in September showed growing evidence of sector resilience and businesses getting back on their feet, the emergence of the omicron variant and renewed restrictions across the UK over the winter had a chilling effect:

- 42% of businesses were breaking even. However, nearly 40% were either making a small or substantial loss with and only 19% making a small or good profit (this was previously at 43%).
- Around 32% of respondents raised their prices over the previous three months (down from 40%). A further 58% planned do so over the next three months (up from 40% previously).
- A significant 81% of businesses were either partially or completely reliant on Government support to continue trading (up from 66% - similar to the July 2021 figure of 80%).
- More than half of businesses (54%) had debt; the level of debt had increased for 52% over the last 12 months and more than two thirds (68%) had used personal savings to keep themselves going.
- Business confidence in the sector had weakened, with only 40% confident of their survival over the next six months (down from 63% in September) and a significant 52% not sure.

In your considerations around the Spring Statement on 23 March 2022, we ask that you consider and implement the following recommendations.

**Ensure the survival of well-established but indebted businesses that have run through their reserves, to grow, create jobs and opportunities for apprentices**

We appreciate the support that some parts of the sector have received and benefitted from over the last year or more in the form of the Furlough scheme, SEISS, restart grants, business rates relief and others. However, despite the fact that public finances are severely challenged, we call on the government to continue to provide short term targeted support to the sector over the next three to six months to help businesses that are still in a precarious situation.

Further support will help viable businesses with immediate cash flow issues, prevent them from failing and support them to grow, employ more people and take on apprentices. This will provide a good return on investment to the Exchequer. We are reaching a crunch point in April with energy costs on the rise and planned increases in National Insurance Contributions (NICs) and National Minimum Wage/National Living Wage coming into force.

We are therefore calling for:

**1. Continue with business rates relief at 66% for 2022-23.**

The government support of 100% discount on business rates over the last year or more and tapered to 66% has been very welcome within the hair and beauty sector. We welcome the 50% discount for 2022-23 as announced in the autumn budget. We would like to see this reviewed and relief continued to be applied at 66% for 2022/23. We recognise and welcome for example that businesses in Northern Ireland have been offered a three-month rates holiday to help them through a difficult period.

**2. The reintroduction of the Job Retention Bonus.**

The Omicron wave has passed and Covid restrictions are being lifted across the UK but businesses are still reeling from a difficult December which should have brought in significant revenue taking them through the quiet months of January and February and into the spring.

The Job Retention Bonus, which would have paid £1,000 per eligible employee kept continuously employed until 31 January 2021, was announced in October 2020 to encourage employers to keep on staff during quieter winter months by easing the phasing out of the Job Retention Scheme (and later the Job Support Scheme). However, the scheme was shelved when furlough was extended through further lockdowns.

The NHBF believes that this bonus should be reintroduced in the short term to help businesses with severe cash flow issues. This will support businesses that have exhausted their reserves, preventing them from failing or being forced to make redundancies. This will allow viable businesses to continue to meet overheads, pay staff in light of the continuing reduced footfall and reduced business income.

**3. Flexibility on repayments of Coronavirus Business Interruption Loan Scheme (CBILS) and bounce back loans to offer much needed support to those suffering financial hardship.**

With businesses suffering under crippling debt, we welcome further flexibility around the repayment of interruption and bounce back loans. Businesses have recently reported to us that high street banks have cut off accounts and facilities to them, even for businesses that have established businesses of 20 years in contributing the economy, jobs and their local community. Greater understanding is needed for the support required.

**4. Restraint on further increases to the National Minimum Wage and apprenticeship rate until such time as the sector can begin its recovery.**

We had previously called for restraint on further increases to the National Minimum Wage and apprentice rate given the current challenging economic environment. A squeeze comes in April when employers are coping with increases to National Insurance Contributions (NICs) too. In response to these rising business costs, 60% of businesses intend to put up their prices over the next three months. We will monitor the impact of rises in business costs through our next State of the Industry survey in April.

**5. More attractive apprenticeship incentives to employers, focusing on the development of affordable apprenticeship schemes specifically for small businesses in order to make it financially viable for them to recruit and retain apprentices.**

The sector is experiencing a range of skills challenges including a set of historical issues around recruitment and retention that have been compounded by the pandemic. Sector staffing and recruitment intentions expressed through our latest quarterly survey shows that only 15% of businesses are definitely or likely to take on new staff and only 7% will definitely or are likely to take on apprentices in the next three months.

We are keen to see tangible evidence of the £2.7 billion made available to apprenticeships in England by 2024-25 be of benefit and visible in the sector. The challenges of the current situation make it even more vital that funding to apprenticeships is not reduced in any way and that as far as possible we provide enhanced contributions for apprentices who missed on-the-job training time due to Covid.

We have recently written to the Secretary of State for Education calling for enhanced funding to support hairdressing and barbering standards into the future. The funding band allocated to the standard has been cut to such an extent that training providers will shortly be in the position of not being able to deliver on the standard into the future.

We would like to see continued support to young people entering the sector and further support to lifelong learning through support for older apprenticeships made more readily available to ensure a sector that is inclusive to people at different and all stages of their career. This can contribute to the levelling up agenda by supporting talent across the UK.

**6. A fairer tax system that creates more of a level playing field for the sector.**

The NHBF is calling for a tax system which creates more of a level playing field and does not unfairly discriminate between businesses with employees and businesses using self-employed individuals.

There is a trend towards self-employment in the industry, [reported here](#) which is growing year on year. The vast majority of self-employed hairdressers, barbers and beauty therapists are individuals that do not earn enough to reach the VAT threshold. Businesses that employ their staff are far more likely to pay VAT as their turnover is for one business, whereas those having self-employed individuals working in their salons are less likely to pay VAT because there are several micro-businesses operating within their salon.

There are also some businesses within the sector operating within the hidden economy by failing to declare earnings and avoiding paying tax or VAT. The least scrupulous openly advertise themselves as 'cash only' businesses. With HMRC estimating a tax gap of £35bn in 2017/18 caused by the hidden economy, we are concerned that by purposely attempting to avoid paying the tax they owe, these businesses and individuals are denying money to the public purse to fund our vital public services.

By seeking to operate under the radar of enforcement, they undercut the market by charging unrealistically low prices, threaten the survival of responsible, established businesses, put the livelihoods of the people working in them at risk and bring disrepute to the sector.

The NHBF has made this case to HM Treasury before, but we would like to see a change in the way that VAT is applied:

- Ideally, we would want to see the VAT threshold significantly increased so all small businesses, including those run by the self-employed, enjoy relief from VAT, allowing them to recover and grow.
- Alternatively, we would like to see reductions in the VAT rate for labour-intensive service industries to 5%, such as those enjoyed by hair salons in other European countries. Many pay less than 10%, recognising that there are few costs on which salons can claim VAT back. In January 2021 we made an evidenced case to HM Treasury for a reduction in the VAT rate but the argument at the time was that the bulk of the sector would not be covered so opted for restart grants instead which they argued would benefit in a more widespread way across the sector.
- Another favourable option would be to introduce tiered rates for the smallest businesses once they have crossed the VAT threshold, giving them more time to increase their turnover to pay additional VAT bills. This would be of particular benefit to high street businesses needing to recoup lost earnings during the pandemic. The current system whereby a salon immediately becomes liable to a £17,000 VAT bill as soon as they cross the threshold is a powerful incentive to remain below the threshold.

### Growth intentions

Finally, the NHBF is positive that the sector will show further signs of recovery in the spring but businesses need help to get there. Business growth intentions in January were similar to the green shoots shown in September; over 40% say that they intend to grow their business, 41% remain the same size and 17% downsize or handover the business.

The NHBF also pledges to support the Government in its drive towards Net Zero by further engaging in partnerships to provide businesses with up-to-date advice and guidance around greening their business, saving costs and supporting the drive to Build Back Better.

With continued support from the UK Government, we are confident that the personal care sector will play an important role in the UK's economic recovery.

We look forward to your response.

Yours sincerely,



Richard Lambert  
NHBF chief executive

cc. Paul Scully MP, Small Business Minister