

Self-Employment in the Personal Care Sector

Key findings

1. COVID caused a shift in previous working practices with 20% of the sector changing to their current way of working since the pandemic began.
2. 'Home salons' are now the most common place of work for self-employed practitioners in the personal care sector (almost 40% of all respondents).
3. Most working as self-employed do so because of personal career choice (62%).
4. 39% of freelancers are currently offering services based on training received from unregulated short courses or manufacturer training.
5. The self-employed model is here to stay with more than 80% expecting to stay working this way.

Key insights

1. The continued growth of the self-employed business model illustrates a sector that is modernising to reflect the growing gig economy in the UK, as well as the new era of flexible working and greater autonomy in career progression and direction.
2. Whilst welcomed, this comes with new challenges in order to maintain the visibility, standards and quality of service our sector needs to continue extending its reputation with policy makers and wider society. Adequate skills, training and insurance and operating legitimately are essential to this, with the findings of the survey raising some concerns.
3. The self-employed make up 60% of people who work in hairdressing and barbering industries and 65% of those in the beauty industry¹. With almost 40% of these individuals now working from their homes and another 30% mobile, this could have huge implications for our bricks and mortar high street businesses and the future of education and training in the personal care sector.
4. Self-employed individuals do not take on apprentices, the most common route into the sector. Hands-on training in a salon environment is vital for developing the practical skills needed for careers in hair and beauty. Education and training will need to adapt to reflect the changing composition of how the sector operates.
5. Despite an estimated 18% of the sector being ineligible for Self-Employed Income Support Scheme during the pandemic, this did not lead to a move away from self-employment. Motives such as 3 in 5 believing they earn more by being self-employed and having greater freedom in respect of their career and personal life could be key motives for this.

Background

The self-employed now account for 3 in 5 of all those working within the personal care sector. Despite this, this major contributor to our sector remains largely unknown in terms of how it operates, the level of skill and training of practitioners working within it, the standards it adheres to and its true financial contribution of the economy.

¹ ONS June 2020

To address this, the personal care sector came together to put out the first survey of its kind – to get a more comprehensive picture of those working within a self-employed model in our industry.

Responses

The survey received 1,809 responses in July 2021. It gathered views from a good representation of businesses, primarily from within hair and beauty sector, across all areas including England, Northern Ireland, Scotland and Wales.

Findings

Self-employment – a new trend?

84% of respondents have worked in our sector for five or more years. Over three quarters of respondents have been self-employed since before the pandemic.

Whilst only 3% of practitioners had moved into the personal care sector in the past year, approximately 1 in 7 of all respondents had moved to being freelance or self-employed in the past year.

A third of respondents (32%) have converted a space at home that they now solely use for work, for example a garage, garden space or designated room in the home, with a further 6% using existing space in the home such as a kitchen or lounge. 29% now operate on a mobile basis, however for some this is likely to be in conjunction with working in a salon.

Of those respondents who employed staff, only 32% definitively ruled out asking staff to become self-employed or freelance. 20% either said they intended to move to this model or that it was likely.

Motives for self-employed and freelance working

Greater autonomy over careers (62%) and balancing family (main response in 'other' category 15%) were cited as major motives to people choosing to work for themselves. Causes such as fixed premises costs (6%), being forced to become self-employed by previous employers (4%) and circumstances specifically linked to COVID (3%), were surprisingly low.

82% of those working as self-employed or freelance expect to continue working this way permanently, with only 2% seeking employment.

Qualifications and skills

Most have a recognised qualification from an Ofqual regulated awarding organisation, however 39% indicated that they are currently operating based on training received from unregulated short courses or manufacturer training. These courses, and the lack of accountability when procedures go wrong are continuing to cause significant reputational damage to the sector.

Approximately 2 in 5 (43%) had learnt to manage accounts prior to becoming self-employed.

Earning potential

3 in 5 felt that they were now earning more (59%) than when they were employed. This was also a commonly cited reason theme in 'Other' responses to the question about why respondents had chosen to be self-employed. 5% also stated they became self-employed for a second income. The picture was less clear in terms of paying less tax, with opinions split equally as to whether this was the case or not (Yes - 32%, No – 31%, Not sure – 37%).

Operating legitimately and good practice

Most respondents were HMRC registered for self-assessment (90%). Only 1.5% were registered for VAT. In terms of insurance, 96% were currently operating with public liability or employee liability insurance. However, 4% stated they did not have insurance or didn't know if they did.

Of those that said they were operating out of their home or garden, 56% had informed their local council, 11% had notified their landlord and 21% had spoken with their mortgage lender.

Only half were members of any kind of trade organisation to give help and assistance of regulatory requirements and good practice.

Conclusion

The survey findings make it clear that self-employment within the personal care sector is a trend that is not going anywhere. The freedom and autonomy that working in this way gives to practitioners, most commonly women, to balance their careers and other commitments such as family is impossible to ignore.

With wages and associated costs the single highest outlay to business owners who employ staff, we have seen the emergence of a business model based on renting space or chairs, where self-employed people work collectively within a premises, but without incurring these costs.

7,330 businesses within the hair and beauty sector, more than 15 per cent of businesses, have been lost since March 2020² - freelance working is a simple way for those previously working in these businesses to return to the sector, avoiding the huge outlays of fixed premises, employment costs or restrictive work contracts.

What we must be mindful of however, is the longer term future of the personal care sector. This depends on business owners being able to facilitate much needed education and training through apprenticeships, which heavily rely on salons and premises. Evidence shows that self-employed practitioners do not take on apprentices. As self-employment grows, it is likely that practical learning opportunities in salons will decline, creating a worrying skills gap. We therefore need further incentives to encourage both salon owners and self-employed individuals to take on new learners.

The reputation of our sector also depends on people operating legitimately, with the appropriate accredited training, skills and insurance to carry out their work competently. As we have seen with recent conversation around aesthetics, without a clear framework, we risk being perceived as unreputable 'cowboys'. As a sector, we must come together to offer a solution to Government in respect of standards for skills and training and regulation that gives both them and the public confidence.

The trend towards self-employment as means of avoiding rising staff costs and the VAT threshold continues to grow within the personal care sector. This puts businesses who choose to maintain a traditional employment model at an immediate disadvantage by having to pay associated staff costs and VAT, which usually means their prices are higher. Greater incentives for small business owners who take on and nurture staff would do a great deal to level the playing field in this regard.

Recommendations

Based on the information gathered for the purposes of this report, we are calling for:

1. Minimum standards for skills and training for all practitioners, and mandatory insurance appropriate to the services being provided, in order to crackdown on unaccredited 'short' course training and raise the reputation of the sector. This could be via a government recognised national database or licensing scheme that holds practitioners accountable for poor practice.
2. Greater promotion of and access to properly accredited and nationally recognised training and education via all routes (not just apprenticeships or T-levels, but also degree level qualifications, etc.) with incentives for both salons and individual practitioners to take on and nurture new learners into the sector.
3. A level playing field between the employed and self-employed practitioners; such as an increase in the current HMRC Employment Allowance, which reduces National Insurance liability for SMEs by up to £4,000. An uplift in the maximum liability discount to £8,000, reviewed annually, would also incentivise employers to get people back into employment post pandemic.

² Local Data Company May 2021