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State of the Industry Survey Summary - January 2025

Key findings¹

The sector recovery remains slow and steady with recruitment intentions remaining low:

- Making a profit/loss: Slightly more businesses (17%, up from 14% in September) are making either a small or substantial loss; 41% of businesses are making a small or good profit with 42% breaking even.
- Prices: a significant 78% (up from 56% in September) will put up prices over the next three months, the highest level we have seen since the survey began. Trends in the previous quarter were similar to September (40% raised their prices).
- More than half of businesses (52%) say that they will put up prices by between 5-10% over the next three months, 36% by up to 5% and 13% by more than 10%.

Impact of the Autumn Budget

- More than three quarters (77%) would increase prices, take on fewer apprentices (59%), reduce staff or apprentice hours (47%), reduce the number of staff employed (47%) and reduce business investment (41%). One fifth (20%) said that they would switch from employing staff to contracting self-employed workers and 18% that they intended to run a hybrid model of some employed staff, some employed workers. Concerningly, 18% of businesses intended to downsize.

Staffing, recruitment and apprentices

- The workforce has stayed the same for 56% (53% in September) businesses over the last three months. 31% reported a decrease (rise from 18% in September) and 11% (down from 18%) say that it had increased.

Looking to the future

- Growth intentions are still balanced with 43% saying that they intend to remain the same size (same as in September) and 31% saying that they intend to grow the business either rapidly or moderately (down from 38% in September). Concerning is a continued rise in the number of businesses (26%, up from 20% in September) that are planning to downsize or hand over the business.

Key insights

1. The quarterly survey results show that the sector recovery continues to be slow and steady. Sector businesses are still battling through the challenging economic climate including responding to significant wage rate rises between 10-20% in both April 2024 and 2025.
2. Recruitment intentions for both staff and apprentices remain muted which is a concern for the future of the sector. 75% of businesses said it is even more difficult to recruit compared

¹ Note: see the *Straightening out the costs*, Autumn Budget impact report for full analysis, Pragmatix Advisory Ltd for NHBF (2025)

to 12 months ago². The sector skills crisis which we outlined in the NHBF Careers at the Cutting-Edge report³, continues with a lack of experienced staff and reduced apprenticeship starts. Both sector employment and apprenticeship starts continue to decline.

3. Due to the sector shift to self-employment, many businesses find it challenging to run a profitable and successful salon that employs staff. We are keen to work with Skills England and through the proposed Growth and Skills levy ensure that we can provide enhanced support to employers taking on apprentices.
4. The survey indicators remain steady but show a mixed picture i.e. slightly more businesses are making a loss, the workforce has reduced slightly and growth intentions remain balanced although there has been a rise in businesses intending to downsize or hand over the business.

Background

The sector makes a significant contribution to the high street and community wellbeing with a continuing rise in the number of barbers, beauty salons and nail bars yet a decline in the number of hairdressers and hair and beauty salons on the high street⁴.

Data from the Office of National Statistics (ONS)⁵ show that the sector continues to evolve, with the number of smaller businesses in the sector continuing to rise and a rise in the overall contribution of the personal care services sector to the economy by over a £1 billion to £5.8 billion in 2023-24. Unfortunately, the workforce continues to fall with a 7% reduction in staff in 2022/23 compounded by a loss of 16,500 in 2023-24.

Despite the many challenges in recent years of the pandemic, high energy bills, inflation and low growth, the sector continues to show its resilience. The Autumn Budget is a major intervention which will shape the future structure of the industry. Businesses have decided to put up prices, reduce staff/apprentice hours, reduce employee numbers and reduce investment in the business. Others are shifting their business models to a self-employed or hybrid model. See the '*Straightening out the costs*' report by Pragmatix Advisory for more full analysis of these trends.

Many businesses have benefited from business rates discounts and support on energy costs. The Employment Allowance increase to £10,500 will support micro businesses but further targeted support to small employers is needed to stem the loss of staff and apprentices.

The rise to the VAT threshold announced last year benefitted many sector businesses but further reform is needed to support the sector into the future. The NHBF has provided a series of options through the *Avoiding the cliff edge report*⁶, for a smoothing mechanism or tiered rates around the threshold or a reduced rate of VAT to support business at a crucial time.

The NHBF has conducted its latest State of the Industry quarterly survey to gain an accurate reflection as to how the industry has fared over the first quarter of the year and is looking ahead to the spring.

Responses

² NHBF State of the industry survey (April 2024)

³ [Skills report 2022 summary - National Hair & Beauty Federation \(nhbf.co.uk\)](https://www.nhbf.co.uk/skills-report-2022-summary)

⁴ Local Data Company (a Green Street company)

⁵ Office for National Statistics (ONS) data to be published in NHBF Industry Statistics 2024

⁶ [VAT Reform - National Hair & Beauty Federation \(nhbf.co.uk\)](https://www.nhbf.co.uk/vat-reform)

The survey received 401 responses between 9 and 21 January 2025. It gathered views from a good representation of businesses in the personal care sector across all areas including city centres, town centres and villages in England, Northern Ireland, Scotland and Wales.

Respondents included salon or barbershop owners, chair or room renters, home-based business owners, mobile or freelance practitioners, employers and the self-employed. The vast majority (94%) of respondents were salon or barbershop owners. 7% were self-employed individuals and 6% were involved in the wider space renting, mobile and freelance part of the sector; this is either the sole focus of their business or in addition to being a salon or barbershop owner. 67% of respondents are VAT-registered and charge VAT on all services and 33% are not VAT-registered.

Full details of the responses to the individual questions can be seen on request in the survey data document. A summary report of two years of quarterly State of the Industry survey data 2020-2022 is also available⁷. We are grateful to the British Beauty Council for its continuing support in promoting this survey.

The voice of business

'After 20 years in business, it is no longer profitable to run a salon that employs staff. The effort, hard work, dedication and extreme stress that it entails is not worth it any more. The self-employed route looks like the only option, unfortunately this will mean no more apprenticeships'.

'It is the hardest time over the 35 yrs. that I've had my business. We need help from the government to continue being an employer. Hairdressing is a community business, we need support to enable us to attract new trainees. The costs are too high to even hold it together and there isn't any incentive to grow'.

'I am working extremely hard & long hours, it's a constant struggle, I am going to be forced to increase my prices or close, but I am anxious to put the prices up because I don't want to lose clients. The changes being made to wages and NI along with the ridiculous cost of electricity could break this business, also having to pay 20% VAT is a constant worry and struggle. The government and electricity company are making far more out of this business than I am. I am in my mid 30's and pay myself less than my stylists, have to live at home with my parents because I cannot afford to pay rent or buy a property. I am seriously considering walking away from the constant stress of the business'.

'We are seeing the economic climate as an opportunity to grow'.

⁷ [NHBF Quarterly Survey – A hair & beauty survival story 2020-2022 - National Hair & Beauty Federation](#)

The financial picture

The results are similar to those in September and show that the sector’s road to recovery continues to be slow and steady without any significant improvement.

41% of businesses are making a small or good profit (slightly down from 46% in September) and 42% of businesses are breaking even (similar to September). Slightly more businesses (17%, up from 14%) are making either a small or substantial loss (Q8).

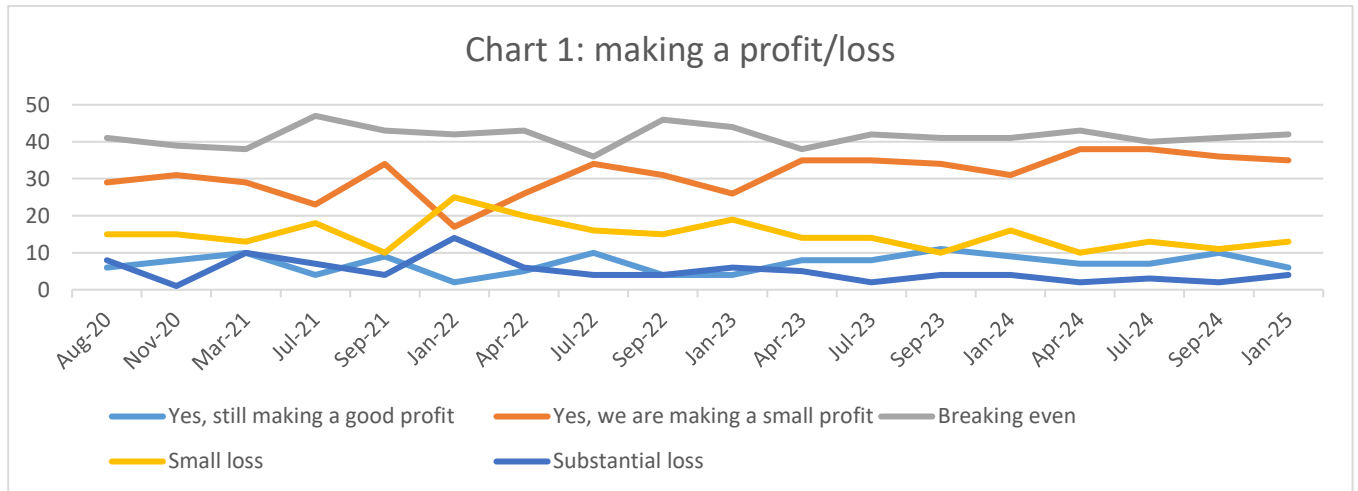
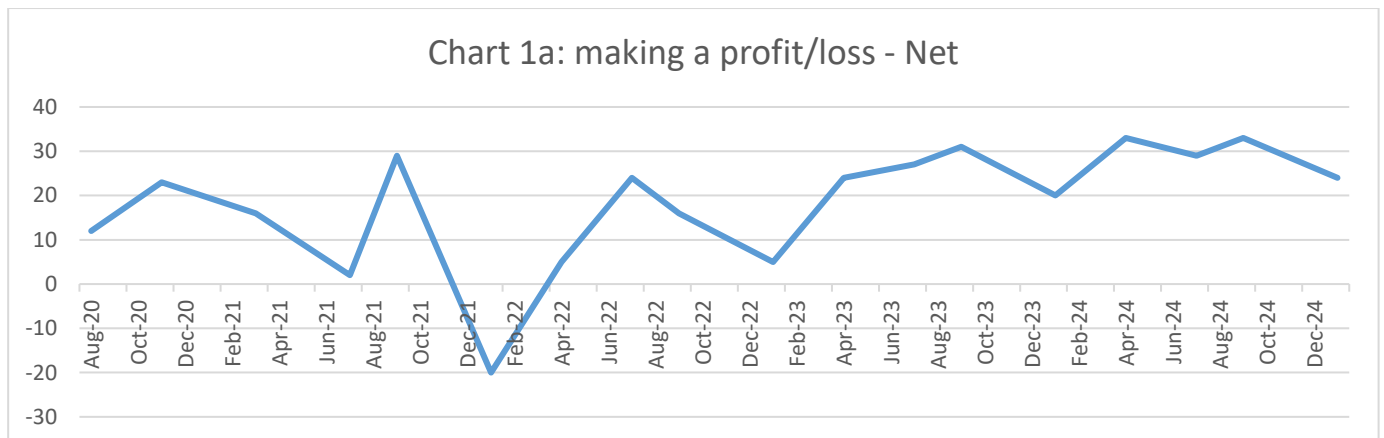


Chart 1a shows the profit or loss trend, illustrating previous recoveries to September 2021, July 2022⁸ and September 2023 with a more recent dip from September 2024.

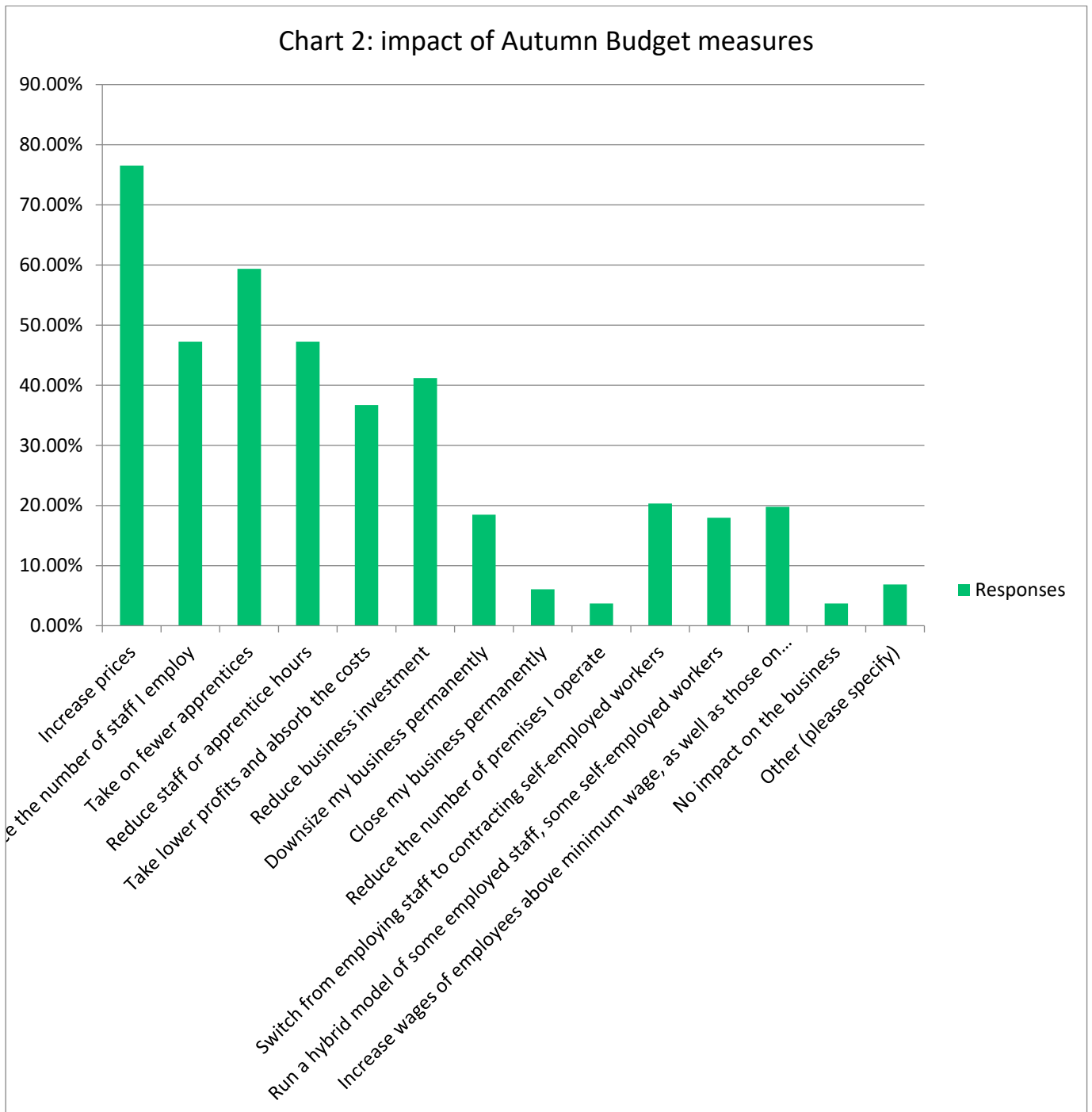


⁸ Note: The net trend is obtained by deducting the negative answers from the positive, while discounting the neutral answers. For example, the profitability net trend is found by deducting those reporting they are making a loss from those who say they are making a profit, and not including those who say they are breaking even.

Autumn Budget impact

Businesses were asked about the impact of the Autumn Budget, namely the 6.7% rise in National Minimum Wage rates, higher Employers' National Insurance contributions (with an increased rate and lower threshold), an increased Employment Allowance and a reduction in the business rates discount from 75% to 40%.

When asked what actions they were likely to take in response, more than three quarters (77%) would increase prices, take on fewer apprentices (59%), reduce staff or apprentice hours (47%), reduce the number of staff employed (47%), reduce business investment (41%) and take lower profits and absorb the costs (37%). One fifth (20%) said that they would switch from employing staff to contracting self-employed workers and 18% that they intended to run a hybrid model of some employed staff, some employed workers. Concerningly, 18% of businesses intended to downsize (Q12).



The voice of business

'Feels like government do not take our industry seriously. All hair salons will soon be 100% self-employed and no apprenticeships within our industry, it will be a thing of the past.'

'The increases I am expecting in April will add around £5500 a month which will wipe out any potential profits and will leave me another year further behind than 2024. I have made no profit since 2019 and lost over 10 (60% of team)! stylists due to lost office clients that have never returned'

'The increase in Employers NIC allied to the increase in the minimum wage will no doubt result in increased prices. I'm not clear what Government thinks this course of action would achieve other than increased prices and reduction in staff numbers'

'VAT needs to be reduced! salons will be a thing of the past as salons cannot pay their staff enough so they are better off self-employed. I've had my salon 20 years and even I'm going to eventually work on my own as I too can make more!'

'Can't afford to take on new apprentices or other staff. Have shrunk business from 13+ employees to just 5 in last few years. Autumn Budget gives no hope for growth and every minimum wage increase means we have to increase prices to support our junior team members. We then lose clients due to increased prices and our business declines further each year. Tough competition from mobile hairdressers who are under HMRC radar, don't need to charge VAT so can undercut on price. Where is incentive for growth? No growth = reduced tax revenue = no funding for vital services e.g. NHS. Simple economics!'

In response to the increase in the minimum wage, 54% said that they would only increase the salaries of those at or below the new minimum wage. 32% said that they would increase the salaries of all employees and 14% that they would increase the salaries of some employees above the new minimum wage as well as those at or below it (Q13).

Businesses were then asked by how much they would increase the salaries of employees above the new minimum wage. 41% said everyone would get the same increase in pence per hour, 41% that those on higher salaries will get smaller increases than those on lower salaries and 17% that everyone would get the same percentage increase in their salary (Q14).

Current situation

In terms of business activity, the results reflect that the start of the year is usually quieter after a busy run up to Christmas. 15% of businesses reported being busy (more positive than 9% in January 2024) and 50% steady (up slightly from 54% in September). More than a third (35%, up from 23% in September) reported that they were quieter or really quiet (Q7).

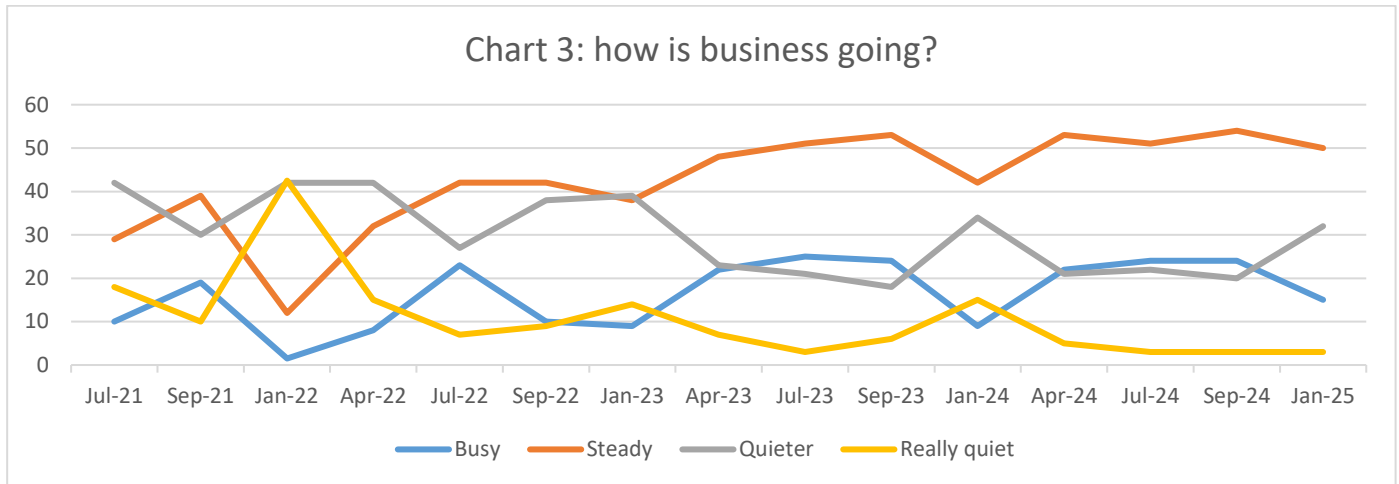
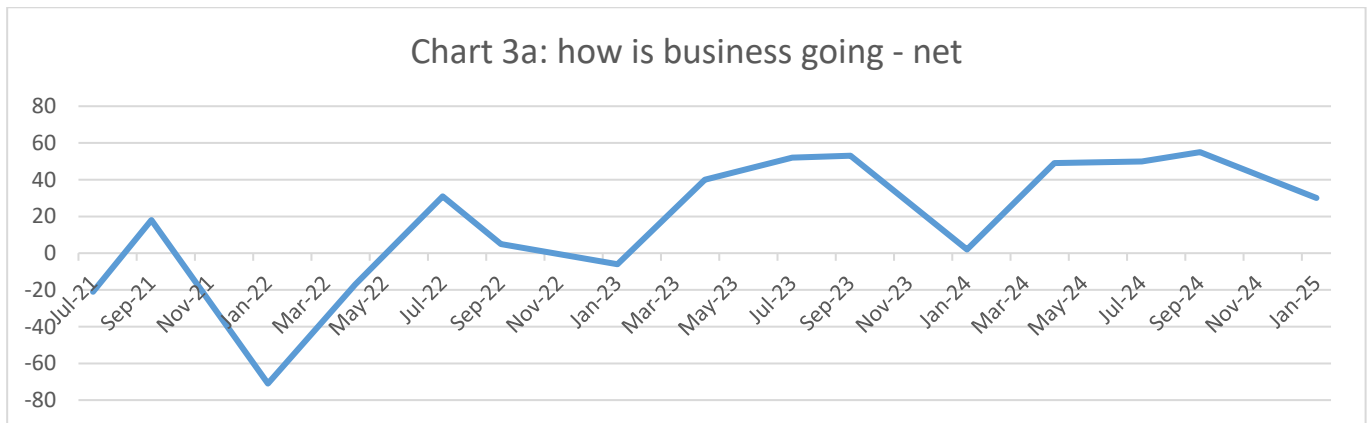


Chart 3a shows the business activity trend since July 2021. After lows at the start of each year, the chart shows a slightly more positive January 2025 than in previous years.



Prices

Over the previous three months, trends are similar to those seen in September, 40% raised their prices and a further 78% (up from 56% in September) will do so over the next three months which is the highest level we have seen since the survey began (Q9, Q10).

More than half of businesses (52%) say that they will put up prices by between 5-10% over the next three months, 36% by up to 5% and 13% by more than 10% (Q11).

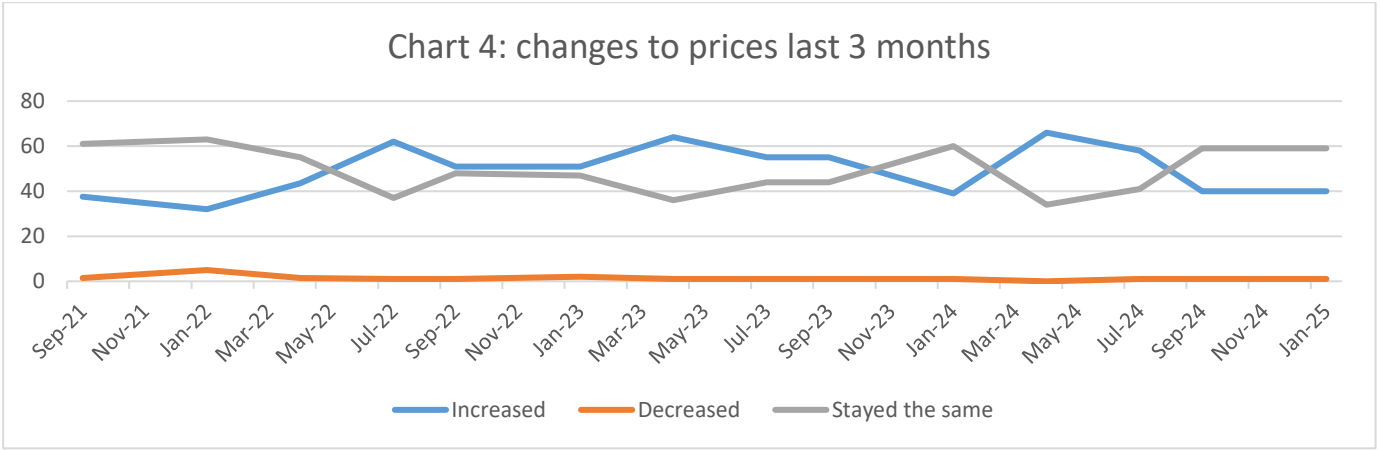


Chart 4a shows the tendency for businesses to raise prices every year including the clear uplift in April 2024 and dip into the winter 2025.

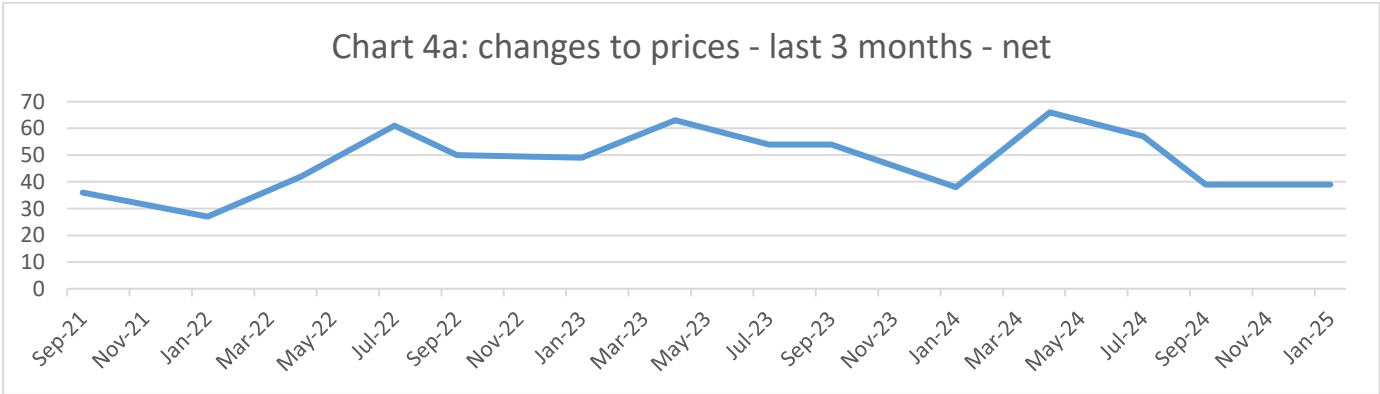
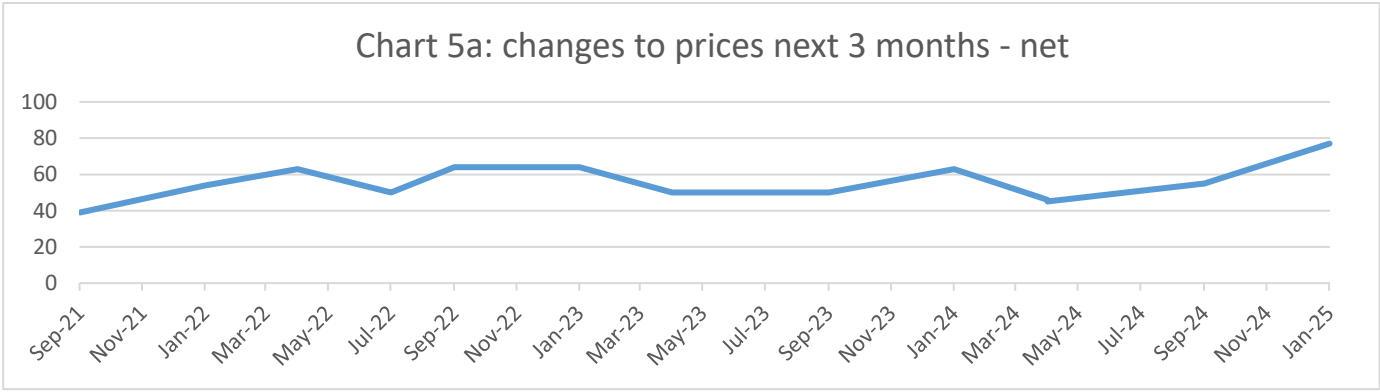
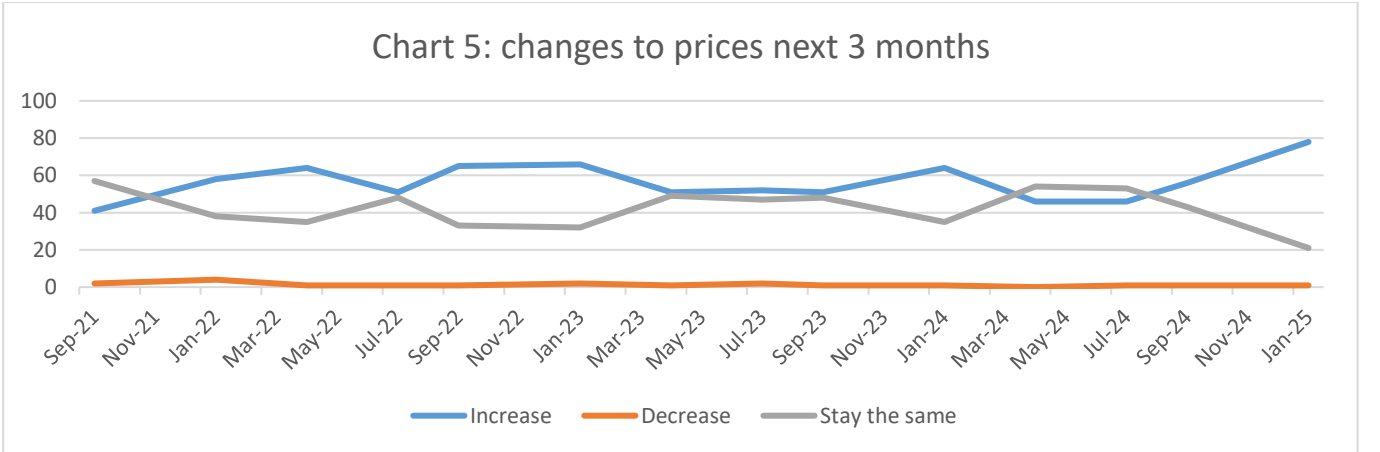


Chart 5 and 5a shows the clear uplift in plans to put up prices over the next 3 months after a slight drop off in July after businesses had already done so in April 2024.



Staffing, recruitment and apprentices

The voice of business

Staff and apprentices

'I will no longer be taking in apprentices and looking into other ways so I don't have to employ a receptionist eg paying an admin business to do this via email or turn to all online bookings only'.

'We are for the first time in 30 years unable to afford to have an apprentice. This is extremely frustrating as we would love to still offer this to the next generation moving forward, we are now only able to support students that are currently at college full time that need work placement days to support their hairdressing course'.

'The Autumn budget is a disaster for us and apprentices in particular. People will not be taking any apprentices on any more'.

'Business is extremely tough and this year will be the year I might have to consider my options carefully. I love investing and training young employees, but there has to be some reward in it for me! Employing people is so very challenging, keeping people well motivated, working as a team, wanting to be part of a successful team as well as keeping prices affordable for clients and staff well paid. My business is 31 years old, I love change and innovation, so will continue to be positive and have hope for the future'.

Switching to a self-employed model

'We have choices. Convert to a hybrid model making our stylists self-employed and stop training apprentices which would be a great shame as all five passed with distinction last year. We run an excellent academy here. Or we could sit tight keeping our costs down by reducing staff - both stylists, apprentices and receptionists. Keep our head above water with the additional £60k employment costs from the October budget until we have a change of government that actually understands business. Changes to employment legislation will also increase the likelihood of us changing to a self-employed model. Self-employed salons will not have to worry about any of these changes or the rises in NI. Our final option is to retire - we are 62/63 and the stress of the last budget makes retirement an attractive option at this moment'.

In terms of the number of people employed in the business, 37% of respondents employed 1-4 people, 33% 5-10 and 23% 10 or more, with 7% saying that they did not have any employees (Q30).

When asked how many of these were apprentices, 48% said not applicable/I don't have apprentices, 44% between 1-4 apprentices and 9% said 5 or more (Q31). In terms of the age brackets, 68% were aged 18-20 years, 62% aged 16-17 years and 30% aged 21 and over (Q32).

The workforce has stayed the same for 56% (53% in September) businesses over the last three months. 31% reported a decrease (rise from 18% in September) and 11% (down from 18%) say that it had increased (Q33).

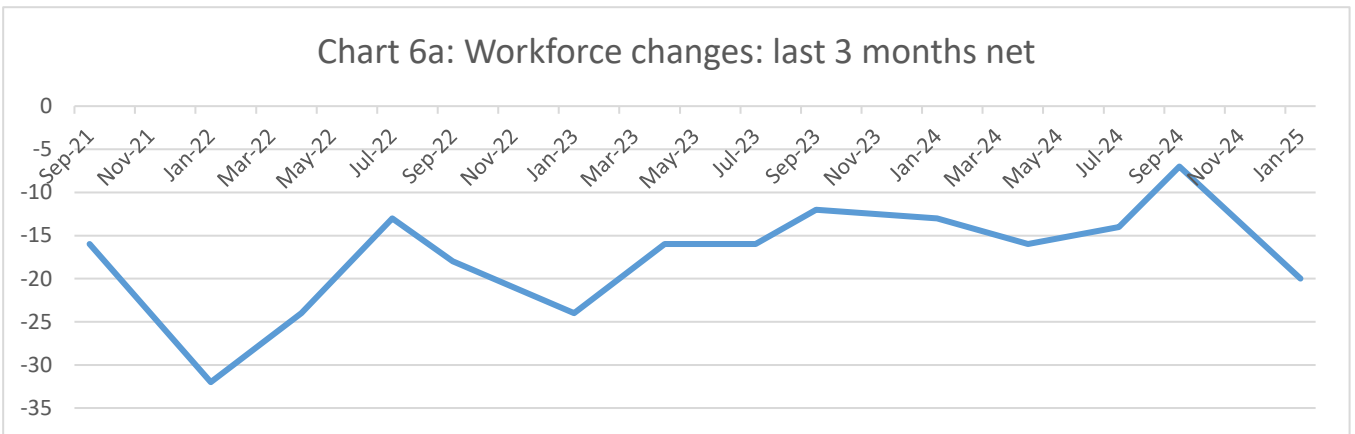
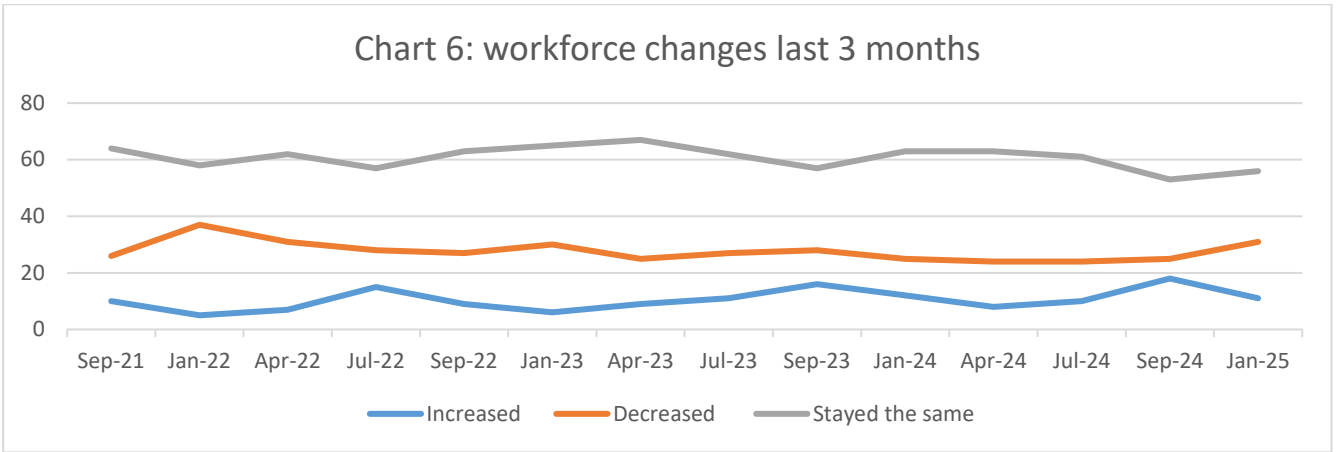


Chart 6a shows workforce changes for the previous three months in negative territory, with lows in January 2022 and January 2023, improving through 2024 but a clear dip from September 2024 to January 2025.

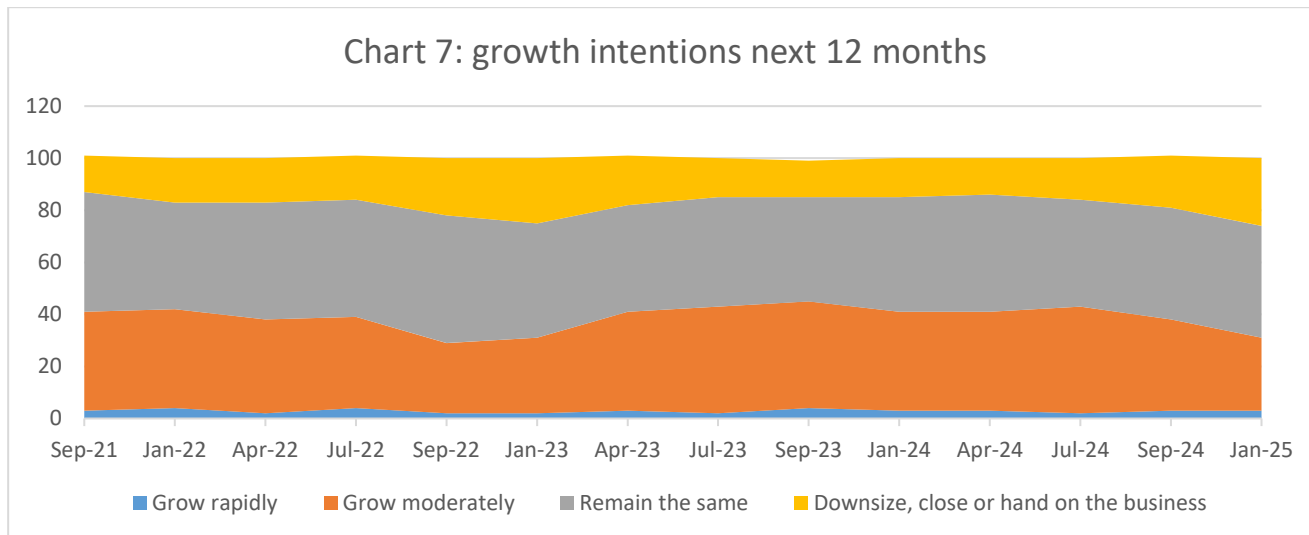
The NHBF Careers at the Cutting Edge report outlined the continued decline in apprenticeship starts in the UK which is also reflected in official apprenticeships data in each of the nations⁹.

⁹ NHBF Industry Statistics (2023)

Looking ahead - growth intentions and business rates reform

Growth intentions

Growth intentions are still balanced with 43% saying that they intend to remain the same size (same as in September) and 31% saying that they intend to grow the business either rapidly or moderately (down from 38%). Concerning is a continued rise in the number of businesses 26% (up from 20%) that are planning to downsize or hand over the business (Q29).



Business rates reform

64% of businesses have a property for which they pay business rates, 36% do not (Q19). 79% have a rateable value under £51,000. 58% of businesses benefit from the Retail & hospitality business rates relief.

63% of businesses benefit from small business rates relief (SBRR) (single property valued below £12,000 so receive 100% relief). 22% don't benefit from SBRR and 13% have a single property valued between £12,001 and £15,000 so receive partial relief (Q22).

When asked why the business does not qualify for SBRR 78% replied that they have a single property that exceeds the £15,000 valuation. 22% said that they have multiple salons where at least one is valued above £2899 and/or together exceed the limit of £20,000 (£28,000 in London) for SBRR (Q23).

83% of businesses said that they would benefit if the threshold for small business rates relief were increased from £12,000 to £25,000 (Q24).

Conclusion and recommendations

The sector has been on a slow and steady road to recovery over the last year, however employment and apprentice opportunities continue to decline. We welcome urgent action by the Government in the following areas to stem the further loss of staff and apprentices:

- **VAT reform:** We call for an urgent review of VAT to level the playing field between employers and the self-employed in the sector. VAT reform is the number one issue for sector businesses which is hampering growth. The sector urgently needs a fairer approach to the tax system to create a level playing field between businesses with employees and those using self-employed individuals. The Autumn Budget has further shifted the level playing field away from sector employers. We call for an urgent review of how VAT is applied, including reducing the rate of VAT or introducing a smoothing mechanism or tiered rates to remove the disincentive to grow and remain below the threshold.
- **Targeted support for small employers** as a significant employer of young people over time, we need urgent discussions with Skills England to address sector skills shortages and ensure that vocational education and apprenticeships are aligned with the needs of our sector. Affordability of apprentices is a vital issue for small and micro businesses and we are keen to ensure that their voice is heard as proposals emerge for levy reform. We call on the government to offer apprenticeship incentives of at least £3,000 per employee to cover training costs for employers. This would particularly help fund the gap between the apprentice wage and the national minimum wage for older apprentices aged 19+ and help incentivise business growth. We also welcome further discussions around further flexibility around apprenticeships and means of redistribution to small and micro businesses.
- **Business rates discounts and reform:** NHBF will write shortly to HM Treasury about business rates reform. Small business rate relief (SBRR) and the Retail discount for retail businesses in England and Wales has offered vital support to sector businesses with high overheads. We have no doubt that business rates support in recent years has kept many sector businesses afloat. We look forward to helping shape proposals for business rates reform which aim to redress the balance between online and businesses based on the high street. We think that enhancing access to SBRR can enhance growth as can further flexibility to small businesses with multiple salons at a local level to qualify.
- **Targeted energy support:** we look forward to working with the government as GB Energy develops to ensure that small businesses will benefit from reduced energy prices given the challenge that they have provided for the last two years. Energy costs are the first or second largest outgoing for two-thirds of sector businesses. Despite reducing retail prices, businesses are feeling the pressure of continuing high prices. We welcome further action to encourage Ofgem to deliver on its growth duty, improve the regulation of energy companies and for them to offer further flexibility in repayment plans.
- **Enforcement activity:** We welcome government plans to improve HMRC enforcement and customer service and hope that this is targeted towards the sector. We are working with HMRC on a sector communications and education campaign raising awareness of good tax compliance and discouraging disguised employment practices. Some businesses are operating on a cash basis in the margins, not paying tax or VAT, which means they charge lower prices, undercutting and threatening the survival of responsible businesses and undermining pay legislation.

With targeted support from this Government, we are confident that the personal care sector will continue to play an important role in the UK's economic growth, thriving high streets, population wellbeing and our sustainable future.