



HABIC

HAIR AND BEAUTY INDUSTRY CONFEDERATION IRELAND



Jim Power
economics

**The Supports Needed
for the
Hair and Beauty Sector
April 2021**

Table of Contents

EXECUTIVE SUMMARY	1
INTRODUCTION.....	4
SECTION 1: ABOUT HABIC AND ISME.....	7
SECTION 2: EMPLOYMENT LEVELS IN THE HAIR AND BEAUTY SECTOR.....	9
SECTION 3: THE ECONOMIC AND FINANCIAL CONTRIBUTION OF THE HAIR AND BEAUTY INDUSTRY	12
SECTION 4: THE CHALLENGES FACING THE HAIR AND BEAUTY SECTOR AND THE SUPPORT REQUIRED	18
ABOUT THE AUTHOR:	21
REFERENCES.....	21



EXECUTIVE SUMMARY

Business conditions for the hair and beauty sector have been very challenging since the introduction of COVID-19 restrictions in March 2020. In 2020, salons were closed for 22 weeks in total. They were closed from the middle of March until 29th June; from 21st October to 1st December; and from 25th December until the end of the year. They have not been allowed open at any stage to date in 2021. When allowed open, they were subject to serious restrictions and very expensive health and safety procedures. When allowed open, the sector abided by very strict health and safety protocols, and invested in PPE equipment at great cost. Much of this expenditure has been lying idle due to forced closure.

The hair and beauty sector is one of the most adversely affected sectors across the economy, because the businesses were forced to close for lengthy periods, and were not able to engage in any business activities, unlike restaurants for example, who could engage in takeaway activities. It is estimated by the author of this report that turnover in 2020 was down by around 55 per cent on 2019 levels. It is still not clear when the salons will be allowed reopen.

COVID-19 has demonstrated the importance of hair and beauty services in Irish life, from a social, economic, and mental health perspective. Following the closure of these businesses in March 2020, and the subsequent varying levels of restrictions, the financial impact on the operators has been very severe, but the impact on the national psyche has been equally severe.

The hair and beauty sector is a very important component of the economy. It provides valuable employment in every county in the country; it makes a significant contribution to the Exchequer; it provides strong training to staff; and most importantly of all, it delivers a very important service to the public.

TOTAL CONTRIBUTION OF THE HAIR AND BEAUTY SECTOR TO GDP

In 2019:

- The Direct Contribution to GDP of the Hair and Beauty Sector based on output value of €2,624 million is estimated at €1,461 million.
- The Indirect Contribution to GDP of the Hair and Beauty sector based on output value of €2,624 million is estimated at €551 million.
- The Induced Contribution to GDP of the Hair and Beauty sector based on output value of €2,624 million is estimated at €787 million.
- The total contribution to GDP of the Hair and Beauty sector is estimated at €2,799 million.
- The total contribution of the sector in 2019 was equivalent to 0.78 per cent of GDP; and 1.31 per cent of GNI* (Gross National Income*).
- The industry supported 30,800 jobs directly and 18,480 jobs indirectly in the economy. The total employment supported by the Hair and Beauty sector is

estimated at 49,280 jobs. This is equivalent to 2.1 per cent of total employment in the economy at the end of 2019.

In 2020:

- The Direct Contribution to GDP of the Hair and Beauty Sector based on output value of €1,740 million is estimated at €929 million.
- The Indirect Contribution to GDP of the Hair and Beauty sector based on output value of €1,740 million is estimated at €365 million.
- The Induced Contribution to GDP of the Hair and Beauty sector based on output value of €1,740 million is estimated at €522 million.
- The total contribution to GDP of the Hair and Beauty sector is estimated at €1,816 million.
- The total contribution of the sector in 2020 was equivalent to 0.49 per cent of GDP; and 0.9 per cent of GNI* (Gross National Income*).
- The industry supported 27,000 jobs directly and 16,200 jobs indirectly in the economy. The total employment supported by the Hair and Beauty sector is estimated at 43,200 jobs. This is equivalent to 2.2 per cent of total employment in the economy at the end of 2020.

Hair and beauty businesses have an important presence on the pressurised streets of villages, towns, and cities around the country. These businesses are anchor tenants in all high streets and shopping centres around the country and are an important driver of footfall. In addition, these businesses generally have a very positive and innovative physical appearance and certainly contribute in a positive way to the streetscape.

Without significant financial support, many businesses will struggle to survive once they are allowed re-open. Business Sustainability will be a massive challenge. Many businesses will be left with a significant legacy of rates, rents, and tax liabilities; and bank interest accruing; likely difficulties in retaining and sourcing staff who have been forced out of the industry.

The 'black market' in hair and beauty services has prospered since March 2020, and the risk is that many clients may not return to legitimate businesses.

Strong support will be required to ensure that legitimate businesses survive & are around to contribute to rebuilding the sector.

SUPPORTS REQUIRED

- The 9 per cent VAT rate should become permanent. In addition, Government needs to do whatever it takes to extend the lower VAT rate to the beauty sector. A reduced VAT rate indefinitely for the entire hair and beauty sector would help the legitimate operators compete against the non-legitimate operators. This would undermine the black economy in beauty and hairdressing services.
- One of the challenges for the legitimate hair and beauty sector when it eventually is allowed re-open will be to attract clients back who migrated to non-legitimate operators during the period of restrictions. A 'stay and spend' scheme should be introduced for the hair and beauty sector. The scheme would only apply to registered legitimate businesses. By giving a tax credit to customers, clients would be enticed back to the salons; this would provide support to struggling businesses seeking to re-build; and it would help divert business away from non-legitimate operators who make no contribution to the Exchequer. The scheme should not be made available until 8 weeks after the salons are allowed re-open.
- The EWSS is expected to continue until 30th June 2021. HABIC believes that this scheme should remain in place for the hair and beauty sector until at least the end of 2021, and possibly to the middle of 2022, depending on the evolution of the COVID-related restrictions on the sector. As employers must possess valid tax clearance to enter the EWSS and continue to maintain tax clearance for the duration of the scheme, this will also help legitimate businesses compete against non-legitimate businesses.
- Legitimate hair and beauty businesses were forced to shut down in the interests of public health. Unfortunately, many of those businesses are left with a legacy of accumulate rents, commercial rates, tax liabilities, and bank interest costs. If those businesses are to re-start and become viable again, it is essential that reliefs are extended to the end of 2021, Furthermore, consideration must be given to writing off some of those accumulated financial liabilities. The reality is that these accumulate debts are a result of Government restrictions rather than decisions taken by the business owners.
- As hair and beauty businesses are allowed re-open, the costs of doing so will be significant. These include further investment in PPE; Rapid Antigen Testing; the high fixed and variable costs in running a business under conditions of serious restrictions; and staffing problems. The sector needs to be given a meaningful once-off grant payment to enable them re-open in a sustainable way. The grant should be equivalent to 50 per cent of commercial rates in 2019, subject to a minimum payment of €3,000.

INTRODUCTION

Business conditions for the hair and beauty sector have been very challenging since the introduction of COVID-19 restrictions in March 2020. In 2020, saloons were closed for 22 weeks in total. They were closed from the middle of March until 29th June; from 21st October to 1st December; and from 25th December until the end of the year. They have not been allowed open at any stage to date in 2021. When allowed open, they were subject to serious restrictions and very expensive health and safety procedures.

The CSOⁱ estimates that of the 242,599 enterprises in the base population in 2018, 59.3 per cent availed of the Wage Subsidy Scheme and/or the pandemic Unemployment Payment (PUP) at least once between March and September 2020. 'Other Service Activities', which includes 'Hairdressers and Other Beauty Enterprises', had the highest sectoral take up of the State's employment-related support between March and September. 67.5 per cent of enterprises in this sector were using at least one of the supports created at the beginning of the lockdown in March 2020. This increased to 73.6 per cent in April, and remained steady at over 70 per cent in May and June.

Within the 'Other Service Activities' sector, 83.7 per cent of 'Hairdressing and Other Beauty Enterprises' availed of a State COVID-19 payroll support at some point between March and September 2020. 77.5 per cent of firms in these activities used payroll support at the beginning of lockdown in March. This increased to a peak of 82 per cent in April, and remained at over 80 per cent for May and June, before declining to 32.6 per cent in September. Although data are not yet available for 2021, it is likely that over 80 per cent of enterprises in the Hairdressing and Other Beauty Enterprises' have availed of a State COVID-19 payroll support in the first 5 months of the year. The latest data from the Department of Social Protection show that in the week to 13th April 2021, 33,935 workers in 'Other Sectors e.g.: hairdressing and beauty saloons' were in receipt of the Pandemic Unemployment Payment (PUP). This accounts for 8 per cent of the total number of recipients of PUP.

It is clear that the hairdressing and beauty sector is one of the most adversely affected sectors across the economy, because the businesses were forced to close for lengthy periods, and were not able to engage in any business activities, unlike restaurants for example, who could engage in takeaway activities. It is estimated by the author of this report that turnover in 2020 was down by around 55 per cent on 2019 levels. It is still not clear when the saloons will be allowed reopen.

COVID-19 has demonstrated the importance of hair and beauty services in Irish life, from a social, economic, and mental health perspective. Following the closure of these businesses in March 2020, and the subsequent varying levels of restrictions, the financial impact on the operators has been severe, but the impact on the national psyche has been equally severe.

The hair and beauty sector is a very important component of the economy. It provides valuable employment in every county in the country; it makes a significant contribution to

the Exchequer; it provides strong training to staff; and most importantly of all, it delivers a very important service to the public.

Hair and beauty businesses have an important presence on the pressurised streets of villages, towns, and cities around the country. These businesses are anchor tenants in all high streets and shopping centres around the country and are an important driver of footfall. In addition, these businesses generally have a very positive and innovative physical appearance and certainly contribute in a positive way to the streetscape.

The hair and beauty sector delivers a service that is highly valued and important, not only from a physical grooming perspective, but also for the valued additional benefits of the self-confidence, mental health, and wellbeing that the services deliver.

The sector is made up of skilled and trusted professionals who build up a strong relationship with their clients. These professionals deliver a valuable service in a professional, efficient, hygienic, and sanitary manner.

This short report was commissioned by the Hair and Beauty Industry Confederation (HABIC) to highlight the very difficult environment for the sector; the pressures it has endured since March 2020, and the support it will require to become a functioning sector of the economy and society again.

The report also looks at the issues and challenges facing the sector, particularly from the growth of the 'black economy' and COVID-19. The growth of the 'black economy' in hair and beauty is doing serious damage to the legitimate industry and is robbing the Exchequer of valuable resources. COVID-19 represented a massive shock to the sector and will continue to have a negative impact for the foreseeable future. The sector was effectively shut down for almost four months, during which times business costs continued to accumulate, but revenues collapsed. For an already low margin and challenged business sector, this has created a very challenging environment, and one which threatens the viability of many valuable businesses and considerable employment. The sector will need the same financial supports as many other businesses throughout the damaged economy for the foreseeable future. If such assistance is not forthcoming, many businesses will not survive, which will destroy jobs, undermine the health of the high streets around the country, and damage the Exchequer finances.

The needs of the collective hair and beauty industry have not traditionally been supported through a strong and united voice. HABIC aims to be that united voice that will drive positive change in the industry; enhance its reputation; and create an awareness and appreciation of the contribution that it makes to the Irish economy and Irish society. It is a confederation of key professionals, organisations, and stakeholders from across the Irish Hair and Beauty industry.

The report was prepared using a few different approaches, including interviews with many stakeholders in the sector; desk-based research, reference to research in the UK on the Beauty Industry, and official statistical agencies.

The analysis in this report seeks to measure the contribution of Hairdressing, Beauty Treatments, Hair Products and Cosmetics and Skincare. See Appendix 1 for details of activities covered in this report.

Section 1 provides a profile of HABIC, and ISME, of which HABIC is a member.

Section 2 outlines employment in the sector, both from the perspective of recent trends, but also the employment contribution at a county level. Its strong regional footprint and contribution is emphasised.

Section 3, estimates the economic and financial contribution that the hair and beauty sector make to the Irish economy, broken down by direct, indirect, and induced impacts. The impact of COVID-19 is highlighted in a stark fashion.

Section 4 examines the various issues and challenges facing the sector now and into the future, and makes strong recommendations on what the sector requires to re-establish itself and resume its vital role in the Irish economy and in Irish society.

SECTION 1: ABOUT HABIC AND ISME

HAIR AND BEAUTY INDUSTRY CONFEDERATION IRELAND (HABIC)

The Hair and Beauty industry is a rapidly growing sector in the Irish economy. It is a dynamic sector that is constantly evolving, changing, and adapting to customer needs. HABIC is the representative body for all sectors of the industry. Its role and commitment are to drive industry standards, job creation, and personal development, and to enhance the reputation of the sector and its contribution to the economy.

The Mission Statement of HABIC is that it 'is a non-profit, national organisation designed to support and enhance the sustainable development of the Irish Hair and Beauty industry. It is a progressive and transformative organisation working on behalf of its members to deliver a comprehensive action plan which ensures the voice and needs of the industry are recognised by all stakeholders'.

Its vision is 'to be part of a revolution in which the Hair and Beauty industry is highly supported, included, and truly valued by all stakeholders as a key industry that makes a significant economic impact to the national GDP and labour force. Where the entrepreneurial and creative nature of the industry is valued, and the reputation of the industry is held in high esteem'.

HABIC has developed a five-year strategy with the aim of enhancing the reputation of the industry, further improve industry quality and standards, provide increased learning and development opportunities for members, and help raise innovation, social awareness, and professional competencies. Specifically, HABIC has nine strategic goals:ⁱⁱ

- 1) Become a clear, focused, coherent, united industry voice.
- 2) Build upon the current successes, which raise and enhance the collective reputation and value of the industry.
- 3) Actively drive sustainable industry and economic growth.
- 4) Enable and support workforce development.
- 5) Safeguard and raise industry standards and quality.
- 6) Work collaboratively to build strong alliances with key stakeholders to help future-proof the industry.
- 7) Support members during Brexit and economic downturns via networks and advisory.
- 8) Create a strong, inclusive, and supportive community of practice for all those involved within the industry.
- 9) Be a worldwide exemplar in social innovation.

IRISH SMALL AND MEDIUM ENTERPRISES (ISME)

ISME is the independent representative association for Small and Medium Enterprises. It has more than 10,500 members and accounts for more than 100,000 employees in the Irish economy, spread across many diverse sectors. Its mission includes *'to represent what is best in the SME sector'* and *'to anticipate and decisively articulate the needs of the sector.'*

It is now the established voice of smaller businesses in Ireland and is increasingly pushing the needs of SMEs up the political agenda.

SECTION 2: EMPLOYMENT LEVELS IN THE HAIR AND BEAUTY SECTOR

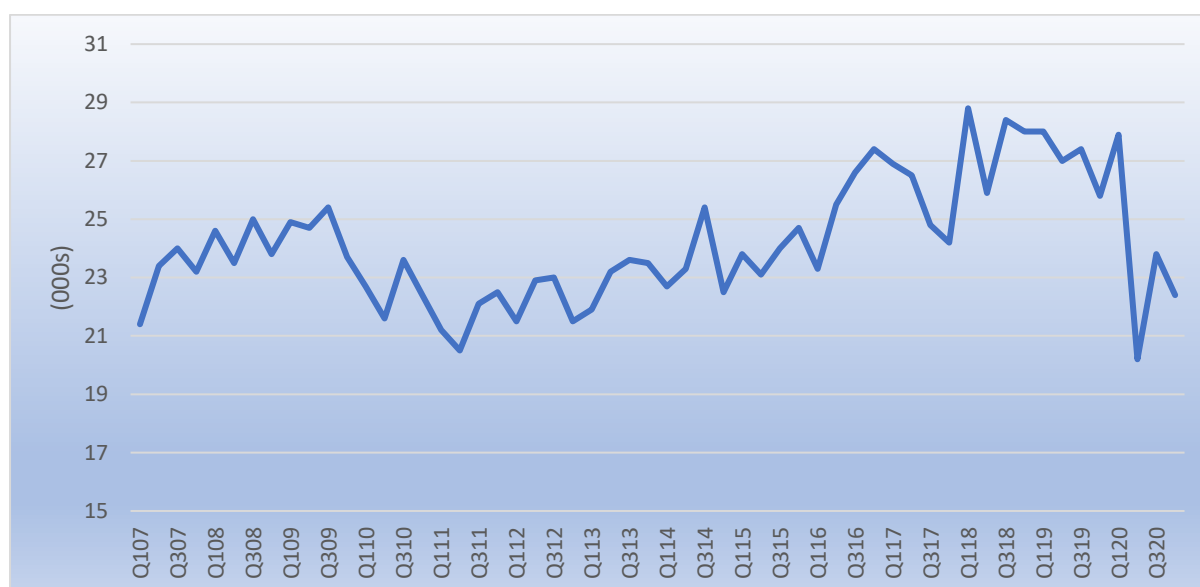
There are two components of the Hair and Beauty sector – *Hair and Beauty Services*, and *Hair Products, Cosmetics and Skincare Products*.

HAIR AND BEAUTY SERVICES

The Hair and Beauty Services sector is a labour-intensive activity, where practitioners spend a lot of time with their customers. This is the fundamental characteristic of a sector that provides a flexible and very family-friendly working environment. Census data from 2016, estimate that 88.9 per cent of employees in the sector are female. In particular, the sector employs many young females, who have limited formal education. As such, it offers a viable career path to younger people who have limited formal National Framework Qualification (NFQ) education. This is very important from a socio-economic perspective.

Under the NACE Rev 2 business classification Code 9602, 'Hairdressing and other beauty treatment', the occupations included in this category are Barber, Beard trimming, Beautician, Beauty consultant, Beauty parlour, Beauty specialist, Beauty treatment activities, Coiffeur, Electrolysis specialist, facial massage, Hair clinic, Hairdressing activities, Hairdressing salon, Make-up beauty treatment, Manicurist, Pedicure, Trichologist, Beauty salon, Hair styling, and Tooth whitening/bleaching. Most of these occupations are captured within the Hair and Beauty industry in Ireland, except tooth whitening/bleaching, where employment levels are very small.

Figure 1: Employment in Hairdressers & Related Services



Source: CSO Labour Force Survey.

Figure 1 shows the trend in employment for Persons aged 15 years and over in employment (ILO) classified by three-digit SOC (2010). The employment category 'Hairdressers & Related Services' includes 'Hairdressers & barbers' and 'Beauticians and related occupations'.

The Hairdressing and Beauty Services sector is very labour-intensive, given the nature of the services provided. Employment levels in the sector increased by 14.7 per cent or 3,300 in the five-year period to the end of 2019. However, it declined sharply during 2020. At the end of 2020, there were 22,400 people employed in the sector, which is 3,400 or 13.2 per cent down on a year earlier.

There is no guarantee that when the COVID-19 restrictions end, that all saloons will be able to re-open, survive in the longer-term, and recreate the same level of employment in the sector.

Table 1: Breakdown of Employment & Number of Salons by County

	NUMBER OF SALOONS	EMPLOYMENT
Carlow	133	284
Dublin	2,104	6,966
Kildare	402	1,187
Kilkenny	156	568
Laois	145	464
Longford	89	206
Louth	302	748
Meath	335	1,135
Offaly	170	490
Westmeath	196	490
Wexford	280	877
Wicklow	261	877
Clare	220	645
Cork	1,028	2,915
Kerry	343	800
Limerick	399	1,032
Tipperary	368	903
Waterford	253	568
Galway	518	1,342
Leitrim	85	180
Mayo	276	748
Roscommon	107	310
Sligo	156	361
Cavan	187	439
Donegal	380	929
Monaghan	138	335
	9,031	25,800

Source: CSO Labour Force Survey, & Census 2016.

In 2019, there were 9,031 Hair and Beauty salons in Ireland. Table 1 provides a breakdown of the salons and employment by county. The Hair and Beauty sector has a very strong and

broad regional footprint, with a significant number of businesses and employment in every county in the country.

The regional breakdown of employment by sector is not available for 2020, but we do know that overall employment in the sector declined by 3,400 or 13.2 per cent during 2020. This clearly is not a true reflection of what is going on, as the Government support schemes in place provide a somewhat artificial picture of employment in the sector. The reality is that most businesses and most workers in the sector are being supported by Government schemes. This poses a serious threat to regional towns and employment.

Table 2 shows the sectoral breakdown of workers in receipt of the PUP. Hairdressers and beauty saloons are included in 'Other Sectors'. The majority of workers in the sector have been in receipt of PUP for much of the past 13 months.

Table 2: Sectoral Breakdown of Pandemic Unemployment Payment (13th April 2021)

SECTOR	NUMBER	% OF TOTAL
Agriculture, Forestry, Fishing, Mining & Quarrying	5,713	1.4%
Manufacturing	22,305	5.3%
Electricity, Gas, Water & Sewage	1,444	0.3%
Construction	50,169	11.9%
Wholesale & Retail Trade	67,990	16.1%
Transportation & Storage	11,074	2.6%
Accommodation & Food Services	102,405	24.3%
ICT	7,657	1.8%
Financial & Insurance Activities	7,790	1.8%
Real Estate Activities	5,761	1.4%
Professional, Scientific & Technical Services	14,763	3.5%
Administration & Support Services	36,746	8.7%
Public Administration & Defence	6,482	1.5%
Education	12,247	2.9%
Human Health & Social Work	12,155	2.9%
Arts, Entertainment & Recreation	12,242	2.9%
Other Sectors (e.g.: Hairdressers & Beauty Saloons)	33,935	8.1%
Unclassified	10,495	2.6%
Total	421,373	100.0%

Source: Department of Employment & Social Affairs, 13th April 2021.

HAIR PRODUCTS, COSMETICS AND SKINCARE PRODUCTS

There is less data available on the numbers employed in the sale of Hair Products, Cosmetics, and Skincare products. However, based on turnover of €1,194 million, employment is estimated at around 5,000. In 2020, turnover is estimated at €1,097 million, and employment is estimated to have declined to 4,600.

SECTION 3: THE ECONOMIC AND FINANCIAL CONTRIBUTION OF THE HAIR AND BEAUTY INDUSTRY

The Hair and Beauty industry is an important business sector within the Irish economy and Irish society. It supports significant employment; it generates considerable economic activity; and it provides a valuable service to the populace. It is a familiar and very valuable presence on the streets of the villages, towns, and cities of Ireland. These businesses are anchor tenants in all high streets and shopping centres around the country and are an important driver of footfall. In addition, these businesses generally have a very positive and innovative physical appearance and contribute in a very positive way to the streetscape.

In addition to the economic and financial contribution that the sector makes, it is important to recognise the less tangible contribution that the sector makes to society. Physical grooming is important for its positive emotional benefits, its impact on self-confidence, and its impact on mental health and wellbeing. These non-tangible benefits were highlighted during the COVID-19 closure of the industry.

Professor Mary Corcoran of Maynoothⁱⁱⁱ argues that how one does one's hair is a key part of how one puts oneself together when going out into the world. She calls it the 'presentation of self' and regards it as a key part of 'wellbeing and self-worth'. Consequently, she believes that the closure of hair salons and barber shops for much of 2020 and so far in 2021 'represents one of the most irritating impacts of COVID-19'. It is deemed a 'non-essential' service but its absence 'is deeply felt as we struggle to hold on to the last vestiges of our dignity'. Professor Corcoran goes on to argue that in the real-world access to professional-style grooming is perceived by many as an essential service. Germany's 80,000 hair salons were allowed to reopen on March 1st, despite stalled figures for infections and a slow vaccination rollout in that country. The decision to reopen those businesses was justified in terms of concepts such as 'human dignity' 'personal hygiene'.

In the area of Hair Products, Cosmetics and Skincare Products, there is a growing number of businesses evolving in Ireland, operating alongside around 10 large and well-established players. The new firms are characterised by entrepreneurship and innovation. These firms have significant potential to expand and grow and develop strong export as well as domestic market presence. This sector needs to be recognised and supported.

The economic and financial contribution that the Hair and Beauty industry makes to the Irish economy can be measured using a standard means of analysis called an 'economic impact assessment'. This type of analysis seeks to quantify the impact of three channels of expenditure undertaken by the industry.

- Direct impact – this relates to the employment, contribution to GDP, and tax generated by the industry's operational expenditures.
- Indirect impact – the economic activity and employment stimulated along the industry's supply chain by its procurement of inputs of goods and services from outside the sector.

- Induced impact – this comprises the wider economic benefits that arise from the payment of wages by businesses within the industry and along their supply chain to their employees, who spend their earnings in retail, leisure, and other outlets. It includes the economic activity stimulated in these outlets' supply chains.

TURNOVER IN THE HAIR AND BEAUTY SECTOR

The scale of the industry's contribution to the economy is primarily driven by Irish consumer spending on the products and services of the sector.

Using data from the CSO's *Household Budget Survey 2015-2016*, and the CSO's *Consumer Price Index Introduction of Updated Series*, and CSO's CPI COVID-19 Release Information, it is possible to estimate the amount of money that Irish consumers spend on Hair and Beauty services.

There are two components of the sector that are considered in the analysis in this report—Hair and Beauty Services, and Hair Products, Cosmetics and Skincare Products.

Within Personal Care:

- Expenditure on Hairdressing is estimated to have amounted to €1,013 million in 2018, and to €1,071 million in 2019.
- Expenditure on Health & Beauty Treatments is estimated to have amounted to €339 million in 2018, and to €359 million in 2019.
- In total, expenditure on Hairdressing Salons and Personal Grooming Establishments is estimated at €1,352 million in 2018, and €1,430 million in 2019.
- Expenditure on Hair Products, Cosmetic & Skincare Products is estimated to have amounted to around €1.130 million in 2018 and €1,194 million in 2019.
- In total, expenditure on Hairdressing, Hair & Beauty Services, Hair Products, Cosmetics & Skincare is estimated to have amounted to €2,482 million in 2018 and €2,624 million in 2019.

The impact of COVID-19 in 2020 has been dramatic. With saloons closed for 22 weeks and forced to operate with significant restrictions when open, it is estimated that the turnover of Hairdressing Salons and Personal Grooming Establishments was down by an estimated 55 per cent in 2020.

In 2020:

- Expenditure on Hairdressing Salons and Personal Grooming Establishments is estimated at €645 million, which is 55 per cent lower than 2019.
- The sale of Hair Products, and Cosmetic and Skincare items was not as adversely affected as the services provided by the sector. It is estimated that sales of Hair Products, Cosmetic & Skincare Products declined by around 8 per cent in 2020 and totalled an estimated €1,097 million.

- In total, expenditure on Hairdressing, Hair & Beauty Services, Hair Products, Cosmetics & Skincare is estimated to have amounted to €1,740 million in 2020, which is 34 per cent lower than in 2019.

Figure 2: Expenditure on Hairdressing, Hair & Beauty Treatments, Hair Products, Cosmetics & Skincare Products



Source: CSO & Jim Power Economics Estimates

GROSS VALUE ADDED OF HAIR AND BEAUTY SECTOR

Gross Value Added is a measure of the contribution to an economy of an individual producer, industry, sector, or region. It is a measure of the value of goods and services produced. Specifically, it is the value of output of goods and services less intermediate consumption, and this is used in the calculation of GDP.

Table 3: Direct Contribution of Hair and Beauty Services (2019 & 2020)

	2019	2020
Number of Employees	25,800	22,400
Wage Contribution	€627 Million	€544 Million
Tax Contribution	€157 Million	€136 Million
Turnover	€1,430 Million	€643 Million
Contribution to GDP	€876 Million	€392 Million

- In 2019, the value of the output of the Hair and Beauty services is estimated at €1,430 million. Hair and beauty professionals spend a large amount of time with their customers, so a large share of the value that comes from the sale of their services is generated through the business' own compensation and profits rather than through the supply chain.

- In 2019, the direct contribution to GDP of the Hair and Beauty sector based on output value of €1,430 million is estimated at €876 million.
- In 2020, turnover is estimated to be down by 55 per cent. The direct contribution to GDP of the Hair and Beauty sector based on output value of €643 million is estimated at €392 million. The wage contribution in 2020 included Government employment supports.

Table 4: Direct Contribution of Sale of Hair Products, Cosmetics & Skincare Products

	2019	2020
Number of Employees	5,000	4,600
Wage Contribution	€175 Million	€161
Tax Contribution	€44 Million	€40 Million
Turnover	€1,194 Million	€1,097 Million
Contribution to GDP	€585 Million	€537 Million

- The sale of Hair Products, Cosmetics & Skincare Products generated turnover of €1,194 million in 2019; supported 5,000 jobs; contributed €44 million in payroll taxes, and contributed €536 million to GDP.
- The sale of Hair Products, Cosmetics & Skincare Products generated estimated turnover of €1,097 million in 2020; supported 4,600 jobs; contributed €40 million in payroll taxes, and contributed €537 million to GDP.

Table 5: Direct Contribution of Total Hair and Beauty Sector

	2019	2020
Number of Employees	30,800	27,000
Wage Contribution	€802 Million	€705 Million
Tax Contribution	€201 Million	€176 Million
Turnover	€2,624 Million	€1,740 Million
Contribution to GDP	€1,461 Million	€929 Million

- In 2019, the total Hair and Beauty sector generated turnover of €2,624 million; supported 30,800 jobs; contributed €201 million in payroll taxes, and contributed €1,461 million to GDP.
- In 2020, the total Hair and Beauty sector generated turnover of €1,740 million; supported 27,000 jobs; contributed €176 million in payroll taxes, and contributed €929 million to GDP.

INDIRECT IMPACT OF HAIR AND BEAUTY INDUSTRY

The Indirect impact of the hair and beauty sector is the economic activity and employment stimulated along the industry's supply chain by its procurement of inputs of goods and services from outside the sector.

Based on the analysis carried out in the UK, and applying similar analysis and multiplier effects to the sector in Ireland, it is estimated that:

- In 2019, the Indirect Contribution to GDP of the Hair and Beauty sector based on output value of €2,624 million is around €551 million.
- In 2020, it is estimated that the Indirect Contribution to GDP of the Hair and Beauty sector based on output value of €1,740 million is around €365 million.

INDUCED IMPACT OF HAIR AND BEAUTY INDUSTRY

The Induced impact considers the wider economic benefits that arise from the payment of wages by businesses within the industry and along their supply chain to their employees, who spend their earnings in retail, leisure, and other outlets. It seeks to measure the wage-financed consumer spending contribution.

It is estimated that every job in the Hair and Beauty sector supports 0.6 jobs elsewhere in the economy, through the impact of the wages spent by employees in the sector. This means that direct employment in the Hair and Beauty sector in 2019 supported 18,480 jobs elsewhere in the economy; and 16,200 jobs in 2020.

The induced contribution to GDP is estimated at €787 million in 2019, and €522 million in 2020.

TOTAL CONTRIBUTION OF THE HAIR AND BEAUTY SECTOR TO GDP

In 2019:

- The Direct Contribution to GDP of the Hair and Beauty Sector based on output value of €2,624 million is estimated at €1,461 million.
- The Indirect Contribution to GDP of the Hair and Beauty sector based on output value of €2,624 million is estimated at €551 million.
- The Induced Contribution to GDP of the Hair and Beauty sector based on output value of €2,624 million is estimated at €787 million.
- The total contribution to GDP of the Hair and Beauty sector is estimated at €2,799 million.
- The total contribution of the sector in 2019 was equivalent to 0.78 per cent of GDP; and 1.31 per cent of GNI* (Gross National Income*).
- The industry supported 30,800 jobs directly and 18,480 jobs indirectly in the economy. The total employment supported by the Hair and Beauty sector is estimated at 49,280 jobs. This is equivalent to 2.1 per cent of total employment in the economy at the end of 2019.

In 2020:

- The Direct Contribution to GDP of the Hair and Beauty Sector based on output value of €1,740 million is estimated at €929 million.

- The Indirect Contribution to GDP of the Hair and Beauty sector based on output value of €1,740 million is estimated at €365 million.
- The Induced Contribution to GDP of the Hair and Beauty sector based on output value of €1,740 million is estimated at €522 million.
- The total contribution to GDP of the Hair and Beauty sector is estimated at €1,816 million.
- The total contribution of the sector in 2020 was equivalent to 0.49 per cent of GDP; and 0.9 per cent of GNI* (Gross National Income*).
- The industry supported 27,000 jobs directly and 16,200 jobs indirectly in the economy. The total employment supported by the Hair and Beauty sector is estimated at 43,200 jobs. This is equivalent to 2.2 per cent of total employment in the economy at the end of 2020.

SECTION 4: THE CHALLENGES FACING THE HAIR AND BEAUTY SECTOR AND THE SUPPORT REQUIRED

The operating environment for the hair and beauty sector has been very difficult since March 2020. The sector was shut down by Government in the interests of public health for 22 weeks in 2020, and has not opened at any stage so far in 2021. There is still no real clarity on when the sector might be able to re-open.

There is no guarantee that when the COVID-19 restrictions end, all salons will be able to re-open, survive in the longer-term, and recreate the same level of employment in the sector. Business sustainability will be a massive challenge. Many businesses will be left with a significant legacy of rates, rents, and tax liabilities; and bank interest accruing; and face likely difficulties in retaining and sourcing staff who have been forced out of the industry. In addition, businesses invested heavily in PPE equipment last year, but have been closed for much of the subsequent period. Further outlays will be necessary when the sector is eventually allowed open again.

The 'black market' in hair and beauty services has prospered since March 2020, and the risk is that many clients may not return to legitimate businesses. The author of this report estimated in 2020^{iv} that the black market in hair and beauty is likely to account for at least 30 per cent of the legitimate sector. This would imply turnover of at least €400 million, and lost tax revenues of at least €60 million. It places the legitimate sector at a severe competitive disadvantage. A level playing field must be created.

There is no official effort made in Ireland to tackle the black market in the hair and beauty sector, not least because it would require vast resources to investigate and tackle illegal activity in the sector. One source of hope for the legitimate operators in the sector is that the move towards a cashless society that has been exacerbated by the COVID-19 health crisis, might undermine all 'cash over the counter' activities in the economy, and make every transaction more traceable.

However, it is incumbent on Government to take actions to ensure that the legitimate sector is able to compete against the non-legitimate operators to the greatest extent possible. This would promote legitimate employment; generate tax revenues; generate commercial rates; and pay insurance premiums. Non-legitimate operators do none of these things.

Strong support will be required to ensure that legitimate businesses survive & are around to contribute to rebuilding the sector. The following initiatives should be considered by Government to help support one of the sectors in the Irish economy that has been most adversely affected by COVID-19.

LOWER VAT RATE FOR BEAUTY SECTOR

Late in 2020, the Government cut the 13.5 per cent VAT rate to 9 per cent for certain goods and services, including hairdressing services. The lower rate applies from 1st November 2020 to 31st December 2021.

The 9 per cent VAT rate for the current range of activities should be extended indefinitely beyond 31st December 2021. Indeed, a lower VAT rate of 5 per cent would be desirable, until the sector gets back on its feet in 2022 at the earliest.

The lower 9 per cent VAT rate applies to hairdressing activities only and does not extend to beauty services. This is despite the fact that both activities are included in the same CSO classification, NACE 9602. The legitimate hairdressing sector is being seriously undermined by non-legitimate operators who pay no taxes and operate without any issues such as commercial rates, insurance, or regulations. However, the beauty component is also subject to non-legitimate and unfair competition from 'black market' operators. Government needs to do whatever is needed to include the beauty sector in the reduced VAT rate. It is not clear why beauty services should be treated differently from hairdressing services – they are both activities involved with the body.

A cut in the VAT rate to 9 per cent for the beauty sector would cost at most €16 million in a full year, based on the last year of normal activity in 2019. However, the real effective cost would be lower as it could attract more customers back towards legitimate beauty businesses.

A reduced VAT rate indefinitely for the entire hair and beauty sector would help the legitimate operators compete against the non-legitimate operators. This would undermine the black economy in beauty and hairdressing services.

STAY AND SPEND SCHEME FOR HAIR AND BEAUTY SECTOR

One of the challenges for the legitimate hair and beauty sector when it eventually is allowed re-open will be to attract clients back who migrated to non-legitimate operators during the period of restrictions.

In 2020, the Government introduced a Stay and Spend Tax Credit for the hospitality sector to help that sector recover as quickly as possible. The scheme is a tax credit available for the years 2020 and 2021, which may be used against an Income Tax (IT) or Universal Social Charge (USC) liability in a year of assessment. Under this scheme, a consumer can claim the Stay and Spend credit for qualifying expenditure incurred between 1 October 2020 and 30 April 2021. This included expenditure on either holiday accommodation or 'eat in' food and drink. The minimum spend is €25 per transaction, and the maximum tax credit available under the scheme is €125 per person. The maximum tax credit available for those under joint assessment is €250. Those claiming the credit must submit a copy of the receipt with the claim. A 'qualifying service provider' must provide the service. Qualifying service providers are those who have registered with Revenue to participate in the scheme.

The hair and beauty sector would like a similar scheme for its sector. The scheme would only apply to registered legitimate businesses. By giving a tax credit to customers, clients would be enticed back to the salons; this would provide support to struggling businesses seeking to re-build; and it would help divert business away from non-legitimate operators who make no contribution to the Exchequer.

The scheme should not be made available until 8 weeks after the salons are allowed re-open.

RETENTION OF EMPLOYMENT WAGE SUBSIDY SCHEME (EWSS)

The Government announced the Employment Wage Subsidy Scheme (EWSS) on 23rd July 2020. The EWSS replaced the Temporary Wage Subsidy Scheme (TWSS) from 1st September 2020. EWSS is an economy-wide enterprise support that focuses primarily on business eligibility. The scheme provides a flat-rate subsidy to qualifying employers based on the numbers of eligible employees on the employer's payroll and gross pay to employees.

The EWSS is expected to continue until 30th June 2021. HABIC believes that this scheme should remain in place for the hair and beauty sector until at least the end of 2021, and possibly to the middle of 2022, depending on the evolution of the COVID-related restrictions on the sector.

As employers must possess valid tax clearance to enter the EWSS and continue to maintain tax clearance for the duration of the scheme, this will also help legitimate businesses compete against non-legitimate businesses.

RELIEF FROM OTHER COSTS

Legitimate hair and beauty businesses were forced to shut down in the interests of public health. Unfortunately, many of those businesses are left with a legacy of accumulate rents, commercial rates, tax liabilities, and bank interest costs.

If those businesses are to re-start and become viable again, it is essential that reliefs are extended to the end of 2021, Furthermore, consideration must be given to writing off some of those accumulated financial liabilities. The reality is that these accumulate debts are a result of Government restrictions rather than decisions taken by the business owners.

RESTART GRANTS

As hair and beauty businesses are allowed re-open, the costs of doing so will be significant. These include further investment in PPE; Rapid Antigen Testing; the high fixed and variable costs in running a business under conditions of serious restrictions; and staffing problems.

The sector needs to be given a meaningful once-off grant payment to enable them re-open in a sustainable way. The grant should be equivalent to 50 per cent of commercial rates in 2019, subject to a minimum payment of €3,000.

ABOUT THE AUTHOR:

Jim Power is Chief Economist for Aviva Ireland. He was previously Treasury Economist at AIB (1987-1991), Chief Economist at Bank of Ireland Group (1992-2000) and Chief Economist Friends First Group (2000 to 2018).

He is owner manager of Jim Power Economics Limited, an economic and financial consultancy. The company carries out consultancy projects, public speaking, and training for a variety of public and private sector entities. He is Chairman of Love Irish Food. He is a member of the Institute of Directors in Ireland.

He is a graduate of UCD and holds a BA and a Master of Economic Science Degree. He lectures part-time on the MSc Management and the MBA at Smurfit School of Business, UCD.

In 2020, he authored a report on 'The Economic Value of the Hair and Beauty Market in Ireland Impact Report

E: jim@jimpowereconomics.ie



REFERENCES

- I. CSO, 'Business Signs of Life Series One: State Support', 18th December 2020.
- II. 'Statement of Strategy 2020-2024' HABIC.
- III. <https://twitter.com/rtebrainstorm/status/1379407566963367937?s=21>
- IV. 'Economic Value of Hair & Beauty Market in Ireland', Jim Power Economics, September 2020

HABIC

HAIR AND BEAUTY INDUSTRY CONFEDERATION IRELAND

The Enterprise Centre.
The Hill Road, Drumshanbo,
Co. Leitrim, N41 Y1F6

t: 071 96 15 200
e: info@habic.ie
w: habic.ie