

EARNING POWER

SIX MONTHS ON FROM THE ARRIVAL OF THE NATIONAL LIVING WAGE, SALONS HAVE COPEd WELL, NHF RESEARCH HAS FOUND. BUT THERE ARE WORRIES ABOUT WHAT MIGHT HAPPEN NEXT.

The £7.20-an-hour National Living Wage (NLW) for over-25s is six months old this month. How have salons dealt with the arrival of this new higher pay rate for older workers?

To find out, the NHF surveyed members as part of gathering evidence to feed into the Low Pay Commission which, in turn, has been deciding what it intends to recommend to government for next year's rates.

This found that, by and large, salons have coped well with the arrival of the new rate. In fact, nearly half (49%) say the National Living Wage has had little or no effect whatsoever because their staff aged over 25 are experienced, have built up their columns and, as such, are already earning more than £7.20 an hour.

As the NHF's evidence concluded: "Most salons provide bonuses or commissions linked to performance targets so stylists in this age bracket (25 or over) are likely to be earning more than the NLW. There is a direct correlation between the earnings of the stylist and the takings for the salon, so there were positive comments about the NLW and the principle of paying a decent salary."

For some salons where this is not the case, however, the impact has been much greater, with some reporting it had led to them having to reduce their profits, cut hours or even lay off staff.

As one member put it (and see panel opposite): "We have had to shut one of our two shops and merge into one. In doing so we have made two receptionists redundant and have not replaced staff that have left of their own accord."

The government has long said its ambition is for the National Living Wage to be £9 an hour by 2020.

However, the economic outlook is now looking more uncertain in the wake of June's European Union referendum vote. The worry therefore is that this, in turn, could affect consumer confidence and so make it harder to pass on wage increases to clients. As such, the NHF in its evidence urged the government to show restraint and not to push too far or too fast when it comes to future rises.

RISING COSTS

Along with the general economic worries, salons are having to cope with rising costs, notably the expense of setting up and paying into a staff pension for the first time under pensions auto-enrolment. Business rates were cited as another cost burden by many salons.

When asked how they would respond to a £9-an-hour National Living Wage, the consensus was that it would be a struggle, with salons saying they would have little option but to do the following, in order of most likely to least likely:

- Freeze recruitment of new employees
- Reduce the hours for employees
- Make a smaller profit
- Put plans for investment or expansion on hold
- Reduce the number of employees
- Consider selling or leaving their business
- Switch to chair renting (self-employment)

As NHF chief executive Hilary Hall emphasised: "Salons are telling us that, if minimum and living wage rates continue to rise sharply, they may be forced to freeze recruitment, reduce staff hours, put expansion plans on ice or even lay off staff."

"We therefore urge the Low Pay Commission to reflect this in its recommendations to government, and we urge the new chancellor Philip Hammond to keep any wage rate increases next year to an absolute minimum."



WHAT SALONS SAY HAS HAPPENED



WHAT MEMBERS SAID

"The impact of the NLW introduced in April on its own did not worry us too much, but it comes on top of the other wage increases previously and new pensions contributions."

"I agree with the NLW but I think such a big increase in one go is dangerous to businesses with mainly adult staff"

"I think that stylists should be paid what they are worth (mine get paid over £10 per hour) but the ever-increasing minimum wage puts a strain on all small businesses."

"We have had to shut one of our two shops and merge into one. In doing so we have made two receptionists redundant and have not replaced staff that have left of their own accord"

"I could never employ due to the new wage increase and the pension situation. Even taking on newly qualified stylists will have to be on a self-employment basis"

"The £7.20 per hour is reasonable. My greater concern is where this constant increasing ends. If this continues on an annual basis it could have a significant effect on the stability of the business."

"I agree everyone should earn a decent wage but they are putting it up too fast for small businesses to cope."