



HABIC

HAIR AND BEAUTY INDUSTRY CONFEDERATION IRELAND

The National Minimum Wage 2021 Consultation Process

**Hair and Beauty Industry Confederation
(HABIC)**

**Submission to Low Pay Commission
On the National Minimum Wage**

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Table of Contents

Introduction.....	3
SME Overview.....	3
Impact on Industry	5
Current Industry Position	8
The Reality	12
Recommendation	12
References.....	15
Contact Information	15

Introduction

The Hair and Beauty industry is one of the fastest growing industries in Ireland. Our members are visible in every city, town, and village across the Ireland. In many cases, the hair and beauty industry is the backbone of many high streets across rural towns and villages. It is a dynamic industry which is constantly evolving, growing, and contributing substantially to GDP. To date, as an industry, it has gone unsupported by a unified representative body.

Hair and Beauty Industry Confederation (HABIC) is a non-profit, membership-based national organisation committed to representing, supporting, developing and uniting all areas of the Hair & Beauty industry in Ireland, and all those who work within it. It is a progressive and transformative organisation working on behalf of its members to deliver a comprehensive action plan, which ensures that the voice and needs of the industry are recognised by all.

HABIC welcomes the opportunity to present this submission to the Low Pay Commission regarding the appropriate National Minimum Wage for 2021. HABIC fully recognises the requirement for the National Minimum Wage and its vital role in creating a fair society of all.

HABIC holds the view that it is essential that the National Minimum Wage reflect the commercial realities of all industries, sectors, and regions. In this submission, HABIC argues against any increase regarding the National Minimum Wage and proposes that the Low Pay Commission recommend no change to the current National Minimum Wage.

HABIC fully supports and echoes the submission made by ISME (Irish SME Association) to the Low Pay Commission and will not reiterate all the points that has been made in the ISME submission in this document.

SME Overview

The House of the Oireachtas (2019) report notes “SMEs are the engine of jobs growth and development in our economy. As a sector, it is a diverse and vibrant, and accounts for over 99% of active enterprises in Ireland and 65% (over one million) of total employees, which increases to 68.4% when proprietors and family members engaged in the SME are included. SMEs are the main source of jobs in the Irish economy and it is important that our Government and Parliament do everything possible to support a sector which is such a key

source of employment” (Report on Small and Medium Sized Businesses in Ireland, May, 2019).

HABIC recognises the valuable contribution of low paid workers to Irish society and enterprises nationally, however the commercial reality of the Irish enterprises is as follows;

- The 92.6% of SME’s are micro enterprise and not “Big Business” (DBEI, 2017)
- Employers are stretched to capacity and cannot absorb any additional hikes to the cost of doing business in Ireland.
- Many sectors operate on a very tight profit margin which is continually eroding, with reference to the service enterprises such as hair and beauty. In 2019, a recent HABIC survey reported that the industry’s Total Cost of Labour as a percentage of turnover massively exceeded figures of the 48%-52% recommended by industry experts. This is the rate at which enterprises are viable and will be able to make modest profit. Our survey noted that the vast majority of enterprises broke even or made a loss in 2019.
- Enterprise is continually being affected by crippling inflated overheads.
- Consumer Price index notes a 1.3% increase up from January 2019 (CSO, January 2020).
- The majority of government supports currently available overlooks the domestic market and focuses on export enterprises.

1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Value added		
	Ireland		EU-28	Ireland		EU-28	Ireland		EU-28
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	232 015	92.6 %	93.0 %	385 386	29.4 %	29.8 %	36.8	20.4 %	20.9 %
Small	15 519	6.2 %	5.8 %	293 404	22.4 %	20.0 %	15.1	8.4 %	17.8 %
Medium-sized	2 609	1.0 %	0.9 %	248 969	19.0 %	16.7 %	14.2	7.8 %	18.2 %
SMEs	250 143	99.8 %	99.8 %	927 759	70.9 %	66.6 %	66.1	36.6 %	56.8 %
Large	500	0.2 %	0.2 %	381 540	29.1 %	33.4 %	114.8	63.4 %	43.2 %
Total	250 643	100.0 %	100.0 %	1 309 299	100.0 %	100.0 %	180.9	100.0 %	100.0 %

These are estimates for 2016 produced by DIW Econ, based on 2008-2014 figures from the Structural Business Statistics Database (Eurostat). The data cover the ‘non-financial business economy’, which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed). The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.

Impact on Industry

2019 has been one of the toughest years for the hair and beauty industry. HABIC members have been forced to absorb a host of increases, which have resulted in many good enterprises closing, job losses, and reduced hours. A recent survey regarding the impact of the rising National Minimum Wage reported the following:

1. 4.42% of employers noted better employee engagement.
2. **2.65% of employers noted an increase in employee productivity.**
3. 11% of employers of those on the NMW noted happier employees.
4. 12% of employers noted no noticeable impact of the NMW on the business.
5. **44.25% of employers noted an overall reduction in the numbers employed.**
6. 46.90% of employers noted a reduction in number of working hours available to employees due to the rise in the cost of labour.
7. **69.03% of employers noted an increased financial strain on the business.**
8. **63.72% of employers noted an increased dependency on the owner to work harder and longer in order to meet the financial business commitment.**
9. 0.88% of employers noticed a rise in profitability.
10. 58.94% of employers noted a decrease profitability.
11. **30.63% of employers noted a rise in ‘Total Labour Costs’ which are unsustainable and will have a serious effect on the business.**
12. **34.23% of employers noted a significant rise in the Total Cost of Labour.**
13. 9.01% of employers noted a decrease in the Total Cost of Labour due to a reduction in the number of staff employed due to rising costs.
14. 58% of employers noted that less than 30% of employees are paid NMW.
15. **56.75% of SME’s noted that their business in 2019 either ‘broke even’, ‘made a financial loss’ or ‘made a significant financial loss’.**
16. **36.04% of SME’s noted that their enterprise ‘just about made a profit’ in 2019.**
17. 7.21% of SME’s noted that their enterprise made a ‘healthy profit’.
18. 70.01% of employers noted that there should be no change to the current National Minimum Wage, and the market/economic climate should define the correct rates of payment.

Some comments outlined by our members are as follows:

- “I can no longer afford to employ the amount of staff I did, and I have only 1 apprentice in salon instead of 3, which hugely effects the service we provide. I’m in business 25 years and now facing all the challenges going forward. I just don’t know if it’s worth it anymore.”
- “I believe the training rates of pay should be reinstated so that salon owners can employ and train more young people which is difficult to do when you have to pay the minimum rate in wages.”
- “The wage paid to juniors is crippling, I will never again take on a junior in my business as I am not able to pay them.”
- “March 5th 2019, saw an increase of over €70 for an individual trainee. When salons have a number of trainees the increase has been astronomical, with absolutely no warning or consultation with businesses or hairdressing organisations. I already know businesses that have reduced employees, gone bust or decided to close or retire. This has had the opposite effect than what was intended.”
- “Would love to pay higher wages but we don’t live in a big city like Dublin, Cork or Limerick. Little villages and towns are being crucified by rising costs. We charge €13 for a haircut which costs €30 in the city. With the rise of wages, the cost of living goes up, but I can’t charge €20 for the haircut - people just won’t pay it. Something needs to give - otherwise more people will be closing up shop and leaving the country.”
- “The tax system is driving the black economy everywhere. It is having an enormous effect on overall revenue in the industry.”
- “Since the training wage has been abolished, and minimum wage and VAT have risen, I actually feel like I’m choking as a business. I employ 5 people 3 of which I have trained at cost to myself. Took 4 people off benefits. I had to cut 1 trainee’s hours to part-time. I can’t hire anyone else and I really need a manager to help me.”
- “I find that a Saturday girl is out of the question now.”
- “The increase in the minimum wage encourages everyone on a higher wage to look for more money. It’s a viscous circle and will end up losing more jobs than gaining.”
- “Staff are asking questions as to why they’re being paid the same as someone who has just come from training with less experience. Which I think is very unfair as a

hairdresser and employer. I need more staff but am unable to employ because of overheads like tax, the VAT rate rise, and increase from suppliers.”

The reversal of the VAT rate to 13.5% has seriously affected the industry and is crippling enterprises. The continuous, year on year, incremental increases in the National Minimum Wage and the National Training Fund levy, means enterprises are required to increase turnover yet absorb the costs incurred. The removal of training rates has been a weighty burden as until recently the industry lacked a national statutory hairdressing apprenticeship. This apprenticeship has now been validated. However, it will take significant time before it can meet the needs and capacity of the industry. In the meantime, the industry is forced to pay a full minimum wage for employees who are untrained and are a significant cost to the enterprise.

It is also worth noting that as our society moves towards a digital and technological revolution, the integration of technological advancement into the workplace will leave many occupations and professions with the requirement to evolve in order to avoid displacement. This evolution will have a significant cost to businesses.

Ireland’s current unemployment figure is 4.8% nationally (CSO, 2020). Many industries of our economy nationally are experiencing challenges in recruitment. Within the hair and beauty industry, there is a national skills crisis, and a significant lack of experienced and skilled adult professionals entering the industry. This is compounded by an industry that has over 90% female employment, and a high churn rate due to professionals taking timeout to raise families.

The reality of the current climate means that employees available for recruitment are dictating rates of pay far beyond what is sustainable and viable for many enterprises. Due to the consistent rise in the National Minimum Wage for all employees, all wage levels have been driven up. It has also substantially risen the Total Cost of Labour for businesses into rates that are unsustainable and unviable in the long term.

Many enterprises within the hair and beauty industry are ***not competing*** on a level playing ground. There is an extremely active and thriving black market within the hair and beauty industry and an increase in the NMW will further drive a divide and increase competition. A sustainable ‘Cost of Doing Business’ is core to the viability of an enterprise and the ability to create and maintain employment

Current Industry Position

In January 2020, the CSO Consumer Price Index reported that prices on average had risen by 1.3% in December 2019 and January 2020 as directly compared with January 2019. This rise in the cost of living indicates that consumer's purchasing power has reduced.

When the Consumer Price Index is examined in closer detail for the information in relation to the cost of hairdressing, the results paint a very challenging picture for the industry. As detailed in Table 2 & 3, the Consumer Price Index outlines that the cost of hairdressing services has risen as follows – in December 2019 by 6.1% and in January 2020 the consumer will pay 3.1% more for their hairdressing service.

Table 15 COICOP Division 12 Miscellaneous Goods and Services - January 2020

Description	Weights 2020	Index Dec. 2016=100	Percentage changes	
			1 month	12 months
12.1 Personal care	3.4168	94.5	-0.2	-0.4
12.1.1 Hairdressing salons & personal grooming establishments	1.2807	107.6	0.0	2.7
Hairdressing	0.9593	109.8	0.0	3.1
Health & beauty treatments	0.3214	101.2	0.0	1.4
12.1.2 Electric appliances for personal care	0.0418	84.2	-1.4	-6.4
12.1.3 Other appliances, articles & products for personal care	2.0942	87.9	-0.3	-2.2
Hygiene products	0.5303	91.4	-0.3	-0.9
Hair products	0.2545	87.8	0.2	-1.9
Cosmetics & skincare products	0.8155	88.4	-0.8	-3.1
Toilet accessories	0.4940	83.4	0.2	-2.6

Table 2, January 2020

Table 15 COICOP Division 12 Miscellaneous Goods and Services - December 2019

Description	Weights 2019	Index Dec. 2016=100	Percentage changes	
			1 month	12 months
12.1 Personal care	2.4477	94.7	0.0	0.0
12.1.1 Hairdressing salons & personal grooming establishments	0.9110	107.6	0.4	5.0
Hairdressing	0.6824	109.8	0.2	6.2
Health & beauty treatments	0.2286	101.2	1.1	1.4
12.1.2 Electric appliances for personal care	0.0318	85.4	-0.1	-6.3
12.1.3 Other appliances, articles & products for personal care	1.5048	88.2	-0.2	-3.0
Hygiene products	0.3811	91.7	0.0	-1.0
Hair products	0.1829	87.6	0.2	-4.3
Cosmetics & skincare products	0.5860	89.1	-0.7	-2.9
Toilet accessories	0.3550	83.2	-0.2	-4.5

Table 3, December 2019

What these tables **do not** tell you is that this rise in cost has been directly impacted by government decisions to increase the VAT, NMW and PRSI, and the removal of the training rates. Additionally, from a business perspective, Cost of Business has significantly increased with no increase in productivity. Additionally, a further review of the Consumer Price Index in the hairdressing industry over the past 10 years has highlighted minimal increase in the hairdressing CPI.

The % change in the **general** CPI from Jan 2010 to Jan 2020 is 7.39%, in general a basket of goods and services that cost €1 in Jan 2010 would have cost €1.07 in Jan 2020 (CSO, 2020)

The % change in the CPI for **hairdressing** from Jan 2010 to Jan 2020 is 6.29%, the service that cost €1 in Jan 2010 will now cost €1.06 in January 2020 (CSO, 2020)

In a 12-month period the following has taken place:

1. The VAT rate on **services increased by 4.5%** on the 1st of January 2019, the rate increase from 9% to 13.5%.
2. The **National Minimum Wage increased by 2.6%** per hour from the 1st of January 2019 to €9.80 per hour which is an increase of 0.25c per hour.
3. Employer's PRSI contributions **increased by 0.01%** from 1st of January 2019.
4. [The Employment \(Miscellaneous Provisions\) Act 2018](#) abolished training rates on the 4th of March 2019, and **increased subminimum training rates by 30%, 20% and 10%** dependant on age.
5. The Service Produce Price Index has risen by 2.3% (Q3, 2019)
6. Capital Goods Index increased by 2.3% in 2019
7. The cost of energy and utilities has significantly increased.
8. The cost of product has increased.
9. The cost of insurance premiums has increased.
10. The cost of rent and rates has increased.

The Department of Employment Affairs and Social Protection introduced an additional increase on the National Minimum Wage on the 1st of February 2020, outlining the rate for an **Experienced Adult Worker** of €10.10. It is our view that this rate of payment is a barrier to entry level employment within the hair and beauty industry. It especially penalises those with

no previous work experience who wish to enter the industry, train and upskill. Such a high NMW rate discriminates against those over the age of 20 years of age with no prior experience. Additionally, it also places an industry at risk due to the significant investment required to train a professional, the number of employers able to invest in training is decreasing and the pipeline of talent entering the industry is reducing, employers simply cannot maintain these rising costs. It is also our view that the definition of an **Experienced adult worker** has not been fully considered in regard to the removal of the training rates and the viability of an industry.

The national minimum hourly rate will become €10.10 on 1st February 2020.

Category of Employee	Hourly Rate
<u>Experienced Adult Worker</u>	€10.10
Under 18	€7.07
Aged 18	€8.08
Aged 19	€9.09

Since 04/03/2019 trainee rates are abolished

Recent HABIC research reports that employers within the hair and beauty industry have seen an unsustainable rise in the cost in labour that has resulted in their business moving into the area of **breaking even or making a financial loss.**

Additionally, consumer's purchasing power is directly affected by the ***rising cost of living*** nationally in Ireland, which has been noted in many reports including the National Competitiveness Council (2019). The rise in cost of living in Ireland directly impacts the hairdressing and beauty industry as when consumers have less disposable income to spend;

- Consumer's visits to professional salons are significantly reduced, and the length of time between visits is increasing, reducing the number of visits to the salon in a year.

- Consumer services from professional outlets are being substituted most worryingly with those from the thriving black economy. The state directly loses out on tax revenue.
- When consumers do eventually visit salons, the spends on services are reducing.

Prices for the consumer are falling, business costs are significantly increasing, competition is rising and the viability of the industry is in danger from various areas including the black market, the gig economy, coupled with continuous loadings and hikes imposed by government. Salons are invested in their community and are part of the social landscape of Irish society, they take their social responsibilities seriously and are in tune with the prices their consumer can tolerate however this is often at the cost of organisational sustainability and modest enterprise profit. The vast majority of salons nationally just about manage to keep their doors open and create high levels of employment at huge financial and personal cost. The continual rises in NMW erodes the viability of so many enterprises who continually keep our towns and villages alive and deliver a valued and much needed service to their communities.

HABIC acknowledge that some sectors of the Irish economy are performing well, however, HABIC wish to draw the Low Pay Commission's attention to the fact that not all areas of the economy are performing well. This is especially true in the hair and beauty industry. The increase in the *Cost of Doing Business* in Ireland *without additional return in productivity* is an additional burden that this industry cannot continue to carry.

The National Competitiveness Council (2019) notes "While the overall cost picture is positive, some areas are a cause for concern. After years of moderate growth, in 2018 labour costs increased by 2.9%, four times faster than consumer prices. Without similar increases in labour productivity, this increase in costs will simply put pressure on Irish prices."

Since 2016, the National Minimum Wage has increased by a combined 15.8% from €8.65 to €10.10. The knock-on effect of this consistent rise in minimum wage compounded with a national skills shortage means that employers within the hair and beauty industry are forced to pay the vast majority of experienced professionals wages well beyond minimum wage. Although employees deserve a wage appropriate to their skillset (and one that delivers them an expected standard of living), the realities are that many services and treatments that consumers seek have a ceiling price that consumers are willing to pay for. The consistent

rising of the minimum wage only seeks to put pressure on the enterprises who are already struggling.

The direct decline on employment numbers within the industry can be clearly noted within Table 4 (CSO, 2020) it is the view of HABIC and our members that this decline is directly related to the increase in the cost of labour, rise in the NMW and abolishment of the Trainee rate combined with the overall rise in cost of doing business in Ireland.

Persons aged 15 years and over in employment (ILO) classified by occupation (SOC2010) - 3 digit							
Occupational group							
622 Hairdressers and related services							
Q1 18	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
28.8	25.9	28.4	28.0	28.0	27.0	27.4	25.8

Table 4, Employment Classified by Occupation, Labour Market Analysis, (CSO, 2020)

The Reality

The cost of running an SME in Ireland is out of sync with the ability and willingness of the consumer to pay higher prices for services or goods received, ultimately resulting in the threat of substitution or in the contraction of spend ability. Therefore, any additional increase in the national minimum wage will, without doubt, result in job losses and SME closures.

Like ISME, HABIC hold the position that incremental and modest increases in the National Minimum Wage does not support the low-paid in a real and substantial manner. It will not remove poverty traps for vulnerable workers. If government want to really support these workers, they need to move more towards *reducing the Cost of Living in Ireland*.

Furthermore, the uncertainty of the effects of Brexit on the Irish economy and, most recently, the threat of the Coronavirus leaves the economy and all enterprises in a vulnerable and unknown position.

Recommendation

Employers and SME's can no longer be squeezed, instead they must be supported in order to create and sustain jobs. Any increase in the NMW will be the final nail in the coffin for SME's in the Irish hair and beauty sector.

We call on the Low Pay Commission and government to support the 99.8% of Irish enterprises, who are the backbone of the Irish Economy.

1. HABIC recommend that the Low Pay Commission **do not increasing the National Minimum Wage beyond its current point.**
2. HABIC recommend that the Low Pay Commission take on board and support the needs of industries and regions within the SME community, we ask the Commission to *understand* that the hairdressing and beauty industry is a **highly labour-intensive industry** and very *unique* to other occupations and enterprises. Any upward increase nationally will further impact employment numbers nationally, as highlighted in above Table 4, between January 2018 and December 2019, there **are 3000 people less** employed in the industry, this is a **decrease of 10% in the industry workforce.** Furthermore, between January 2019 and December 2019 employment numbers have dropped by **2200 or 8% decrease in the industry workforce nationally.** We wish to highlight a national skills shortage of *experience adult workers* and the war on talent created within the industry, the job losses identified above are at entry level where the Cost of Labour and a high NMW does not result in sufficient and sustainable productivity. As detailed above the decisions made by Government to increase the NMW and abolishment of Trainee rates in 2019 has significantly impacted these job losses.
3. We recommend the Commission be extremely cautious in regard to increases in NMW, the impact of any increase will place an already struggling industry into a dangerous position and will as the figures show directly place even more employment as risk.
4. We recommend that the Commission place serious consideration of the viability of industry and regions nationally. The domestic economy is struggling and cannot absorb additional increase.
5. We recommend that the Commission and Government review how education and training is provided and supported within the industry, we strongly urge a review and the re-establishment of a training rates which were abolished on the 4th of March 2019. We also strongly recommend the removal of the two tiered Statutory Apprenticeship model, where by post 2016 employers must cover the wage cost of the apprentice wage while both on and off the job, this model is not viable particularly in the service industry such as hairdressing, beauty, hospitality, etc and will be a barrier

to entry. We also argue that this two tiered system discriminates against industries and places and unbalanced essential allocations of the National Training Fund towards pre 2016 apprenticeships. The viability and continuous pipeline of talents and skills into the hair and beauty industry rests on highly levels of education being delivered in a sustainable and cost effective manner, with specific regard to employers within the hairdressing industry who have historically significantly invested financially in the educating and development of their apprentices to the highest level. This investment was only possible due to the now abolished training rates.

6. We strongly recommend the Government turn their attention to ***tackling the high and unsustainable Cost of Living and the unsustainable Cost of Doing Business in Ireland.***

HABIC welcome the opportunity to meet with the members of the Low Pay Commission should the Commission require additional information.

References

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Contact Information

Hair and Beauty Industry Confederation (HABIC)

The Enterprise Centre,

Hill Road,

Drumshanbo,

Co Leitrim.

Eircode N41 Y1F6

Office: 0719640438

Web: www.habic.ie

Email: info@habic.ie