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## State of the Industry Survey Summary - September 2024

### Key findings

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

- Making a profit/loss: with 46% making a profit and 41% breaking even, slightly fewer businesses are making a loss (14% down from 16% in July).
- Prices: after price rises in April to cover rising wage rates, there was a slight reduction in prices going up over the previous 3 months; 40% (down from 58% in July) of businesses raised their prices. A further 56% will do so over the next three months.

### Business costs and wage rises

- Businesses are most concerned about increases to the National Minimum Wage/National Living Wage (76%), energy costs (55%) and trade supplies (52%).
- In response to these costs, businesses are putting up prices (50%), holding off taking on new staff/apprentices (47%) and reducing staff hours (26%).
- In response to the National Living Wage likely to be raised by 5.8% in April 2025, businesses intend to put up prices (66%), reduce staff hours (31%) or reduce the number of staff they employ (31%).
- In response to measures in the Employment Rights Bill, 61% said that it would make it less likely that they would take on new staff, 42% would take on fewer apprentices due to increased staff costs and 24% would actively reduce the number of staff they employ.

### Staffing, recruitment and apprentices

- The workforce has stayed the same for 53% businesses over the last three months (down from 61% in July). 18% reported a decrease (down from 24% in July) and 18% say that it had increased (up from 10% in July).
- In terms of skills shortages, businesses have had most challenges with recruiting Senior Stylists (31%), Stylists (30%), apprentices (22%) and beauty therapists (11%).
- Recruitment intentions remain muted; in the next three months, only 15% (down from 20% in July) were definitely or likely to take on new staff and only 8% (down from 15% in July) would take on apprentices.

### Looking to the future

- Turnover expectations are slightly lower with more businesses (20%, increased from 12% in July) expecting it to decrease slightly. 27% of businesses (similar to July) expect it to increase slightly or significantly and 50% stay the same.
- Growth intentions are still balanced with 43% saying that they intend to remain the same size and 38% saying that they intend to grow the business either rapidly or moderately (similar to 41% in July). 20% (up from 16% in July) were planning to downsize or hand over the business.
- On business rates reform options, businesses were most favourable around raising small business rates relief from £12,000 to at least £25,000 (55%), continue the Retail discount in England and Wales (47%) and continue to freeze the small business multiplier (29%).

## Key insights

1. The quarterly survey results show that the sector recovery has been slow and steady over the last 18 months. Sector businesses are still battling through the challenging economic climate including responding to significant wage rate rises between 10-20% in April 2024.
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 to 12 months ago<sup>1</sup>. The sector skills crisis which we outlined in the NHBF Careers at the Cutting-Edge report<sup>2</sup>, continues with a lack of experienced staff and reduced apprenticeship starts.
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 targeted support to employers, particularly for apprenticeships.
4. The survey indicators remain steady but show a mixed picture i.e. Slightly fewer businesses are making a loss, turnover expectations are slightly lower yet growth intentions remain balanced.

## 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 street<sup>3</sup>.

Data from the Office of National Statistics (ONS)<sup>4</sup> show that the sector continues to change, with a rise in the number of smaller businesses and larger businesses decreasing. The overall contribution of the personal care services sector to the economy has declined slightly from the previous year to £4.56 billion in 2022-23 with a significant drop in the workforce by 7% and a reduction in the number of younger people aged 16-24 in the sector.

The sector continues to show its resilience. Many businesses have benefited from business rates discounts and support on energy costs but further targeted support to small and micro employers will be needed to unlock the sector's full potential. This would allow sector businesses to grow and provide valuable employment.

The rise to the VAT threshold announced in the Spring Budget 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<sup>5</sup>, for a smoothing mechanism or tiered rates around the threshold, 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 second quarter of the year and is looking ahead to the winter.

## Responses

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<sup>1</sup> NHBF State of the industry survey (April 2024)

<sup>2</sup> [Skills report 2022 summary - National Hair & Beauty Federation \(nhbf.co.uk\)](#)

<sup>3</sup> Local Data Company, full year results 2023 (March 2024)

<sup>4</sup> [NHBF Industry Statistics 2023](#)

<sup>5</sup> [VAT Reform - National Hair & Beauty Federation \(nhbf.co.uk\)](#)

The survey received 493 responses between 16 and 30 September 2024. 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 (90%) of respondents were salon or barbershop owners. 9% were self-employed individuals and 4% 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.

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 available<sup>6</sup>. We are grateful to the British Beauty Council for its continuing support in promoting this survey.

#### Business comments

*'We can't increase our prices to cover every single increase the industry is facing - wages, energy, stock etc - so as a business we are expected to absorb it. This currently means as an owner, my monthly take home "pay" is less than what I pay my staff. This isn't sustainable for any business, let alone small businesses. If we increase our prices too much clients move on and go to a mobile stylist that doesn't have the same overheads and outgoings'.*

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<sup>6</sup> [NHBF Quarterly Survey – A hair & beauty survival story 2020-2022 - National Hair & Beauty Federation](#)

## The financial picture

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

46% of businesses are making a small or good profit and 41% of businesses are breaking even (similar to July). Slightly fewer businesses 14% (16% in July) are either making a small or substantial loss (Q7).

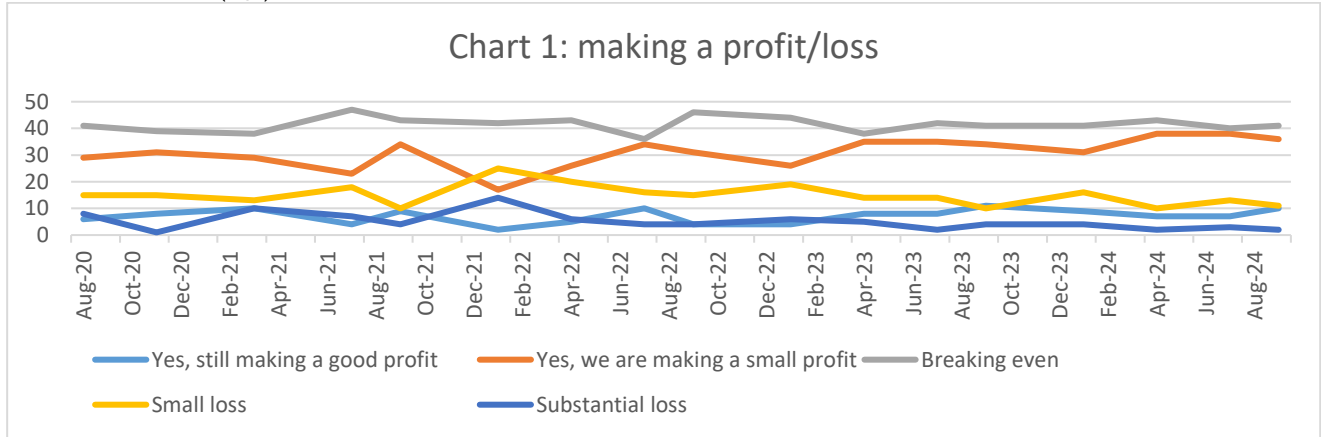
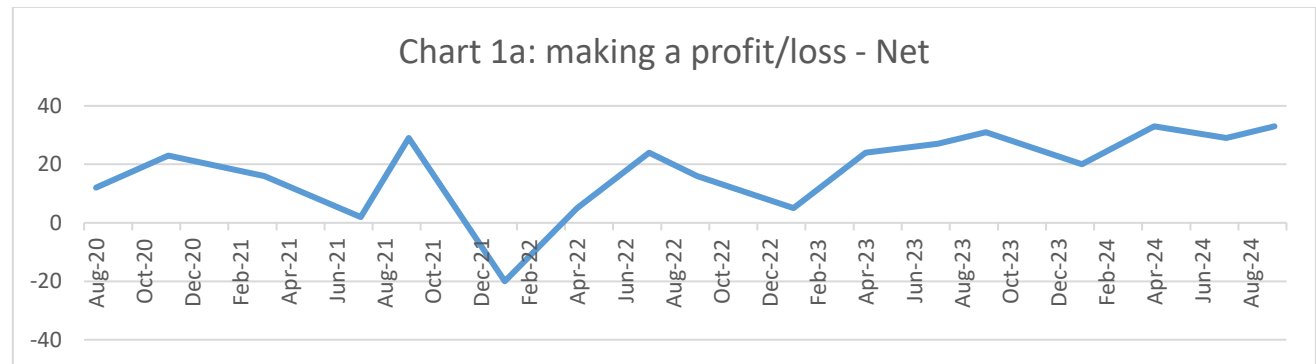


Chart 1a shows the profit or loss trend, illustrating previous recoveries to September 2021, July 2022<sup>7</sup> and September 2023 with a slow and undulating recovery into the autumn 2024.



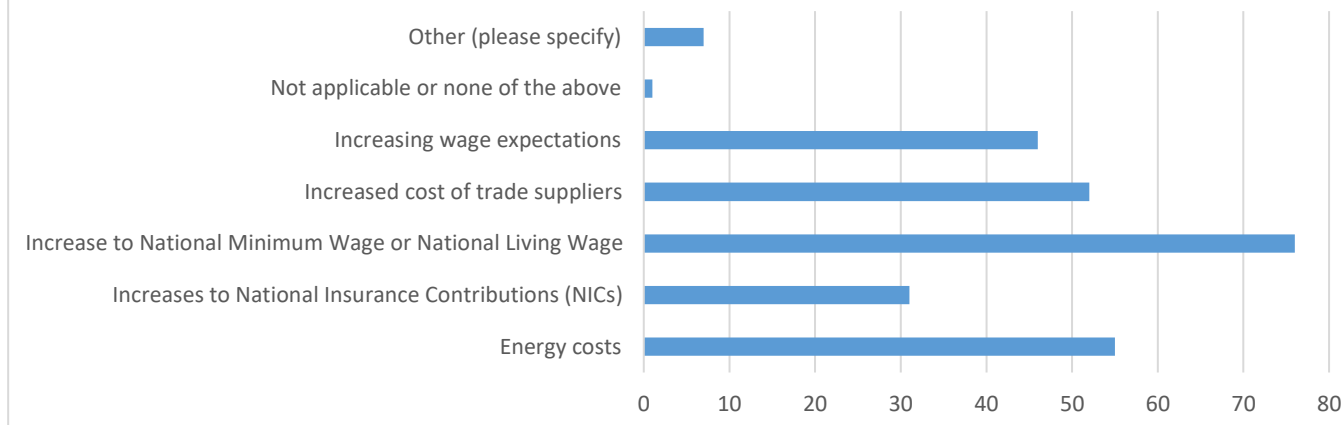
## Business costs

In the context of the rises to wage rates in April and expected further rises in April 2025, businesses put rises to the National Minimum Wage/National Living Wage at the top of their business concerns.

In terms of direct impact on the business, businesses are most concerned about increases to the National Minimum Wage/National Living Wage at 76% (similar to 75% in April). Concern around energy prices comes in second at 55% and is still significant. The cost of trade supplies is next at 52% (reduced from 59%) and increasing wage expectations is the highest ever at 46% (up from 40% in July). Increases to National Insurance Contributions (NICs) also feature at 31% through freezes to the threshold (Q10).

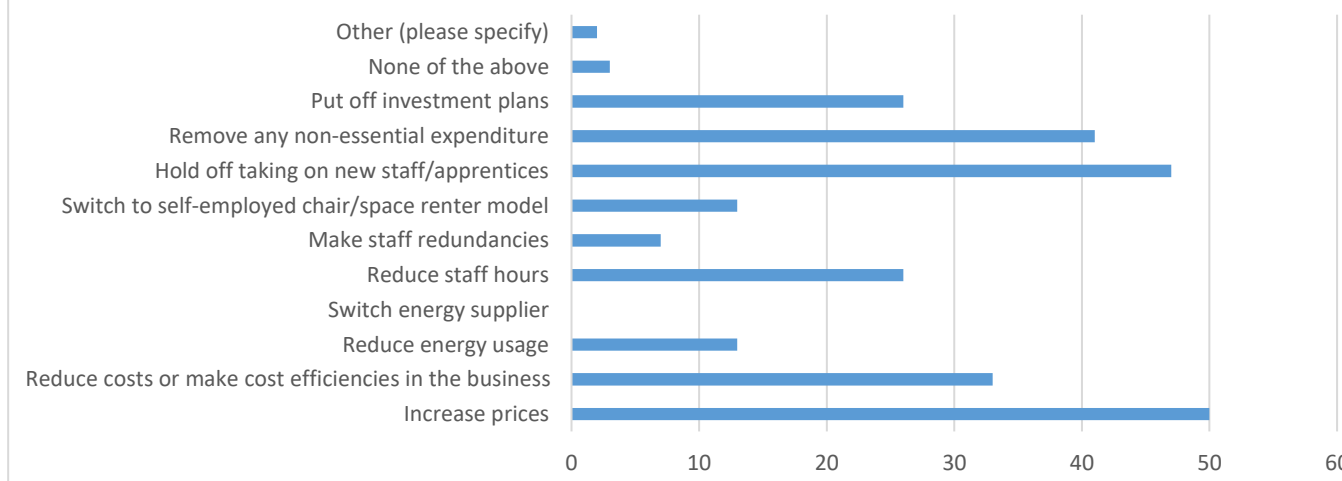
<sup>7</sup> Note: The net trend is obtained by deducting the negative answers from the positive, while discounting the neutral answers. For example, the profitability net trend is found by deducting those reporting they are making a loss from those who say they are making a profit, and not including those who say they are breaking even.

Chart 2: costs with largest impact on the business



In response to these costs of doing business, the most common actions that businesses are taking include putting up prices (50% up slightly from 48% in July). Of concern is the fact that holding off taking on new staff/apprentices features strongly at 47% (similar to July), along with removing any non-essential expenditure (41%), reducing costs/making cost efficiencies in the business (33%), reducing staff hours (26%, up slightly from July) and putting off investment plans (26%) (Q11).

Chart 2a: Action taken as a result of cost increases



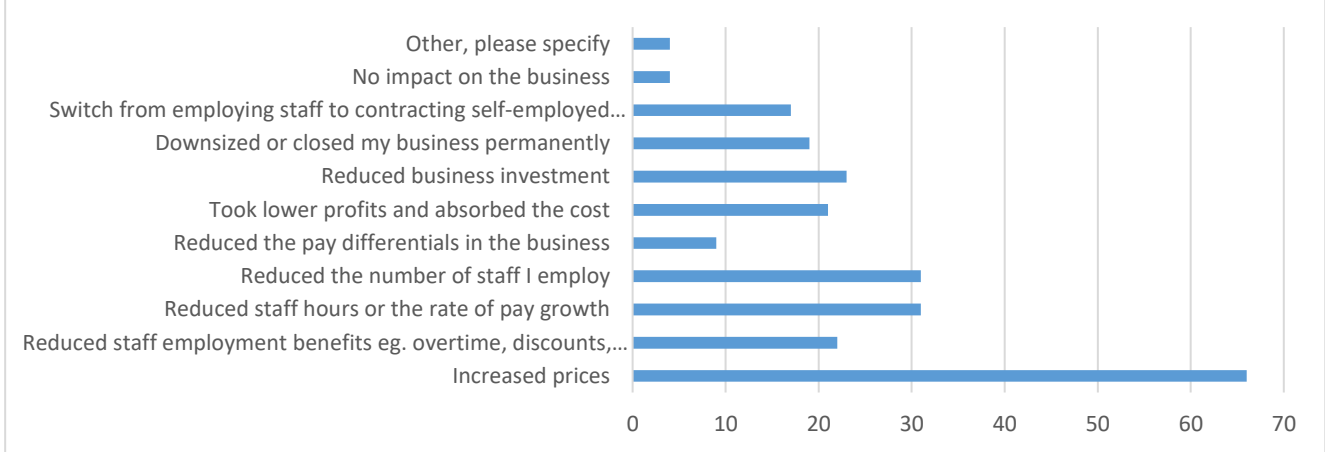
### Expected wage rises in 2025

Businesses were asked what action they would take in their business if the National Living Wage is raised to £12.10 (up 5.8%) in April 2025 if it is to stay in line with two thirds of median earnings. In response, 66% will put up prices. Of concern for the future of the sector is the fact that 31% say that they would reduce staff hours or the rate of pay growth and the same proportion (31%) would reduce the number of staff they employ. 23% would reduce business investment and 22% would look to reduce staff employment benefits (e.g. overtime, discounts or training). 19% said that they would downsize or close their business permanently which is of concern and 17% would switch from employing staff to contracting self-employed workers (Q12).

#### Business comments

*'Government is not checking if all businesses can afford to pay higher wages. Difficult to find where the money comes from to pay apprenticeships or when they transition into graduate stylist and with minimum clientele to afford their wages. Not easy putting prices up all the time. Customers get put off by it'.*

Chart 3: Impact of wage rises in 2025

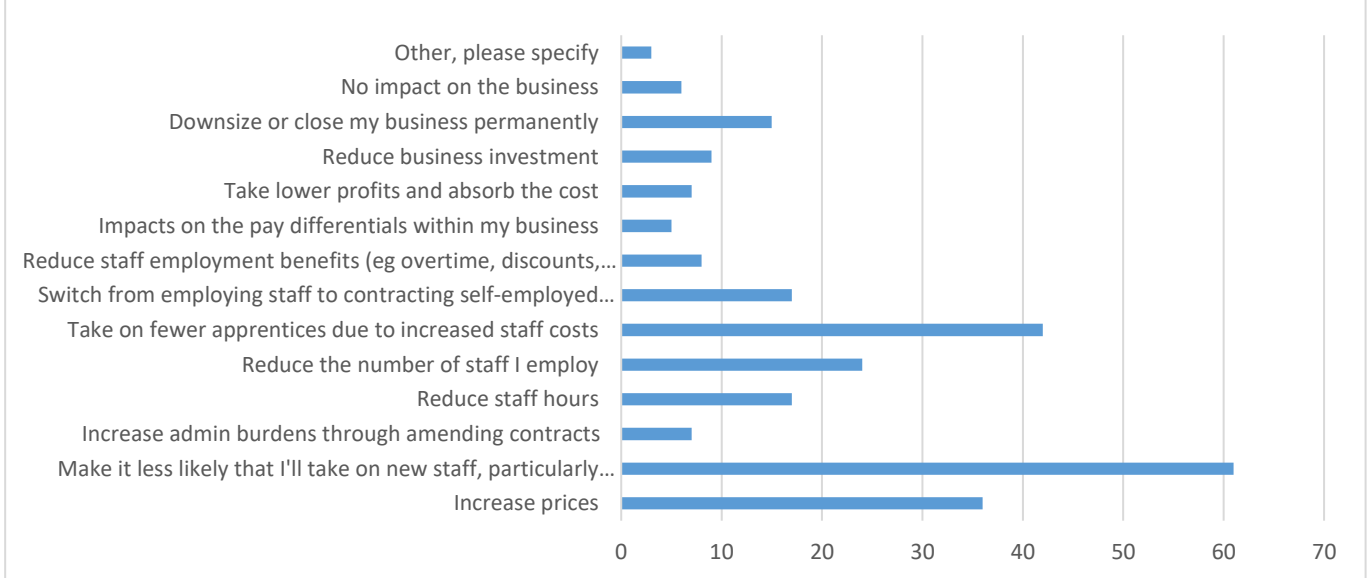


**Employment Rights Bill**

Through the Employment Rights Bill, the government will be introducing the following measures i) removal of age bands (everyone who is 18+ will be paid the same) through a step by step approach, as evidence allows, ii) Day one rights for workers, parental leave, sick pay and protection from unfair dismissal and iii) strengthening statutory sick pay. Businesses were asked what impact this would have and what actions were they likely to take in the business?

Of concern for the future of the sector, is that a clear majority of 61% said that it would make it less likely that they would take on new staff, particularly younger staff and 42% would take on fewer apprentices due to increased staff costs. 36% would increase prices and 24% would actively reduce the number of staff they employ. 17% would reduce staff hours and 17% would switch from employing staff to contracting self-employed workers. 15% said that they intended to downsize or close the business permanently (Q13).

Chart 3a: Impact of Employment Rights Bill



**Business comments**

*'I am worried about these things that this government are planning - they don't seem to be thinking of the small business owner or considering how they (me!) will pay for all these things they want to do for the workers!'*

## Current situation

The results are holding steady and are similar to July in terms of business activity, if not marginally more positive. 24% of businesses reported being busy (same as July) and 54% steady (up slightly from 51% in July). Slightly under a quarter (23%) (similar to July) of businesses reported that they were quieter or really quiet (Q6).

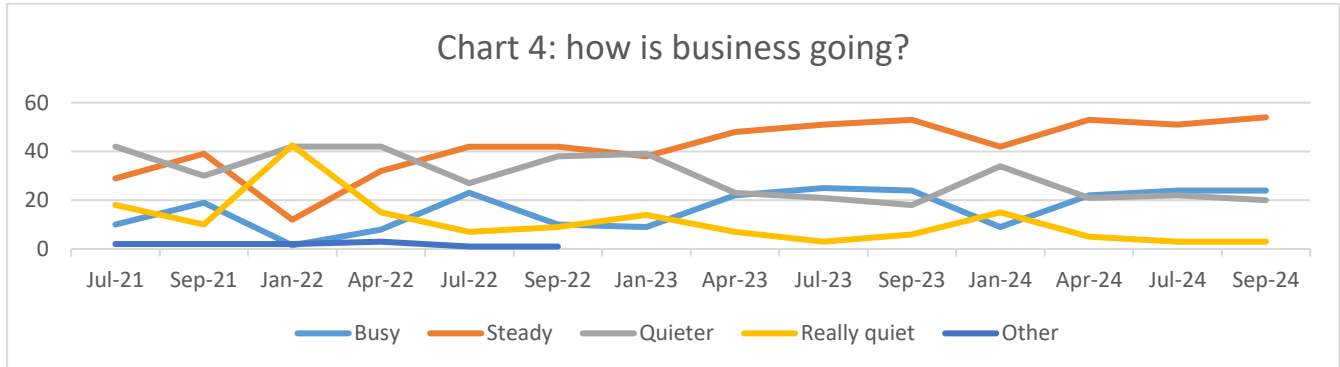


Chart 4a shows the business activity trend since July 2021. After lows at the start of each year, the chart shows a recovery into the autumn 2023 and again into the autumn 2024.



## Prices

There was a clear rise in businesses putting up prices in April, to respond to rises in the National Minimum Wage/National Living Wage (NMW/NLW). Over the previous three months, 40% (down from 58% in July) raised their prices and a further 56% (up from 46% in July) will do so over the next three months (Q8, Q9).

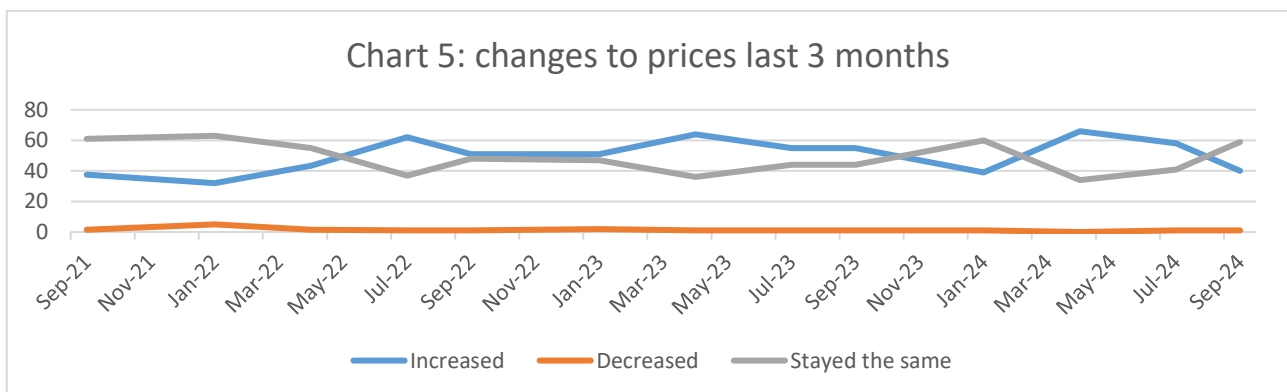


Chart 5a shows the tendency for businesses to raise prices every year including the clear uplift in April 2024 and dip into the autumn 2024.

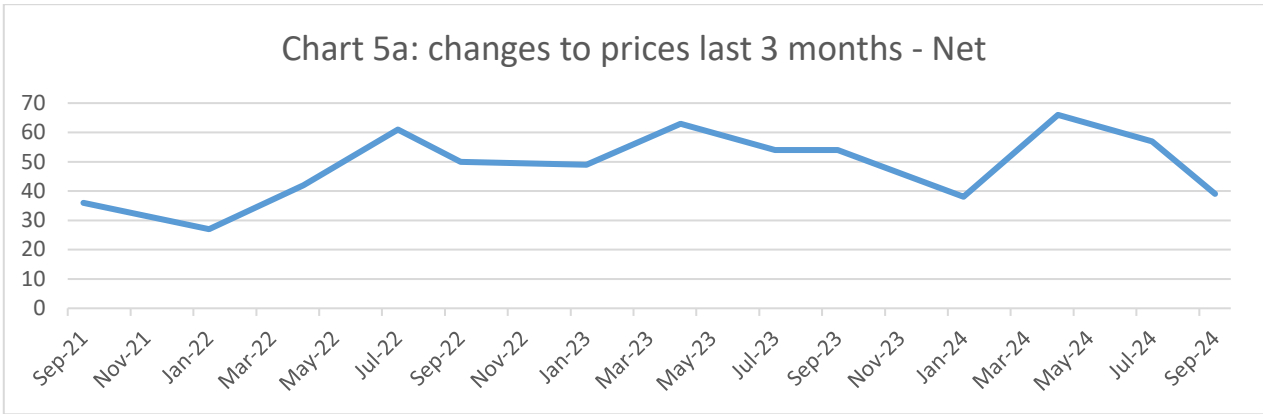
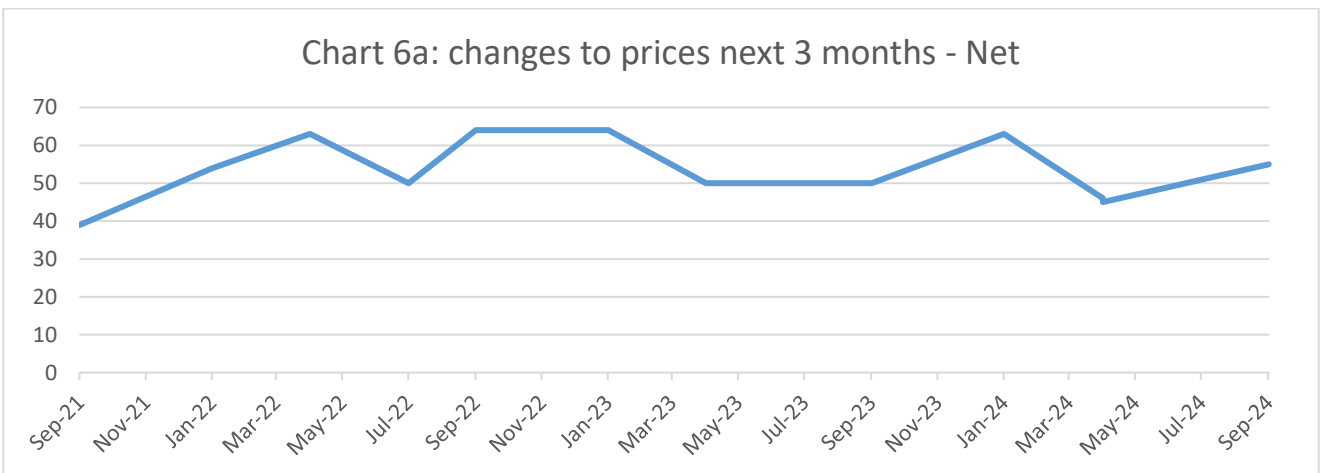
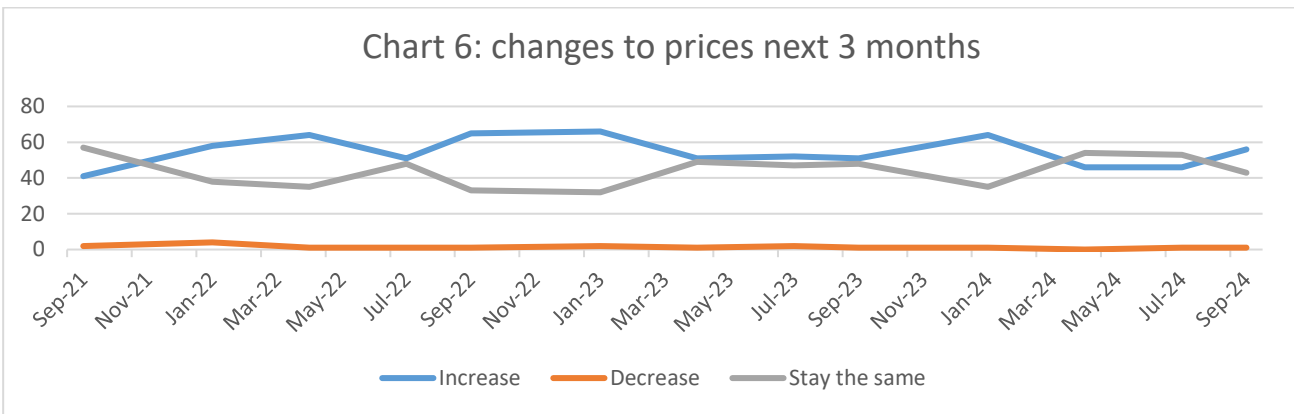


Chart 6a shows the slight uplift in plans to put up prices over the next 3 months after a slight drop off in July after businesses had already done so in April 2024.





## Staffing, recruitment and apprentices

In terms of the number of people employed in the business, 41% of respondents employed 1-4 people, 29% 5-9 and 21% 10 or more, with 10% saying that they did not have any employees (Q18).

The workforce has stayed the same for 53% businesses over the last three months (down from 61% in July). 18% reported a decrease (down from 24% in July) and 18% say that it had increased (up from 10% in July) (Q19).

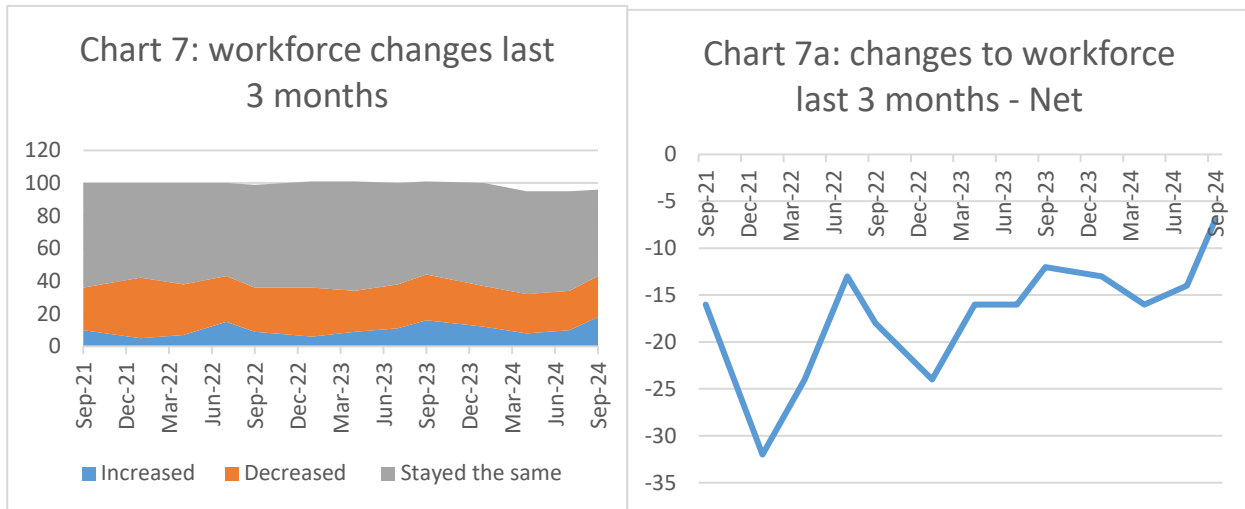
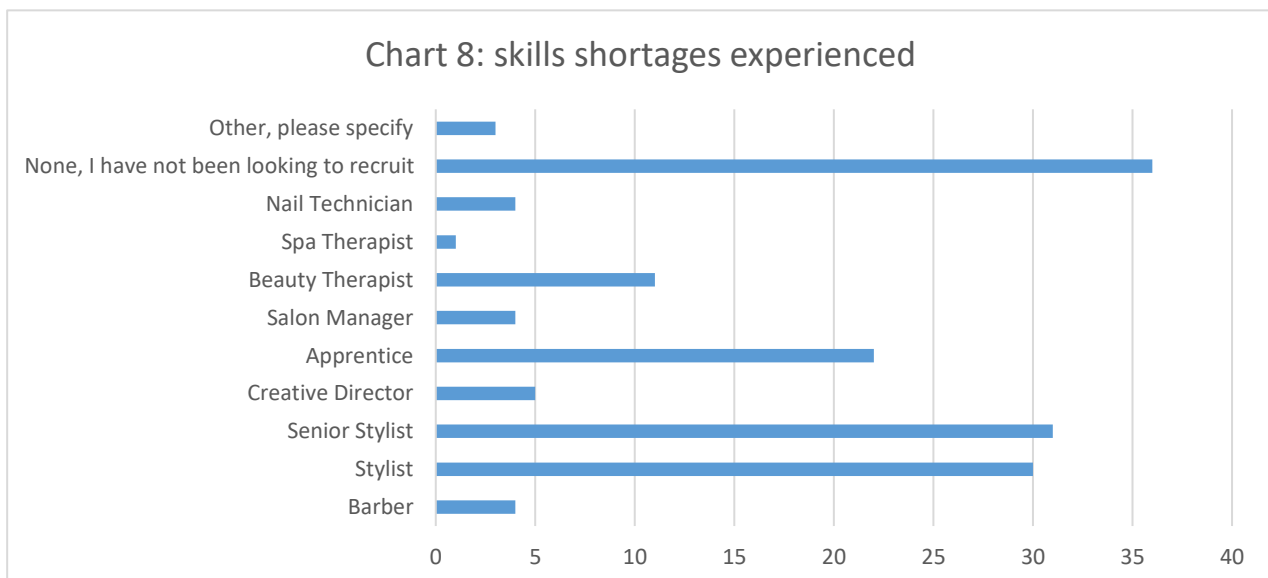


Chart 7a shows workforce changes for the previous three months in negative territory, with lows in January 2022 and January 2023, improving through 2024.

### Skills shortages

Businesses were asked if they had experienced difficulty in finding candidates with suitable skills for particular roles over the last year. 31% said Senior Stylist and 30% Stylist. Businesses also said apprentice (22%) and Beauty therapist (11%) although 36% commented that they had not been looking to recruit (Q20).



### Staffing

In the next three months, there has been a slight increase in the numbers of businesses that are unlikely (38%) or would definitely not be taking on staff (41%). 15% (down from 20% in July) said that they were definitely or likely to take on new staff. Nearly 80% overall (up from 73%) saying that it was unlikely or that they definitely would not (Q21).

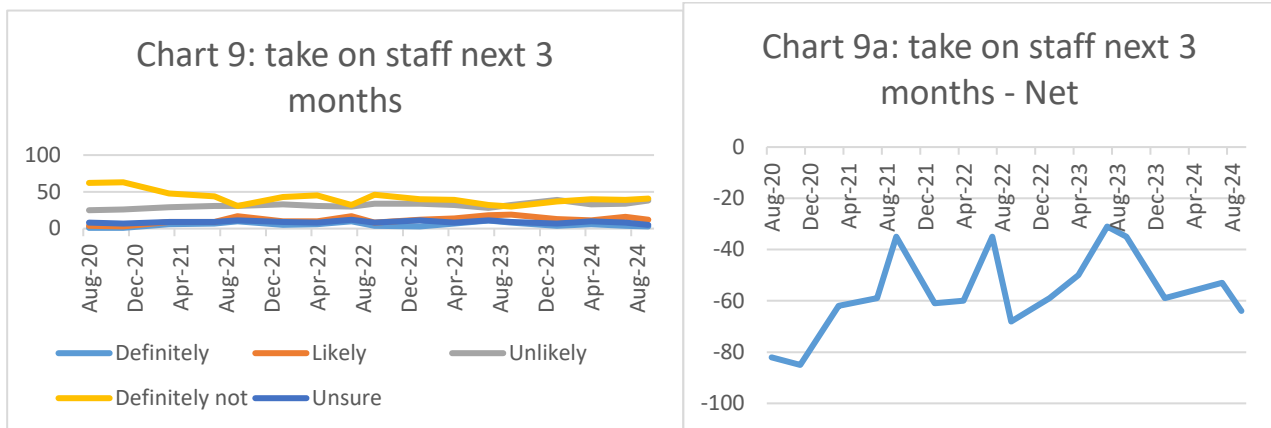


Chart 9a shows improvements in July each year but employment intentions remain firmly in negative territory. Intentions are at their lowest level since September 2022.

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 nations<sup>8</sup>. In line with this, the highest figure recorded so far since the survey began tells us that 31% (increased from 23% in July) have cut back on apprentices. 28% have not and 40% say they do not have apprentices (Q22)

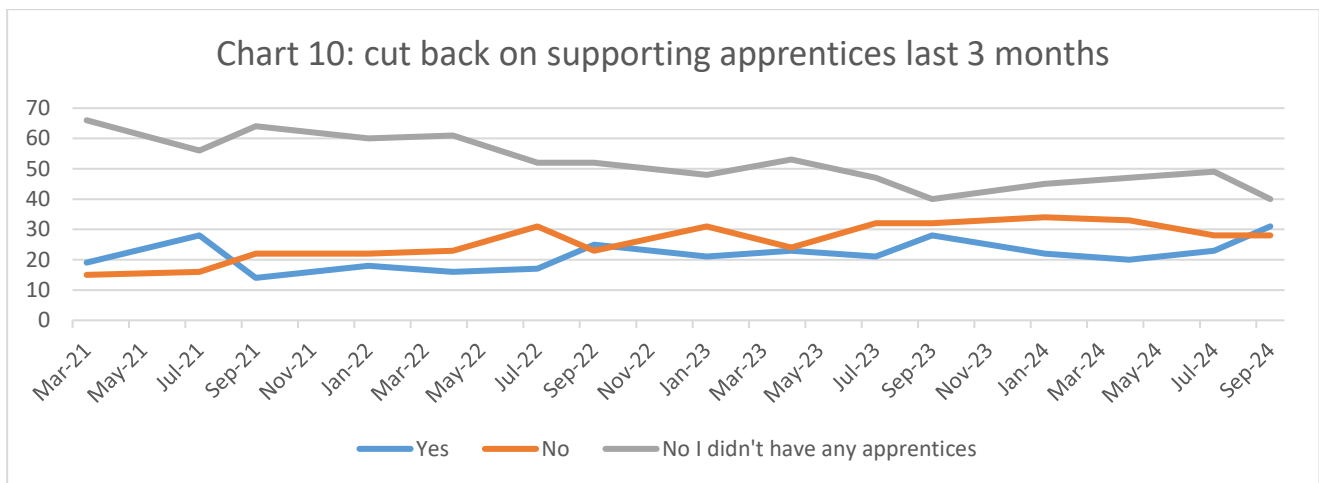
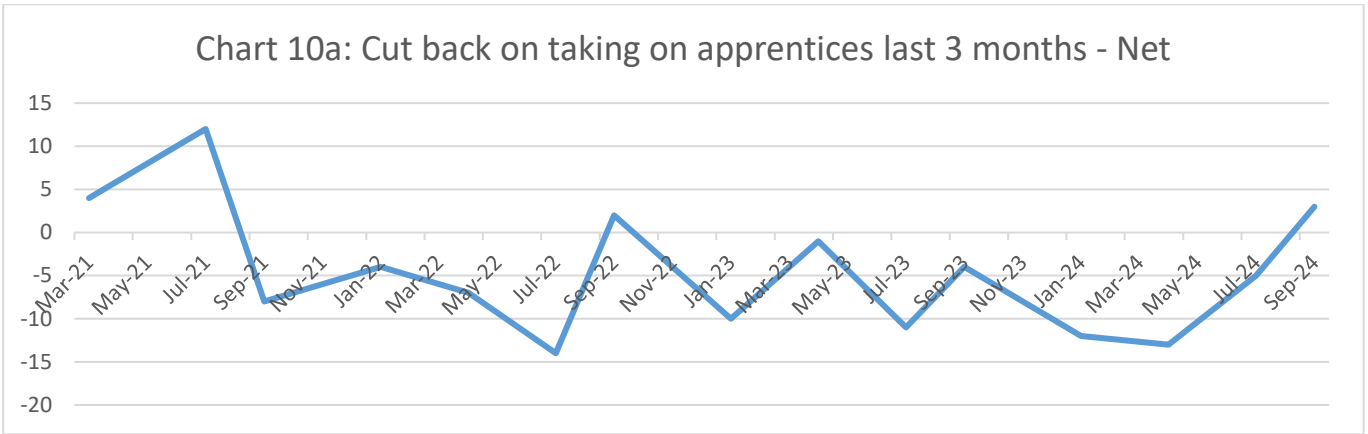
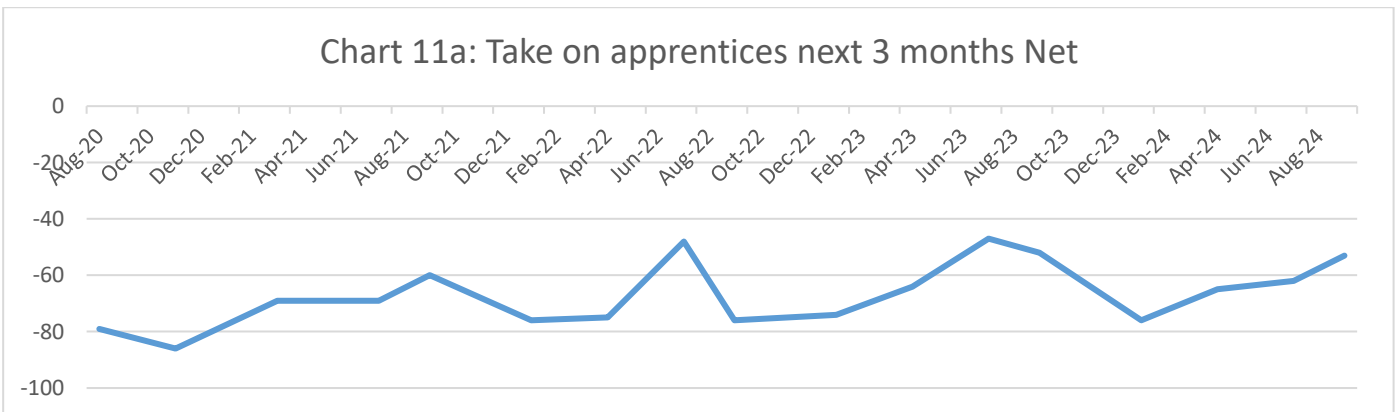
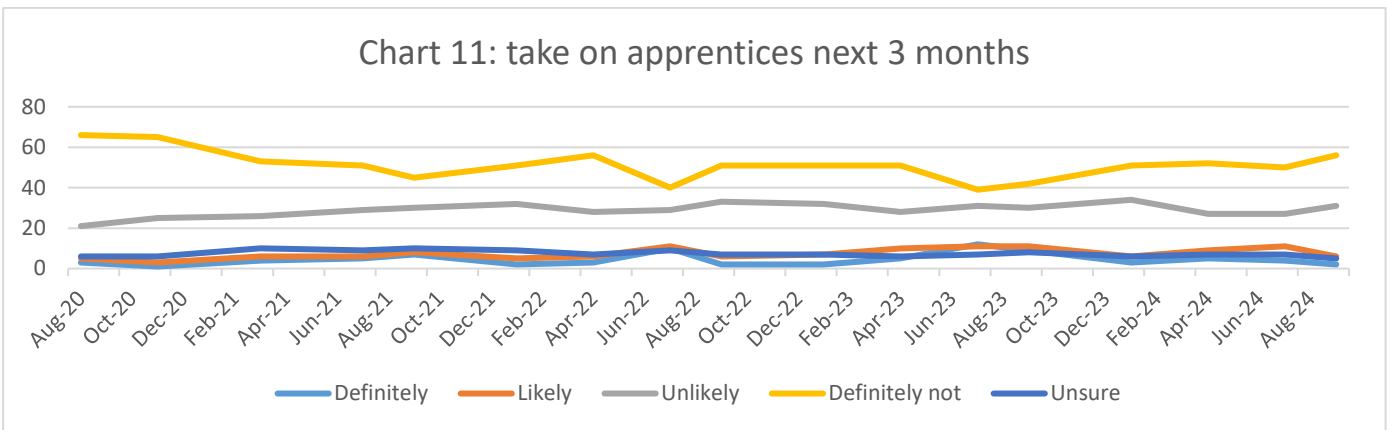


Chart 10a illustrates the negative trend in taking on apprentices since March 2021 with a slight rise to September 2024.

<sup>8</sup> NHBF Industry Statistics (2023)



Looking at the next three months, there was a clear rise in businesses saying that they were unlikely (31%) or definitely would not (56%) be taking on apprentices. Fewer businesses, only 8% (down from 15% (in July) were definitely or likely to take on apprentices in the next three months (Q23). It is a concern for the future of the sector that there is a dip in intention to take on apprentices which are still in negative territory (Chart 11a).



#### Business comments

*'Ongoing pressures of Covid loan repayments, increasing employment costs, VAT make it difficult to employ further apprentices and invest in my business. There is so much that I wish I could do to grow the business, but I simply can't afford to do so. The financial pressures concern me greatly as I would usually employ one or two apprentices each year to ensure that we have new staff coming through'.*

## Looking ahead - turnover, survival and growth intentions

### Turnover

Turnover expectations are slightly worse with more businesses (20%, increased from 12% in July) expecting it to decrease slightly. 27% of businesses (similar to July) expect it to increase slightly or significantly. 22% expect turnover to decrease, either significantly or slightly (up from 17% in July). 50% (down slightly from 55% in July) expect it to stay the same over the next three months (Q14).

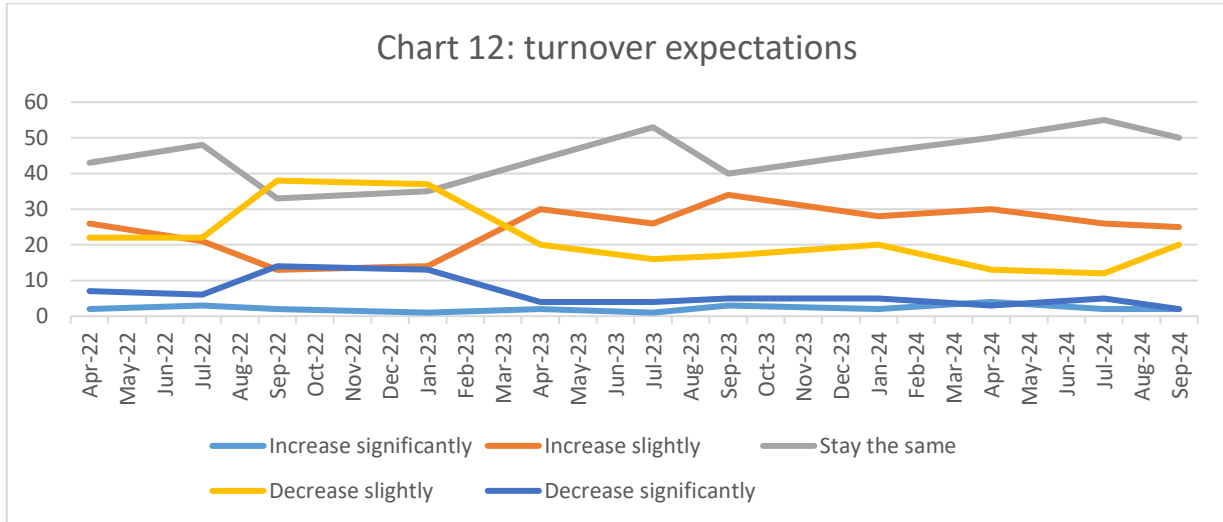
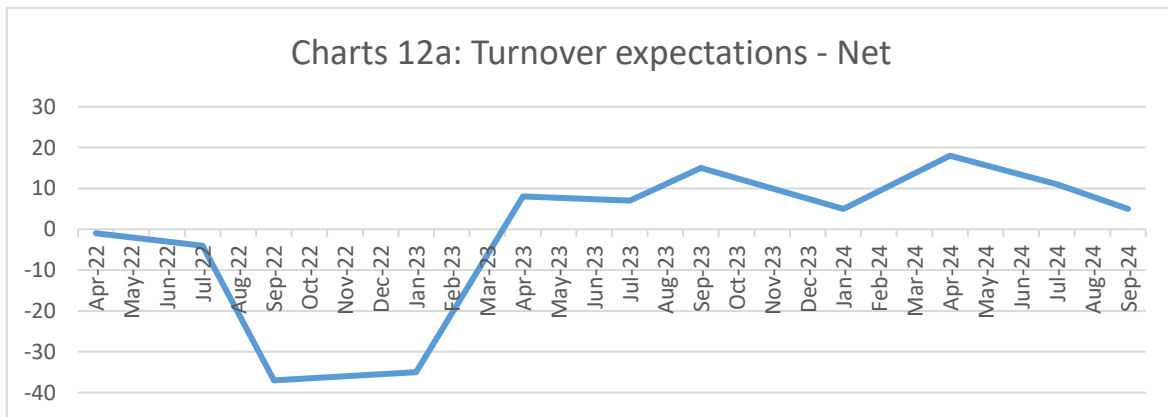
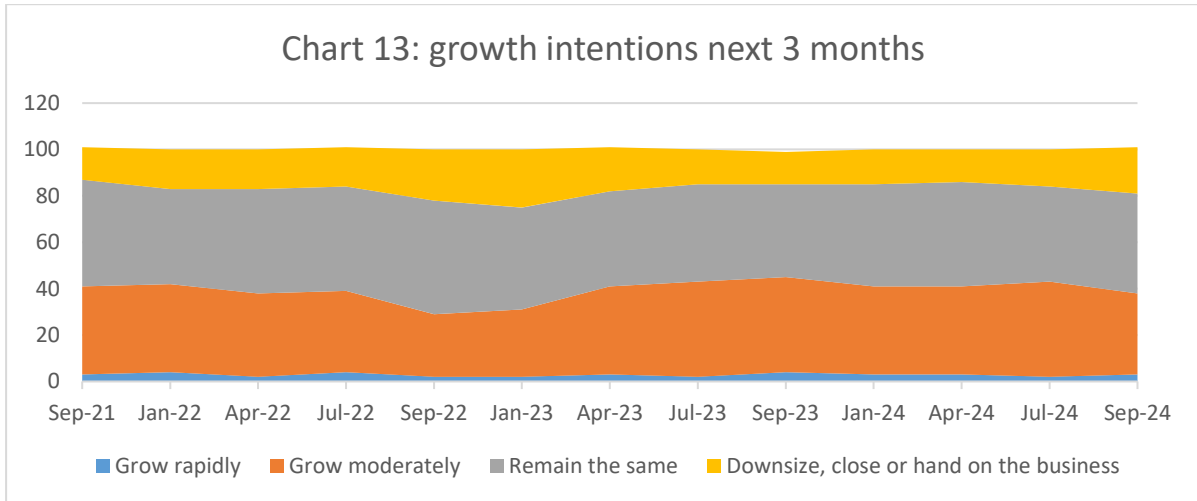


Chart 12a shows the trend since April 2022, after a low in the winter 2022, in positive territory but a dip from April 2024.



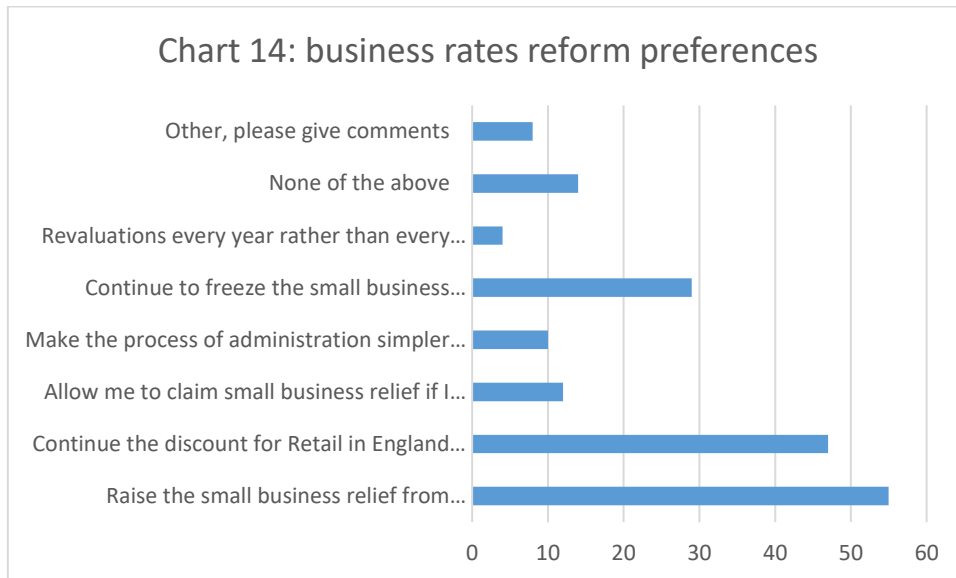
### Growth intentions

Growth intentions are still balanced with 43% saying that they intend to remain the same size and 38% saying that they intend to grow the business either rapidly or moderately (similar to 41% in July). Concerning is a slight increase in the number of businesses 20% (up from 16% in July) that are planning to downsize or hand over the business (Q15).



### Business rates reform

The government has committed to business rates reform in England. Businesses were asked which measures would have a positive impact on the business. Businesses were most favourable around raising small business rates relief from £12,000 to at least £25,000 (55%). 47% thought it was important to continue to the Retail discount in England and Wales. 29% said continue to freeze the small business multiplier and 12% said allow me to claim small business relief if I have two or more small salons (Q16).



#### Business comments

*'Business rates relief is essential for businesses to continue to remain open'.*

When asked whether businesses were the owner of multiple businesses/salons/barbershops that miss out on qualifying for Small Business Rates Relief because of restrictions. 8% said yes but that the majority (69%) not (Q17).

## Conclusion and recommendations

The sector has been on a slow and steady road to recovery over the last year. It's of great concern that recruitment intentions for taking on both staff and apprentices remain low. We look forward to working with and shaping the government's proposals in the following areas:

- **Wage rises to be counterbalanced by targeted support:** we have provided comprehensive evidence to the Low Pay Commission showing how significant wage rises of 10-20% over the last year have had an impact on recruitment intentions. Business owners have also not been paying themselves the minimum wage, reducing staff hours and reducing investment in the business. NHBF urges restraint on future wage rises, giving more time for businesses to absorb costs and for these rises to be counteracted by targeted support for employers including through the Employment Allowance and particularly those taking on apprentices.
- **Support for small employers through the Growth & Skills levy:** as a significant employer of young people over time we look forward to working with Skills England to represent employers 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 big 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 up to £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.
- **VAT reform:** 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. 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.
- **Business rates discounts and reform:** small business rate relief and the 75% discount for retail businesses in England have 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.
- **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 improve the regulation of energy companies and further flexibility in repayment plans.
- **Enforcement activity:** We welcome government plans to improve HMRC enforcement and customer service. We are working with HMRC on a sector communications and education campaign throughout 2024 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.