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IN PARTNERSHIP WITH THE
NATIONAL HAIRDRESSERS' FEDERATION,
THE HAIRDRESSING EMPLOYERS' ASSOCIATION AND THE
HAIRDRESSING AND BEAUTY INDUSTRY AUTHORITY
(PART OF THE CONSUMER SERVICES INDUSTRY AUTHORITY).**

**REPORT TO THE
LOW PAY COMMISSION
ON THE IMPACT OF THE NATIONAL MINIMUM
WAGE ON THE HAIRDRESSING SECTOR**

**Janet Druker
Celia Stanworth
Geoffrey White**

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University of Greenwich Business School
Queen Anne Court
Maritime Greenwich Campus
Old Royal Naval College
Park Row
Greenwich
London
SE10 9LS**

Telephone: 44 (0) 120 8331 8000

Enquiries

Enquiries concerning this report should be addressed to:

Professor Jan Druker
Work and Employment Research Unit
University of Greenwich Business School
Old Royal Naval College
Park Row
Greenwich
London SE10 9LS

Tel: 44 (0) 120 8331 9905 (or 8000)

Email: J.D.Druker@greenwich.ac.uk

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EXECUTIVE SUMMARY

- Pay in hairdressing increased substantially as a result of the NMW, especially for the lowest paid – for younger workers, shampooists and junior stylists who were most likely to be paid on the basis of hourly rates – across all regions of the United Kingdom.
- Salon owner/managers were divided in their views about the overall impact of the NMW. Many were concerned to maintain a ‘steady state’ and so preferred to absorb costs rather than making other, more fundamental changes to the way in which the business operates. The most common response of salon owners to the increased costs generated by the NMW in hairdressing took the form of price rises for customers.
- The industry has now largely adjusted to the change and increases to the NMW have less widespread impact than did its initial introduction. Some business owners now base pay increases for their salon(s) on the NMW.
- There is a high level of awareness of the NMW within hairdressing and employees are confident that they would be able to ensure support for implementation if they had problems.
- Higher paid employees initially experienced pressure on earnings because of the NMW. This is because a higher proportion of their income derives from commission. Some employers adopted the NMW as the calculator from which the threshold for commission would be triggered (i.e. employees had to generate more revenue before receiving commission) in lieu of previous, lower basic rates. Over a period of time, though, the earnings of the highest decile of earners appear to have been restored.
- The NMW did not lead to significant changes in the level of employment for skilled and experienced workers although it may initially have affected job opportunities for some younger employees.
- Labour demand has not diminished because of the NMW. There was a strong demand for hairdressing services at the time the NMW was introduced and this has continued. Indeed there is something of a crisis in recruitment with employers complaining about the calibre of young people who are attracted to work within the industry.
- The strongest and most durable impact of the NMW in terms of employment was on the costs and employment opportunities of young workers – those aged between 18 and 21 who were eligible for the youth rate. These, younger, employees have not always had time to build up a regular client base. Salon owners experienced a sharp rise in costs because of the youth rate. Employers have a strong preference that young people should commence training at age 16. Many employers are no longer willing to provide training opportunities for those who commence their training above the age of 16 or 17.
- The NMW has not led to significant changes in the volume or duration of training opportunities or training arrangements. Young people who complete work-based training to at least NVQ2 are likely to find work within the industry.
- There are few opportunities for adult entrants to find employment in hairdressing. The adult trainee rate is little used because the time period – six months – is too short for someone to develop the skills that are required in hairdressing.

- Young people experience significant financial pressures during their training and may have to support themselves with second jobs. This discourages them from continuing their training. The youth rate helps them to deal with these problems and, without it, the industry may lose more of its young workers.
- We found some evidence of innovation in management practice in response to the NMW. This included closer attention to cost management, the use of appraisals, fast-tracking for trainees and monitoring attendance. Salons that made effective use of information technology were better equipped to monitor costs.
- There was no evidence that chair renting increased because of the NMW.
- The small salons that showed the strongest capacity to manage change were those that had achieved Investors in People (IIP) status or had on-going external business advice. The experience of working to IIP standards seems both to reflect but also to reinforce the management disciplines that support employers in the process of managing change.

TERMS OF REFERENCE

This report was commissioned by the Low Pay Commission in order to explore the impact of the National Minimum Wage (NMW) on the hairdressing sector. The research was undertaken by a team from the University of Greenwich (the Greenwich team). It was conducted in partnership with the National Hairdressers' Federation (NHF), the Hairdressing Employers' Association (HEA) and the Hairdressing and Beauty Industry Authority (HABIA) who assisted with information about salons. We are grateful to Paul McCallion who conducted interviews in Northern Ireland.

We are appreciative to all of the people – salon owners and managers, employees and trainers, who gave up their time to talk to us.

The research was undertaken to identify the impact of the NMW in hairdressing on: -

- Employment and Workforce Composition
- The position of Young Workers and changes in employer support for training and employment opportunities on completion of training
- Problems and benefits of the NMW
- Changes in the composition of pay and conditions since 1999.
- Coping strategies/ Actions taken to address problems or maximise benefits
- Turnover, profits and costs in the salon since 1999

The research was based essentially on qualitative data including

- 48 employer interviews
- Employee interviews where practicable
- Interviews with training providers
- Focus groups with young workers in training

We report below on the research that was undertaken and on our findings.

Professor Janet Druker, MA PhD FCIPD

Dr Celia Stanworth, Reader, MA, MCIPD

Mr Geoffrey White, Head of Department of Management and Reader, MA, FCIPD

Work and Employment Research Unit

University of Greenwich Business School

INTRODUCTION

The report comprises six chapters.

In chapter 1 we review developments in hairdressing, looking at published data on employment trends, recruitment, retention and training. Chapter 1 highlights the importance of the hairdressing sector, in terms of the value of activity and the scale and growth of employment. It reports the difficulties experienced by some employers in recruitment of staff. It highlights the strong traditions of employer-based training, but shows that there are pressures on training arrangements, with low completion rates where candidates have difficulty in meeting key skills requirements.

Chapter 2 reports on the implications of pay data for the hairdressing sector. Two sources of data are used. The first is the government's New Earnings Survey (NES), published annually. The second source is the National Hairdressers' Federation annual pay survey. Both sources show that the NMW had a major impact within the hairdressing sector, particularly for the lowest paid workers. NES data suggests that there were other consequences, for example for commission and for differentials.

Chapter 3 explains the research process, in particular the organisation of data gathering. Face-to-face interviews were conducted with 48 salon owners or managers, with 24 employees and with trainers. Four focus groups were organised with trainees, via training providers.

Chapter 4 reports on research findings, looking at the effects of the NMW on employment. It considers in turn the overall impact, the initial impact and the effects of up-ratings, identifying the main problems and benefits encountered by respondents. It then reviews the implications for recruitment and retention and training and development.

Chapter 5 continues the report on research findings, looking in more detail at changes in business practice. It highlights the importance of information technology and at other coping strategies or actions that were taken to maximise benefits or to overcome problems – for example fast-tracking trainees. It finds some evidence of innovation in management practice in response to the NMW and concludes that the two Investors in People (IIP) salons were amongst those most readily able to adapt to new requirements.

Chapter 6 summarises the main conclusions of the report.

CHAPTER 1: THE HAIRDRESSING INDUSTRY

This chapter sets the context for the research, discussing the hairdressing sector in terms of employment, recruitment, retention and training arrangements.

There are currently estimated to be around 38,000 hairdressing salons in the UK according to the Hairdressing and Beauty Industry Authority (HABIA, 2002) mostly providing general hairdressing services (cutting, styling, permanent waving and colouring). A range of additional services may also be offered on hairdressing premises and there are a further 7,000 salons that offer only beauty therapy. Table 1 below provides information on the number of hairdressing businesses in England, Scotland, Northern Ireland and Wales compiled by HABIA on the basis of the Yellow Pages Database in 2001.

Table 1: The Number of Hairdressing salons in 2001

Hairdressing businesses listed in Yellow Pages Database	Ladies	Men's	Total
England	25,007	3,734	28,741
Scotland	2,847	318	3,165
Northern Ireland	1,185	104	1,289
Wales	1,707	161	1,868
Total	30,746	4,317	35,063
% of Total	87.69	12.31	100.00

Source: Hairdressing and Beauty Industry Association, (2002:8)

The hairdressing industry is estimated to be worth about £3.5 billion per annum, and the structure of the industry is characterised by a very low level of concentration (Westminster Business School, 2000), with many outlets employing fewer than five people (HABIA 2002). The industry is predominantly labour-intensive and small-scale, with 80 per cent employed in workplaces with less than 10 employees. In the economy as a whole, only 20 per cent are employed in such small workplaces. Sixty-five per cent of salons are single outlet businesses with the manager working alongside the employees. The industry has a much smaller number of bigger companies - for example Vidal Sassoon, Regis, Toni and Guy, some of which are franchises. These represent around two per cent of outlets and only about five per cent of industry turnover (Westminster Business School 2000). Some of the medium-sized and large chains are also in-house training providers. The large companies represent the 'glamorous' side of the industry, associated with high fashion, technical and style innovations.

Hairdressing salons are to be found throughout the country, with distribution varying primarily because of population density. Most salons are found in town centres or suburban areas (HABIA 2000). On average outlets have a turnover of about £100,000 a year (Westminster Business School 2000). Turnover is low by comparison with other types of industry, since hairdressing has a low pricing structure (HABIA, 2002). A study in 2000 found that there was a rise in the numbers of businesses founded in the 1980s and in the latter half of the 1990s (HABIA 2000). It also found that a quarter of business owners had taken on more staff in the recent past and a third anticipated increasing staff numbers in the next 12 months.

Workers in the industry are predominantly employees but HABIA estimate that 14 per cent of salons rent out styling chairs (so-called chair renting) to self-employed hairdressers, but this was not predicted to grow (HABIA 2000). In addition to salon-based work, there are mobile or freelance hairdressers, working either in their own homes or travelling to clients' homes, thus avoiding the overhead costs of premises. Mobile hairdressers also provide services to clients who cannot access high street salons. Precise numbers are unknown.

Employment in Hairdressing

Figures for employment in the hairdressing and beauty industry show that just over 103,000 men and women were employed in June 2002. This compares with 91,984 employed in June 1998. The employment figures have increased fairly consistently over this period, up 12 per cent over four years. Of those employed in June 2002, around 63 per cent are female, of whom 54 per cent are working on a part-time basis. This compares with male hairdressers, of whom just over 31 per cent are currently working part-time. Employment figures for hairdressing and beauty combined are set out in Table 2 below.

Table 2: Employment in Hairdressing and Beauty

June figures	Male full time	Male part time	Female full time	Female part time	All
1998	18,373	6,421	39,074	28,116	91,984
1999	25,395	9,540	30,421	31,338	96,694
2000	16,636	20,649	27,873	33,598	98,756
2001	30,529	12,645	25,793	32,896	101,863
2002	25,823	11,692	30,075	35,597	103,187

Source: ONS Figures: SIC 93.02 and 93.04

Besides being a predominantly female industry, hairdressing also has a very high proportion of young workers (HABIA, 2002). Over half of the hairdressing workforce is between 16 and 34, but only just over 4 per cent come from ethnic minority groups (HABIA 2002). Given that a high proportion of the ethnic minority population is made up of young people, this is a substantial under-representation.

There are estimated to be around 60,000 hairdressing managers and proprietors in addition to the figures in Table 2 (Westminster Business School 2000). This grouping is amongst the fastest growing in the UK during the 1990s, with a growth rate of 302 per cent between 1992 and 1999 (Nolan 2001).

Recruitment and Retention

In a survey conducted in 2000, two out of five salons reported problems recruiting apprentices and trainees. A quarter had problems recruiting trained stylists, and a third recruiting senior stylists. Recruitment problems were most acute in London, where careers officers reported that 78 per cent of salons had problems recruiting young workers. Northern Ireland uniquely had few problems with recruitment. Thus it is not surprising that at any one time there may be up to 27,500 vacancies in hairdressing (HABIA 2002: 14). One of the key reasons given by employers for recruitment problems is the industry's poor, 'low pay' image. Other factors were the

perception that there are few career opportunities, the length of the training, misleading information provided by careers staff, and government policies that encourage schools to retain less academic pupils post 16. All these factors mean that the calibre of the recruits available to the hairdressing industry is poor.

The prime recruiting group for the industry is females aged 16 to 19 years of age without 'A' levels or equivalent qualifications, and the industry recruits 6.8 per cent of this age group. This age grouping is also shrinking in size in the UK labour market, yet the demand for hairdressers is predicted to continue to grow up until 2010 (HABIA 2002). Females are now more likely to stay on in full time education than males, and their results are improving. The hairdressing industry is in competition for 16-19 year-olds with other sectors such as retail, clerical/secretarial, caring, hotel and catering and customer service or call centres. Most of these areas are predicted to grow faster than the average up until 2010.

Staff mobility and wastage is perceived to be a serious problem in the industry. Research suggests that there is high labour turnover particularly amongst young workers, with trainees and junior stylists turning over at 50 and 60 per cent respectively (HABIA 2002). Some of this movement may be between salons, but some is out of the industry altogether. This represents a high cost to the industry because of the costs of attracting and training replacement recruits and the long training period. There is also a high mobility level amongst senior stylists, mostly between salons, but a low rate amongst managers, probably because many of them are the owners of the salons where they work. Senior stylists often migrate from micro to larger businesses especially in urban areas where poaching with the offer of higher salaries is common (HABIA 2002). High mobility is a crucial factor in hairdressing because of the large number of micro businesses, where the loss of one staff member can affect turnover greatly (HABIA 2002).

Employers reported that reasons for poor retention of young workers included lack of commitment, unreliability, poor calibre of recruits (particularly in urban areas), and a lack of social skills. Besides technical skills, hairdressers are providing a very personal service for their clients, so that interpersonal skills are very important. The poor standard of recruits into the industry also affects training outcomes, as we will see in the next section.

Training

A well-established tradition of work-based training, particularly for young workers, exists in the industry, often combined with external training provision. There are 580 approved assessment centres, divided evenly between Further Education Colleges and private training providers, the latter acting either as management agents or training only their own staff. They are awarding National Vocational Qualifications (NVQs) and Scottish Vocational Qualifications (SVQs) and Modern Apprenticeships.

Eighty-one per cent of all hairdressers currently working in the industry have some sort of qualification, and 61 per cent have achieved NVQ Level 2 or equivalent in hairdressing (HABIA 2002). Work-based training in salons is the norm in the UK. Typical trainees are females aged between 16 and 24. However it is possible for people to find work in the industry without qualifications. The hairdressing training

body feels that most employers are supportive of training, but the situation is not without its problems.

Table 3: Hairdressing Assessment Centres

Region	Number of Centres
England	467
Scotland	46
Northern Ireland	29
Wales	38
Totals	580

Source: HABIA 2002

NVQ Level 2 in hairdressing is the usual level of competence achieved by trainees in the industry. HABIA, the National Training Organisation, says that around one in every two new entrants is capable of reaching the level of competence required for NVQ/SVQ Level 2 Hairdressing (HABIA 2002).

Achievement at Level 3 is less widespread. A HABIA Training Survey estimated that only 28 per cent of new entrants to the sector were capable of achieving the full requirements of the Advanced Modern Apprenticeship (AMA). The AMA requires the achievement of Level 3 in hairdressing plus key skills of communication to level 3 and application of number and Information Technology (IT), both to level 1. Start rates are high, but full completion rates are low, due often to non-completion of Key and Core Skills as we show in table 4. Thus counselling of prospective entrants to the industry is considered important by the National Training Organisation. HABIA feel that increasing participation at Level 3 is a 'future challenge' (2002:22).

Table 4: Advanced Modern Apprenticeship Starts and Completions by Nation to Oct. 2001

REGION	NUMBER OF STARTS	NUMBER OF LEAVERS	NUMBER OF AMA CERTIFICATES AWARDED	% COMPLETING NVQ AND KEY SKILLS
England	27,108	20,079	2,750	13.7
Wales	825	460	110	9.8
N. Ireland	219 (year 2000)	n/a	18 (year 2000)	n/a
Scotland	614	n/a	53	n/a

(HABIA, 2002: 22)

Besides non-completion of all elements, caused in part (according to HABIA) by the calibre of recruits into the industry, employers also question the relevance of some of the skills examined, and feel that the content must reflect employer needs. Also the immediate progression to Level 3 in the current Advanced Modern apprenticeship scheme was identified as a drawback by HABIA. They advocate an intermediate award to enable recruits to gain more experience before moving on to level 3.

One of the most significant barriers to training, that of cost, is a particular problem for smaller salons. Other obstacles include the difficulties of freeing up trainees during

the working day and lack of local training providers, especially in rural areas. The ease with which unqualified people can enter the industry is also a factor, given that there is no mandatory registration for hairdressers in the UK, unlike the rest of Europe. There was an unsuccessful attempt to introduce a Hairdressers Registration Bill in the House of Commons by Austin Mitchell in 1997 (Hansard 1997).

Employers also identified barriers to training for older workers who could benefit from NVQ/SVQ unit achievement. Funding currently is linked and only available to achieve full NVQs/SVQs. The preponderance of micro businesses may also act as a barrier, with those seeking to stay beneath the VAT threshold with a stable staff and regular clients seeing little benefit in developing their staff (HABIA 2002).

In terms of training evaluation, the Training Standards Council reported that more good or exceptional provision is found in hairdressing than in any other inspected occupational area (HABIA 2002). Table 5 shows the proportion of employers rating training providers excellent or good in 1996 and 2000.

Table 5: % of Employers Rating Training Excellent/Good

Type of Training Provider	1996	2000
In-House	36	42
Manufacturer	31	36
Local FE College	34	27
Private Training Provider	26	25
Managing Agent	9	9

Source: HABIA 2002:25

The rating of in-house and manufacturer training has risen, whereas the rating of FE provision has fallen. Reasons for dissatisfaction include trainees being given inadequate experience and lack of practical skills, out of date training and assessment and poor communication between providers and employers. Gaps in training provision centre around greater need for customer care, and commercial and managerial aspects of running a salon. Lack of barbering provision is also commented upon.

The content and provision of specialist African Caribbean training needs to be standardised to encourage good practice especially where the use of chemicals is concerned. Training in this area is constrained by the shortage of qualified trainers and lecturers. The National Occupational Standards are currently being reviewed.

Funding arrangements in FE colleges prevent enough time being taken between Levels 2 and 3 to develop sufficient practical experience and maturity. Full time courses in FE colleges also typically involve only 16 hours of contact time, which many employers consider to be inadequate to develop properly polished skills. Inconsistent assessment against the occupational standards in the industry is also a continuing issue. This may in part be due to funding pressures that emphasise successful completion within inadequate time scales.

In Conclusion

The hairdressing sector makes a significant contribution to economic activity in the UK. A high proportion of the workforce is female (with many part-time workers) and there are many young workers. It also has a high proportion of small and micro businesses, reflected in the number of managers and proprietors. It has grown in recent times. Hairdresser training is predominantly work based, combined with external training and a high proportion of workers in the industry holds recognised qualifications. Few, however, go on to complete all components of the Advanced Modern Apprenticeship.

CHAPTER 2: PAY IN HAIRDRESSING

The structure of the industry (many small businesses) and the structure of the workforce (many women workers - and many of them part-time) means that particular attention is needed to the impact of the NMW in the hairdressing sector. Postal survey research reported by the Low Pay Commission (LPC) in their third report indicated that hairdressing employers were likely to report more, and more significant, changes as a consequence of the introduction of the National Minimum Wage (NMW) (LPC, 2001a, appendix 2). The hairdressing respondents were more likely than other employers to report higher increases in the total pay bill (i.e. between 5 and 10%); price increases; action to improve productivity; and tightened control of labour costs. Almost one third of hairdressing respondent firms reported a significant reduction in staffing and almost one fifth indicated that there had been a reduction in the ratio of qualified to unqualified staff as a consequence of the introduction of the NMW (LPC, 2001a). Nonetheless, Volume 2 of the Third Low Pay Commission Report reported that overall employment had remained stable in the industry (LPC 2001b: 145). When the NMW was introduced it was forecast that there would be an increase in self-employment in the industry. Interestingly, however, the LPC survey found little evidence of any major shift towards greater use of 'chair renting', with only five per cent of respondents saying that they had introduced such arrangements. It should be noted however that chair hire is now quite common within the industry. According to HABIA's research, 14% of salons make some use of chair hire (HABIA, 2002)

In this chapter we analyse pay data for hairdressers and barbers over the period from 1998 to 2001. The chapter draws on both the Government's New Earnings Survey (NES) data and the surveys conducted by the NHF each year. As we discuss later, the basis on which these surveys are conducted leads to some differences in findings.

New Earnings Survey

Pay in the hairdressing sector was particularly affected by the introduction of the NMW in 1999. Data from the New Earnings Survey showed a substantial increase between April 1998 and April 1999. Average weekly earnings for females increased by 13.6% for the complete sample and by 15.1% for the matched sample (comparing the same individuals) (NES 1999, Part A) between these two dates. According to the second Low Pay Commission report (LPC 2000), the lowest quartile of hairdressers showed an increase in excess of 20% following the introduction of the NMW. The table below shows the data for full-time adult female hairdressers and barbers from 1998 to 2001. Year on year comparisons of NES data are complicated by the fact that the previous year's data is updated when each NES is published (creating problems of continuity in constructing time series from the published figures). The published figures suggest that the highest decile of female hairdressers saw a fall in earnings between 1999 and 2000 but that this was compensated for in 2001. This might suggest that higher paid workers may have paid for the NMW increases at the bottom end of the distribution (or it could reflect simply changes in sample size). Payment by Results (PBR) – largely commission payments in the hairdressing sector (see chapter 4 for discussion of commission arrangements found in our case studies) - for female hairdressers rose from 3.9% of total earnings in 1998 to 7.8% in 2001.

Table 6: Average Earnings and Hours. All full-time adult females. Hairdressers and barbers.

	Avg Gross Annual Earnings	Avg Gross Weekly Earnings	Lowest decile earned less than	Upper decile earned more than	Avg hourly earnings exc. Overtime	Avg weekly hours.
April 1998	£7,962	£157.9	£106.5	£227.5	£4.15	38.1
April 1999	£8,368	£177.2	£124.1	£270.0	£4.64	38.1
April 2000	£9,201	£184.4	£131.8	£263.1	£4.79	38.6
April 2001	£9,809	£199.9	£140.2	£291.1	£5.15	38.8
Increase 1998/1999	5.0%	12.2%	16.5%	18.6%	11.8%	0.0%
Increase 1998/2001	23.1%	26.5%	31.6%	27.9%	24%	1.8%

Source: New Earnings Survey Part A.

The figures for all hairdressing employees, which include males as well as females (the NES does not publish figures for male hairdressers and barbers because of the small sample size), also provide some useful data (see Table 7 below). The average weekly earnings for the whole sample rose by 11.3% between April 1998 and April 1999 and by 14.6% for the matched sample (NES 1999, Part A). There is a similar pattern for highest decile hairdressers between 1999 and 2000 to that shown in the female data. According to published NES time series data, the earnings of upper decile hairdressers and barbers fell from 1999 to 2000 (although the increase for the full sample shown by the NES 2000 is 0% and for the matched sample 13.8%), while the lowest decile increased by 6.4%. These figures also suggest an increase in average working hours. PBR rose from 8.2% of total earnings in 1998 to 8.7% in 2001.

Table 7. Average Earnings and Hours. All full-time employees. Hairdressers and barbers.

	Avg Gross Annual Earnings	Avg Gross Weekly Earnings	Lowest decile earned less than	Upper decile earned more than	Avg hourly earnings exc. Overtime	Avg weekly hours
April 1998	£8,665	£175.9	£107.8	£291.4	£4.58	38.4
April 1999	£9,146	£190.7	£125.3	£310.7	£4.92	38.6
April 2000	£9,511	£190.1	£133.4	£268.3	£4.90	38.9
April 2001	£10,760	£214.5	£140.5	£341.5	£5.51	38.9
Increase 1998/1999	5.5%	8.4%	16.2%	6.6%	7.4%	0.5%
Increase 1999/2000	3.9%	- 0.3%	6.4%	-13.6%	-0.4%	0.7%
Increase 2000/2001	13.6%	12.8%	5.3%	27.2%	12.4%	0.0%

Source: New Earnings Survey, Part A.

NHF Surveys

Pay data is also collected by the NHF each year in its annual survey of members. Unlike the NES, which is based on a one per cent structured national sample of employees based on PAYE records, the NHF survey is based on a simple random sample. The NHF surveys rely on individual employer's estimates of earnings, furthermore, rather than employers' PAYE records as in the case of the NES. The sample is also quite different from the NES. The NHF survey, unlike the NES, covers all employees in a salon, irrespective of whether they are below the National Insurance threshold or not. It also covers both full-time and part-time employees and does not exclude young persons, unlike the NES which generally publishes information only on full-time workers on adult rates (although Part F of the NES does publish data on part-time workers and there is unpublished data on part-timers). Indeed the NHF survey includes school-age 'Saturday girls' under 16. The youngest worker was aged 14. The survey population only covers NHF member salons.

Individual employees' pay data is collected from salon owners via a postal questionnaire sent out with the Federation's newsletter to its 5000 members. The survey response rate varies from year to year. Some 215 firms took part in 2001, 259 in 2000, 195 in 1999 and 198 in 1998. This means that the sample size is relatively small (around 4-5% of the total NHF membership), but of course there is much reluctance among small businesses such as hairdressing salons in completing and

returning questionnaires (hence the research methodology adopted for this research). Salon owners are also asked to provide details of their employees' weekly hours, according to bands. The survey also includes 'working owners' or managers. The number of workers in the survey varies from year to year, ranging from 853 in 1998 to 1,240 in 2000. The survey guarantees confidentiality and replies are anonymous so there is no mechanism for constructing a matched sample (unlike the NES). These differences between the NES and NHF surveys mean that the data discussed below are not directly comparable with the NES. For example, the fact that the NES published data only includes full-time adults, whereas the NHF survey includes all employees of any age - full-time or part-time, means that average weekly pay and weekly hours will clearly be different.

According to the NHF survey, the average hourly wage for a stylist in 2001 was £5.48 per hour, for an 'apprentice' £2.24 per hour and for a 'trainee' £2.38 per hour.

The key finding from the NHF surveys is that they confirm the significant increase in pay levels between 1998 and 1999 shown by the NES. As Table 8 below shows, average hourly rates for all employees in the NHF surveys increased from £3.56 in 1998 to £4.17 in 1999, following the introduction of the NMW (an increase of 17.1%). The average hourly rate stood at £4.87 in 2001, an increase of 35% since 1998. Median hourly earnings increased from £3.60 in 1998 to £4.60 in 2001 (up 27.7%). It is of note that lowest quartile average hourly earnings (which will include young people in the main) increased from £2.11 to £3.63 between 1998 and 2001, an increase of 72%. Highest quartile average hourly earnings increased from £4.50 to £5.96, an increase of 32%. The modal (most common) hourly rate rose from £3.56 in 1998 to £5.00 in 2001. There appears to have been a reduction in the average amount of commission earned over the period from 1998, contradicting the pattern shown in the NES. Commission is much more common among the highest quartile of earners, which partly explains their position in the highest quartile. It is also noteworthy, however, that among the highest quartile of earners (who earn around £300 per week in commission) there has been little change in the level of commission over the period, with basic pay therefore forming an increasing proportion of total earnings.

Table 8. NHF Surveys 1998-2001. Average Figures. All employees.

Date. (Employee Sample size)	Hours worked	Avg Basic weekly wage	Weekly Commission	Normal Weekly Wage	Earnings per hour
1998 (853)	30.8	NA	NA	£107.23	£3.56
1999 (898)	30.9	£113.87	£35.16	£127.46	£4.17
2000 (1240)	30.8	£122.99	£17.60	£140.53	£4.52
2001 (946)	30.9	£131.70	£15.08	£146.74	£4.87

Table 9. NHF Surveys 1998-2001. Median Figures. All employees.

	Hours worked	Basic weekly wage	Weekly Commission	Normal Weekly Wage	Earnings per hour
1998	37.5	NA	NA	£ 85.00	£3.60
1999	38.0	£110.45	£25.00	£117.00	£4.00
2000	37.0	£120.00	£ 0.00	£125.00	£4.20
2001	37.0	£126.50	£ 0.00	£133.75	£4.60

Table 10. NHF Surveys. 1998-2001. Lowest Quartile Figures. All employees.

	Hours worked	Basic weekly wage	Weekly Commission	Normal Weekly Wage	Earnings per hour
1998	21.0	NA	NA	£56.00	£2.11
1999	21.0	£64.00	£15.00	£65.00	£3.03
2000	22.0	£70.00	£ 0.00	£72.00	£3.28
2001	22.0	£79.84	£ 0.00	£80.00	£3.63

Table 11. NHF Surveys. 1998-2001. Highest Quartile Figures. All employees.

	Hours worked	Basic weekly wage	Weekly Commission	Normal Weekly Wage	Earnings per hour
1998	40.0	NA	NA	£150.00	£4.50
1999	39.0	£150.00	£300.00	£160.00	£5.00
2000	39.0	£160.00	£303.00	£180.00	£5.41
2001	39.0	£175.00	£300.00	£200.00	£5.96

Table 12. NHF Surveys. 1998-2001. Modal Figure. All employees.

	Hours worked	Basic weekly wage	Weekly Commission	Normal Weekly Wage	Earnings per hour
1998	40.0	NA	NA	£ 60.00	£3.56
1999	39.0	£120.00	£20.00	£ 60.00	£3.60
2000	40.0	£ 60.00	£ 0.00	£ 60.00	£4.00
2001	40.0	£150.00	£ 0.00	£150.00	£5.00

The survey disaggregates the figures for those aged under 22 and those aged 22 and above, allowing a clearer picture of the impact of the adult and youth development NMW rates on earnings to emerge. The NHF surveys ask for the age of the employee but not all respondents supply this information. The figures are therefore not based on the complete sample. Neither are the 1998 figures comparable with the survey figures for later years, being based on a definition of trainee and non-trainee, rather than age data. Nonetheless, the data show that the average hourly rate for those aged under 22

rose from £2.69 in 1999 to £3.41 in 2001 (up 26.7%). The median hourly rate increased from £2.63 to £3.14 over the same period.

Table 13. NHF Surveys. 1999-2001. Average figures for Under 22 year olds.

	Hours worked	Basic weekly wage	Weekly Commission	Normal Weekly Wage	Earnings per hour
1999	36.1	£ 90.20	£24.14	£ 96.96	£2.69
2000	39.0	£100.00	£ 0.00	£100.00	£3.00
2001	38.0	£120.00	£ 0.00	£120.19	£3.41

Table 14. NHF Surveys 1999-2001. Median figures for Under 22 year olds

	Hours worked	Basic weekly wage	Weekly Commission	Normal Weekly Wage	Earnings per hour
1999	39.0	£ 80.00	£20.00	£ 85.00	£2.63
2000	39.0	£100.00	£ 0.00	£100.00	£3.00
2001	38.0	£120.00	£ 0.00	£120.19	£3.14

For adults (aged 22 and above) average hourly rates increased from £5.03 in 1999 to £5.71 in 2001. Median hourly rates increased from £4.68 in 1999 to £5.31 in 2001.

Table 15. NHF Surveys. 1999-2001. Average figures for above 22 year olds

	Hours worked	Basic weekly wage	Weekly Commission	Normal Weekly Wage	Earnings per hour
1999	27.9	£127.76	£39.19	£145.34	£5.03
2000	28.7	£137.45	£23.44	£160.88	£5.38
2001	28.3	£146.71	£19.33	£166.00	£5.71

Table 16. NHF Surveys 1999-2001. Median figures for above 22 year olds

	Hours worked	Basic weekly wage	Weekly Commission	Normal Weekly Wage	Earnings per hour
1999	32.0	£128.45	£27.83	£144.70	£4.68
2000	32.0	£140.00	£ 0.00	£150.00	£4.87
2001	31.0	£147.50	£ 0.00	£154.00	£5.31

Pay by Comparison with other sectors

Pay in hairdressing remains low by comparison with other sectors. Hairdressing is included as a non-manual occupation within the NES classification but whether

comparison is with non-manual or non-manual employees, earnings in the hairdressing sector remain significantly below those for other employees as we show in table 17.

Table 17: Earnings of full-time employees on adult rates

	Avg gross annual salary	Avg gross weekly earnings	10% earned less than	10% earned more than	Avg hourly earnings
Hairdressers, beauticians & related occupations	£11,077	£223.6	£144.0	£322.8	£ 5.78
Hairdressers, barbers	£10,760	£214.5	£140.5	£341.5	£ 5.51
Beauticians & related occupations	-	£250.9	£172.4	£324.2	£ 6.62
All non-manual occupations	£26,635	£492.8	£220.6	£815.1	£12.95
All manual occupations	£17,524	£338.9	£188.0	£518.7	£ 7.59

Source NES, 2001

It might be argued that comparison should be made between female earnings rather than with all earnings, but even here there is marked difference between hairdressing and other female employees – see table 18.

Table 18: Full-time females on adult rates

	Avg gross annual salary	Avg gross weekly earnings	10% earned less than	10% earned more than	Avg hourly earnings
Hairdressers, beauticians and related occupations	£10,399	£214.4	£144.0	£309.5	£ 5.55
Hairdressers, barbers	£9,809	£199.9	£140.2	£291.1	£ 5.15
Beauticians and related occupations	-	£250.7	£171.2	£324.9	£ 6.61
All non-manual occupations	£20,088	£388.8	£200.9	£613.3	£10.47
All manual occupations	£12,065	£241.8	£151.0	£360.1	£ 5.97

Source NES, 2001

Conclusion

In conclusion, both datasets used here to analyse pay indicate that pay in hairdressing has increased substantially as a result of the NMW, especially for the lowest paid, and significantly ahead of inflation and average earnings increases over the same period. Nevertheless, pay levels in hairdressing are still low in comparison to other sectors. The data also indicate that PBR (largely commission in the case of hairdressers) is largely the preserve of higher paid hairdressers, those who are fully trained and experienced. Lower paid staff, such as trainees, receptionists and shampooists are unlikely to receive commission. Even so, the NHF surveys suggest that there has

been a decline in PBR for hairdressers overall and that it constitutes a smaller proportion of total earnings than previously. In contrast the NES shows some increase in the proportion of total earnings generated by PBR, perhaps suggesting that commission based payment systems have become more common since the advent of the NMW. The NES figures also indicate a small increase in working hours since 1998 but this is not borne out by the NHF surveys, which indicate little change. These issues are discussed further in chapter 4.

CHAPTER 3: RESEARCH AIMS AND METHODOLOGY

This chapter reports on the aims of this research, on the research methods and the process.

This report builds on the picture emerging from the LPC employers' survey (LPC, 2001). It presents a full account, based on qualitative data, of the ways in which the NMW has affected the hairdressing industry over the last three years. The research is concerned especially with the effects of the NMW on businesses and on business decisions, on employment and on steps taken by employers to benefit from the introduction and up-rating of the NMW and to avoid or minimise the disadvantages that might accrue. In assessing the strategies adopted, the research identifies differences within the sector, highlighting best practice.

The focus is on hairdressing. This is taken to include those establishments concerned solely with hairdressing and those where there is a mix of activities including both hairdressing and beauty treatments within one salon. Widening the range of services on offer is one of the avenues open to a salon owner who is looking to improve turnover and there is currently a trend to include beauty treatments within the range of services provided within a hairdressing establishment (HABIA, 2001). Therefore our study includes hairdressing salons that also employ beauty therapists. However we exclude those that provide only beauty treatments or therapies.

Given the quantitative nature of the LPC employers' study, our research proposal was essentially qualitative, involving semi-structured interviews intended to provide both breadth and depth of understanding of the strategies adopted by salon owners to cope with the NMW. Interviews allowed the researchers to meet the respondent in the working environment; to question and to follow up initial questions, seeking clarification where answers were unclear and elaboration where points could be further amplified.

The Research Process

In the first instance we compiled a list of salons that might be potential participants in the research process. This was based on three different sources. Firstly we drew on names and addresses of salons in membership of the NHF. Secondly we were supplied with names and addresses of salons associated with the work of the national training organisation, the Hairdressing and Beauty Industry Authority (HABIA), now part of the Consumer Services Industry Authority. We thought that NHF members and training salons would be more informed about employment law and about good practice in terms of employment and therefore may have more easily assimilated arrangements associated with the NMW. For this reason we sought a third route to access, through informal contacts and 'yellow pages' listings. In all, 32 salon participants were members of the NHF, two were members of the Hairdressing Employers Association and two were members of both of these organisations.

A total of 48 salon visits was planned. Our three pilot interviews indicated that the NMW had an impact in London and the South East as well as in the regions that are traditionally regarded as lower paid. Therefore we undertook, insofar as was

practicable, to visit salons in all of the twelve economic regions. Salon locations are identified in table 19 below.

Table 19: Salons and locations taking part in the research

Economic Area	Salon locations	Economic Area	Salon locations
Scotland (4)	Dunfermline; Falkirk; Leven; Glasgow	East Midlands (4)	Lincolnshire (x3 including Sleaford + 2 other small town salons); Nottingham (x1)
Northern Ireland (4)	Belfast; Larne; Lisburn (x2);	Yorkshire (3)	Batley, Doncaster (x2)
Wales (4)	Barry; Neath; Swansea (x2)	East (3)	Corringham; Frinton on Sea, Colchester
North West (5)	Chorley; Oldham; Leigh; Wigan (x2),	South West (5)	Bath; Liskeard; Bournemouth (out of town); Plymouth x 2
North East (4)	Sunderland (x2) Newcastle upon Tyne x 2;	London (4)	Bromley, (Kent); Greenwich; Eltham; New Eltham
West Midlands (5)	Coventry (x2); Solihull; Stoke-on- Trent; Wolverhampton	South East (3)	Kent; Portsmouth town centre; Portsmouth out-of- town

This was a high number of salons for a study that is essentially qualitative in approach. In identifying our interviewees we were concerned to take into account the full range of salon types. We included a small number of high fashion salons, although the majority of interviewees were local salon owners. They were both urban (out of town and town centre) and rural. We included barbers, ladies' hairdressers and mixed or unisex salons. Although most participants were small business owners, we also included one multinational enterprise and one business that had branches set up on the basis of franchise arrangements.

Our initial contact with salon owners or managers was made by letter, explaining the purpose of the research. This was followed up with a telephone contact seeking an interview. Participants were sensitive in some cases about the issues being raised and they were in all cases assured of confidentiality, so that this report does not name or identify salons that took part. Interviews were conducted on a face-to-face basis in most cases although, at the request of two of the participants, interviews were conducted by telephone. A copy of the interview schedule is attached as Appendix A. The circumstances of interviews varied. Many of the participant owners or managers are also working as hairdressers in the salon. In some cases there was an office or staff area which was used for interviews. In other cases however interviews took place

in the salon itself – typically at a quieter time when the interviewee could give up some attention to the interview. Nonetheless this did mean that there was an absence of privacy which may have impacted on the freedom of the conversation. There were a few occasions however when a client arrived during the interview which continued whilst work was in progress. Clearly in these circumstances the interviewee may have felt constrained about commenting on the salon business. We had agreed at the outset that it would be impractical to tape-record interviews. However, salon owners/managers were provided with a copy of the text of notes of the interview, allowing them time to reflect on the accuracy of their account and to correct any misunderstandings by the researchers.

In order to check and to validate the perceptions of salon owners we included other groups within the scope of our research. These were 1) employees 2) trainers in accredited training bodies and 3) work-based trainees who have been in training for more than one year.

Where practicable we sought to meet and interview employees during the course of a salon visit. The employee perception provided a valuable means of checking on the perspective and recollections of employers. It also gave us an insight into employee understanding and perception of their entitlements and of the course of action that might be needed if problems were identified. We did not expect to conduct employee interviews in each salon, firstly because of the time constraints – salons were for the most part, very busy. Secondly we were aware of the sensitivities of seeking access to employees. We were pleased therefore that we were able to conduct employee interviews in 24 salons. The most common position for our interviewees was that of stylist. A copy of the employee interview schedule is attached as appendix B.

We asked employees about their qualifications. Eleven of the employees interviewed were qualified to NVQ3, four to NVQ2 and one to NVQ1. The other eight mentioned other qualifications including City and Guilds. Altogether they had extensive experience of the industry. The longest serving had been in hairdressing for 34 years. The most junior had completed 18 months training.

In addition we conducted an interview or interviews with training providers in three regions (see Appendix C). Again we assured providers of confidentiality so that they are not named. The purpose of these interviews was to explore the nature of the relationship between employers and training providers and to understand whether changes in demand for training are resulting or are connected with the introduction of the NMW. We were particularly concerned to explore the possibility that the NMW had affected employers' willingness to engage in or to support training for young people.

We also obtained support and co-operation from trainers to hold focus group sessions with young people in training in their institutes. Our target group was those who were coming to the end of their training (aged 18+) and those who have the longest experience of employment. The purpose of these groups was to explore the perceptions of young people who may have encountered changes in the type, duration and amount of training offered following the introduction of the minimum wage or its up-rating in June 2000 and October 2001. We were interested in their pay levels and in their expectations of employment at the end of their training. Four focus groups

were held as part of this research. A copy of the Focus Group Schedule is included as appendix D.

We are confident on the basis of the number and range of salons and the inclusion of employees, trainees and college representatives that our research results illuminate the main issues emerging in relation to the impact of the NMW.

The Participants

In total we interviewed eight salon owners, 33 owner/managers, one manager, five participants who described themselves as ‘partners’ and one human resource manager. We also met 24 employees in salons and a further 16 trainees in focus groups. Another six training provider staff gave interviews.

The capacity of salon owners and managers to respond to and manage the demands of employment regulation in general and the NMW in particular may depend on a number of factors. The first is the size of the operation. Three salons had no employees - with owner managers relying on their own skills as hairdressers or drawing on chair-renters. Thirty of the salons had no more than 10 employees (14 of those with employees had 5 or fewer staff). Eight had between 11 and 20 employees. Seven had 21 or more employees and, of these, only three had in excess of 100 employees. The largest (the British subsidiary of a multinational) reported 3500 employees. Clearly the mode of operating in this case was very different from that in other salons. If we were to average the employment size of all participant salons it would be higher than average because of the inclusion of the largest enterprises. However our research includes salons of all sizes and reflects therefore the operations of the industry as a whole. The majority of our salon participants (34 out of 48) operated with only one salon. However 10 participants had between two and five salons. Only four salon participants had more than five salons.

A second issue affecting attitudes of entrepreneurs is how long the enterprise has been established. The two oldest establishments had their origins in the 19th century. Many of the salon participants were well-established owners or owner/managers responsible for very long-established businesses. One of the owner/managers had been in business continuously for 42 years in a salon that previously had been owned by a cousin. Seven salons had been in operation for 30 years or more. Entrepreneurs in these cases had experienced many and varied changes in employment regulation, including the operation and subsequent termination of Wages Councils’ rates of pay. Five of the salons, by contrast, had been established only for between two and three years. In these cases the NMW was a factor to be absorbed in the establishment and growth of a new business.

CHAPTER 4: THE IMPACT OF THE NMW ON THE HAIRDRESSING SECTOR

Introduction

The NMW impacted in some measure on the majority of salons that participated in this research but subsequent up-ratings of the NMW have had a lesser impact. Taken over-all the industry is divided in its views of the NMW – and in its responses. To some extent this may reflect personal attitudes and values of business owners and managers but it also reflects the variety of salons and their different circumstances. This chapter reports on the results of our research, which was concerned particularly with the experience of implementing the NMW. It is structured as follows. This opening section deals with employment trends as indicated by respondents. The following section proceeds by reporting on the overall estimation given by respondents of the impact of the NMW on the individual salon. The chapter then considers different facets of the question, looking first at the initial impact – highlighting the main problems that were identified by respondents. It goes on to consider the effect of subsequent up-ratings in the NMW. After this we review the perceived impact on recruitment and retention and on attitudes to training and development. In Chapter 5 we consider employer responses to the NMW, looking at the impact of the NMW in terms of business practices and in relation to the management of the employment relationship.

A discussion of the impact of the National Minimum Wage is constrained by the need to take account of other changes in the business environment and particularly of other legal requirements that may be affecting businesses and business decisions at any particular point in time. This is particularly relevant because the NMW came into effect during a period when economic circumstances were relatively buoyant. At about that time there were also other changes in employment law being implemented that were likely to have a particular relevance for the hairdressing sector. Notable amongst these other changes were two measures. The introduction of the 1998 Working Time Regulations, gave new rights to workers to take paid holidays with pay at the average of earnings over the previous 13 weeks. Legal decisions on new rights for part-time workers, followed by regulations consequent upon the Part Time Workers Directive required equal treatment for part-time employees – who were strongly represented in hairdressing. Hairdressing employers were required then to assimilate a range of new standards in employment practice that were particularly significant for the type of workforce that is commonplace in salons. In asking owners and managers about their experience we attempted wherever possible to identify where the NMW was the factor triggering change.

Employment Trends

Earlier research on the NMW indicated that one third of hairdressing respondent firms experienced a significant reduction in staffing and almost one fifth said that there had been a reduction in the ratio of qualified to unqualified staff as a consequence of the introduction of the NMW (LPC, 2001a). The Third Low Pay Commission report (volume 2) indicated that employment overall had remained fairly stable (LPC,

2001b: 145). Our research suggested that the NMW did not have a strong impact on employment in general in the three years that followed its introduction, although there were employment effects in relation to younger workers as discussed below. Our salon respondents were evenly divided in reporting recent employment trends as we show in table 20 below. Of those who commented, 15 said that employment had grown between 1999 and 2002, 14 said that it had remained the same and 17 that it had diminished. A more positive picture emerged in relation to anticipated trends with a majority of respondents to this question indicating that employment is expected to grow in the coming year.

Table 20: Employment Trends in Respondent Firms

Employment	Increase	Same	Decrease	
Over the last 3 Years	15	14	17	N=46
Over the coming year	24	16	4	N=44

It is important to note that employment trends over the last three years were not, for the most part, linked by respondents to the introduction of the NMW. Rather they were variously attributed to the vagaries of business location and economic circumstances in their particular locality, to business expansion, to improved customer care, to the completion of traineeships and to personal or particular problems of the owner/manager. Where the NMW had a specific impact on employment the issues are discussed further below.

Overall Assessment of the NMW and its impact

The majority of salon-based owners or managers say that the NMW has had a ‘neutral’ or a positive effect on their businesses. However there are almost as many who believe that the NMW has had a damaging effect.

Table 21: Would you say that the NMW has had a positive, neutral or negative impact on your business?

Positive	8
Neutral	20
Negative	20

The NMW was viewed positively by respondents because it countered the low paid image of the industry and established a basic rate from which pay standards could be developed and set a minimum to which all salons must conform. A typical comment was that:

“Years ago, the guy that I started off with, he paid peanuts. Somebody now can know that there’s a good basic rate.”
Salon owner, Lincolnshire.

“In general I think it helps if people know they are going to be paid a reasonable wage. In the long term I think it will be a good thing.”
Salon owner, Lancashire.

Salon owners often differentiated between their own business interests and the needs of employees. Amongst those who described the effect on their business overall as neutral, comments were that it was:

“good for the employee” Dunfermline salon
“not as bad as I thought at first” Newcastle upon Tyne salon

It was suggested that it *“may be of benefit for hairdressing as a whole”*
Barber, Solihull.
“The really bad employers down here have to pay the minimum wage.”
Owner/manager, Liskeard salon.

Even where salon owners felt that the NMW had a negative impact on their business, they were sensitive to the benefits for the employee.

“ I am not against the NMW. It needed to be done and is a good thing overall for employees but it has harmed my business.”
Salon owner/Director, Portsmouth.

Not surprisingly, perhaps, employees were mostly positive about the effects in general.

“The NMW does make a difference. People should have a fair wage.”
Employee: South West

“The NMW is a good thing for people who want to train...It’s nice to know that you get paid a decent wage. Before you had no choice.”
Employee: North-West

The NMW did not always result in pay rises however. One employee noted that the employer in her previous salon had reduced wages to the level specified for the NMW.

“The other job I had in ...the salon dropped some of the wages to the NMW. I thought this was awful.”
Stylist, Yorkshire

Negative responses from employers were concerned particularly with the cost implications for the business – and this issue is explored more fully below. Labour costs rose for 39 out of 48 salons. Of this number, 26 said that the NMW had a little impact on costs but 13 said that there were significant cost implications.

Initial Impact

Our research indicated that the NMW had a significant effect when it was introduced in April 1999 in 34 of the salons that we visited. In this section we highlight the main

problems reported by salon owner/managers. We look firstly at the impact of the NMW on basic rates and on payment structures where these include commission-based payments. Then we review the effects of the youth rate and the transition from apprentice/trainee to stylist. We also discuss the development rate and the effect of the NMW on differentials.

Basic Rates and Commission

Many stylists and senior stylists commanded rates of pay that were higher – sometimes significantly higher - than the NMW when it was first established, especially in city centres and in larger and more fashionable (higher priced) salons. In other cases pay was below the level set by the NMW, at least for some workers. In some cases stylists and senior stylists were paid on the basis of hourly rates alone. This payment system characterised salons in more rural localities. It was also characteristic of barbers' shops. It was the approach taken as the basis of payment for trainees or apprentices and this was true for salons that do not otherwise employ staff, preferring instead to use chair renters as well as for salons that employ their staff on a more conventional basis.

In a majority of our respondent businesses though, employees were paid on the basis of hourly rates plus an element of commission, typically related on a percentage basis to income generated. There were sometimes other additions to pay, for example commission on product sales. Overtime pay was uncommon and where extra hours were worked, they were usually seen simply as part of the job, or taken as time off in lieu rather than attracting overtime premia. Tips were reported by employers to be paid to the individual – rather than via the salon owner – in all of our participant establishments. This was confirmed by almost all of the employees. Hence tips were outside of the scope of the definition of wages for the purposes of the NMW calculation.

Obviously where stylists were paid on an hourly basis at rates above the NMW they were not directly affected by the new minimum standards – and this was the case for the majority of stylists or senior stylists in our survey. It was also for the Barber's Shop in the case study below. Some salon owner/managers increased basic rates in anticipation of the introduction of the NMW, fearing that they would be caught by the new regulations and have to make a dramatic increase.

Case Study: Barber's Shop, North East England

This is a traditional barber's shop, located in an area where many working class men were employed in the past – close to a dockside. The shop relies on passing trade and on recommendations and has many regulars. Over time the area has changed, with more shops and offices. There are now fewer men and more women working in the area – so that trade has declined.

The barber's shop is organised on the basis of a 'walk-in and be served' system – the owner says that men do not want to have to wait for a haircut. There are two men employed (down from three previously when there was more business). Both work on a full-time basis and have been employed here since their apprentice years, many years before the NMW was introduced. Each man is expected to reach a target of four haircuts an hour – or 32 a day – if the shop is busy. This target is rarely reached because demand is not sufficiently high. Pay is not linked to performance however but is based entirely on a weekly wage of £200 per week at the time of our visit.

Consequently the NMW had no impact at the barber's shop because the hourly rate exceeded the NMW and was higher than subsequent up-ratings. There had been no change in employment – the two men had been working in the shop since before the NMW was introduced. The owner did not have a view on whether the NMW had encouraged new entrants to hairdressing or affected training – because he had no staff turnover. Prices rose in 1999 – but this was not in any way connected with the NMW.

In a few cases hourly rates for stylists were increased with negative consequences for the business owner.

Case Study: Rural Salon

The owner/manager of this small salon, located on the edge of a Lincolnshire village has been in business for 16 years and she is herself a working hairdresser. The salon is not VAT registered. The owner enjoys her work - describing hairdressing as a 'vocation'. She teaches hairdressing on a part-time basis at a college in the area. Most of the clients at this salon are local – and the clientele is family based including both children and adults. She is a member of the National Hairdressers' Federation and finds the information sheets provided by the NHF useful in keeping her up-to-date on business and employment issues. There were three employees at the time of our visit – one stylist who worked for four days a week and one junior, plus a Saturday girl. Previously there were three employees but trade dropped off when one of the stylists left to have a baby – so the number of staff was reduced. Recruitment has always been difficult but is even more so now than in the past. The owner's perception is that fewer people are interested in hairdressing now.

Staff are hourly paid. There is no commission and there are no other additions to basic pay. The owner increased basic hourly rates for her one stylist (who is employed for four days a week) in order to bring her hourly pay to the level required by the NMW when it was introduced. The stylist was paid £4.10 per hour when we visited. The only junior in this salon, who had not yet crossed the age threshold to receive the youth rate, was paid below £3.50 per hour. The salon owner said that pay levels in the salon are normally adjusted annually but are now increased solely to meet the

requirements of the NMW. Prices were raised as a consequence. The trainee's pay rate was expected to rise later in the year when she had been with the salon for one year. The owner commented that, now that the NMW is in place it is perceived to be a low rate of pay and experienced stylists expect to receive a higher rate. Other stylists have left in the past to go to other salons with higher pay rates. She does not believe that the NMW has encouraged retention. Her profits have diminished as a direct result of the increased wage bill, although her turnover has increased. She has taken small cost-cutting measures – for example in relation to sick pay. In the past she paid someone in full if they were away from work for “the odd day” because of sickness. Now she stops the wage and, after the waiting period, staff are eligible for Statutory Sick Pay (SSP).

Overall the owner says that the NMW has had a negative impact on her business because of the increased wage bill.

In most cases though, where the NMW impacted on hourly rates, only a minority of staff were affected. This was primarily the younger employees, including apprentices, shampooists, receptionists and occasionally laundry staff as well as young stylists. The situation of younger workers is further discussed in the section on the youth rate below. Interestingly, eight of the 24 employees that we spoke to reported that they received increases in pay as a direct consequence of the NMW.

Some salon owners reported problems because of the NMW in relation to those stylists who were paid on the basis of an hourly basic rate plus commission generated above a threshold level – even where stylists' earnings were normally relatively high. For example, some participants said that employees are required to earn three times their basic salary before commission commences. When the threshold level is reached commission is triggered. The level of commission was reported variously as from 20% through to more than 33% of income generated above the threshold after VAT. Once the basic rate has to be increased to the level set by the National Minimum Wage, the incentive for employees to work for the commission is in part removed, it is argued, if the basic hourly rate is equivalent to the NMW. Indeed, depending on the calculators that are used, it is possible for earnings to fall in these circumstances. This is an important point which may explain the fall in earnings for the highest paid workers in the industry shown by the NES data in chapter 2 above.

This problem was encountered by city centre or fashion salons. Commission based payments of the type described characterised the two largest salon participants, both of which deploy payment systems to sustain a tight control over labour costs. In both of these cases the salon owner said that the low hourly rate was preferable – and preferred by staff – since it provided a softer threshold from which commission could be generated. Since payment systems were geared to maximising individual productivity, there was a strong psychological resistance from owner/managers to the NMW – even though there were very limited direct cost implications as far as higher paid workers were concerned. By setting minimum rates the NMW is perceived as a challenge to the approach they had taken. In neither of these two cases, though, did the introduction of the NMW lead to a review of the payment or commission system. Nor did the salon managers in question explore alternative approaches to

implementation of the NMW – since the NMW regulations did not require that the NMW be the calculator for commission or bonus purposes.

City centre/ fashion salon

This fashion salon is located in Glasgow city centre. The owner has been in business for over twenty years and now owns three salons with three more operating on a franchise basis – all in Scotland. In addition there is a training academy. There are about 70 ‘senior’ stylists although job titles vary and there is a long grading structure ranging from ‘Consultant’ and ‘Master hair designer’ down to ‘Academy stylist’. In addition there are around 70 juniors and apprentices, plus 20 receptionists and six laundry staff. Pay rates vary according to grade and performance, including a basic rate, commission and an annual bonus. Earnings were reported for the most part, to be between £12 and £18 per hour.

Since the basic rate is also the bonus calculator for commission, a low basic rate means that there is a low target for commission calculations. The lower the target the easier it is to make up earnings on commission and annual bonus. Staff aim for a target each month in order to earn commission. The rate of commission increases with experience from 20 per cent initially up to 33 per cent at the top end. The owner of the salon is sensitive to the various factors that may motivate staff and reward is also accorded through public recognition of achievement with ‘self-improvement’ awards made annually at a congress.

Despite the high earnings this salon was affected quite significantly by the NMW when first it was introduced because of the effects of the youth rate – given the high proportion of staff who, as juniors, were in the younger age bands.

The salon owner in this case reported that the NMW was a ‘psychological blow’ to the way the business was run, since pay was geared to performance at every level. He suggested that even the higher paid employees might feel that their extra effort, needed to earn commission, might be wasted.

The approach to commission based payment is not uniform within hairdressing. Other salons reported that commission, or bonus payments, were target related, with targets sometimes being set through appraisal systems. In such cases the hourly rate does not necessarily or automatically carry the same significance as in the city centre salon cited above. Altogether there were 26 salons where salon owner/managers reported that there were commission arrangements in place. Although we did not have time to explore the detail of commission arrangements in each of these cases, it is clear that different systems applied and that, in contrast to the problems outlined above, the NMW had few or no negative consequences for commission based payments in other cases.

Some of the smaller salon participants had abandoned commission-related payment systems, but this was not a result of the NMW. Their comments suggested that the lower levels of employment and perhaps the more stable client base of the out-of-town or smaller salon brought different factors into play in terms of cost management.

In such cases owner/managers were probably more easily able to rely on direct supervision and personal knowledge of their staff to maintain productivity. As one smaller salon owner said:

“I have done commission in the past but it is too complicated. I do have targets for all the staff though and they have to take three times their salary each week – before VAT – in order to be worth their wages.”

Salon owner, Wales.

“I have tried commission but it doesn’t motivate staff. X, the senior stylist is not motivated by money but by job interest, holidays and teamwork, that sort of thing.”

Salon owner, Doncaster”.

The Youth Rate and the Transition from Apprentice/Trainee to Stylist

The most common complaint about the NMW at its inception and subsequently related to the impact of the youth rate. Workers under the age of 18 were (and are) exempt from the NMW, as are Foundation Modern Apprentices and those who are in the first year of training. Typically, hairdressing apprentices or trainees are recruited at age 16 and, with two years of training, might be expected to have reached NVQ2 by the age of 18 or NVQ3 by age 19. This means that they are eligible for the youth rate from age 18 or 19, depending on status and progress.

The establishment of a NMW youth rate, which in principle was to be applied to employees from the age of 18 and until the commencement of the adult rate at 22, has been a major source of concern for hairdressing employers. This was the problem that emerged most frequently as salon owners and managers commented on the NMW. Salons indicating that the NMW had a significant impact on the pay-bill were most likely to refer to one of two related issues. The first was the direct cost effects of the youth rate that applied from aged 18 (or 19 if the young person continued an apprenticeship through until that age). The second was the transition of young employees from ‘trainee’ status to young stylist during which time they are building up a ‘column’ (i.e. a regular client list).

The youth rate had a significant impact on employment levels in the largest salons. Apprentices and younger workers were not perceived as adding value to the business and consequently, where their numbers were high, jobs were likely to be lost. The respondent in the largest business – which has salons across the country - reported that the NMW initially engendered a ‘major panic’. It was common for people to be employed at rates below the NMW – especially younger stylists, shampooists and receptionists. The development rate had a negative impact on employment of this type and, in this business, there is now less than half the number of apprentices, shampooists and receptionists employed, compared with the period before the NMW. After the NMW was introduced the recruitment of apprentices was cut back and each apprentice appointment required the personal sanction of the Managing Director. In the city centre fashion salon, in Glasgow (presented as a case study above) the proprietor reported that the cost of the NMW was in the region of £1,000 per week with 20 staff affected. The majority of those receiving the increase that resulted from the NMW were between the ages of 19 and 21. Here too the response initially, was to

cut the number of posts for younger workers, although since 2000 numbers have risen again.

Many of the smaller and medium sized salons registered the same pressures although the overall numbers involved were lower. A salon owner in Leven, Fife, for example, reported a rise from £45 per week to £115.98 per week for four younger employees – in a salon and beauty business employing eight staff. All of the employees were retained, but the business suffered. The owner/director of a fashionable salon in the centre of Portsmouth said that:

“Fewer trainees are employed. This is because I now have to pay the 18 – 21 year olds more and I cannot afford to employ so many trainees now. The NMW has removed the employer’s discretion in how to structure his pay arrangements. If there was no NMW I would employ more trainees.”

Owner/director, Portsmouth Salon

The NMW youth rate seemed to have a less immediate and direct impact on employment levels in the smaller salons. It is possible that, where the number of young employees is lower, there is less flexibility in whether or not to employ them. It may also be that the owner/managers’ personal knowledge and contact with younger employees encouraged retention. The effects in the medium term were nonetheless significant. In general the immediate and widespread consequence of the youth rate was to inhibit recruitment of 17 year old apprentices and to freeze opportunities for those aged 18 or above because of the longer-term cost implications of their employment. This was common across regions and across most salon types.

“It made me think about age of staff. In terms of juniors I did not want anyone too old that I could not keep on. I needed someone who was trained and already cost-effective when taken on.”

Salon owner/manager, Bath.

“The only difference is that I have to seriously think about taking on 17 year old apprentices – 18 is a no-no. Just because of the age. People of 20 apply to us who know they need 2.5 years training and we cannot take them on.”

Managing Director, Hairdressing group with 11 salons, London.

“I used to take trainees on at 18 but now they are not cost-effective. I only now take them at 16 and with good qualifications. I have just interviewed a 21 year old guy, but did not take him on because the wage is too much and it is not cost effective. He only had 6 months experience but no qualifications. I could not possibly put him on the shop floor with clients.”

Salon owner/manager Swansea.

“18-19 year olds are the problem – if you have to pay them £3.50 per hour they have to generate three times that amount to be worth it. This is the issue with the NMW. In the past when you might have paid them, say, £88 per week it was easier. Salons operating in the black economy don’t have these problems of course.”

Salon owner/manager Neath.

In the majority of cases respondents now say that they will not recruit apprentices who are aged 18 or over, even though there are widespread concerns about the calibre of new entrants into the industry. There were occasional exceptions. The owner/manager of a small salon in Doncaster (two staff apart from the owner herself) reported that she had recruited a 19 year old as an apprentice and had given her receptionist duties in addition to the apprentice role, to justify paying her at the trainee rate. She saw this as a way of growing the skills and expertise that she needed in a labour market in which recruitment was problematic.

“It is difficult to get staff in Doncaster in beauty and hairdressing. Hairdressing has a poor reputation. What I mean is, it’s hard to get quality staff. You need to grow your own staff.”

Salon owner/manager Doncaster

Even where apprentices are recruited at age 16 there is a continuing concern in relation to the development rate, that they will not be able to ‘earn their keep’ by the time that they are 18 or 19. The young stylist lacks experience and tends to work at a slower pace than more established colleagues. In most cases – even if the training has been conducted on a part-time basis- the younger worker does not have the regular client base that ensures income generation and so s/he has to build up a regular clientele or column. There are reservations about full-time training too. As one salon owner (also working as a part-time college lecturer/trainer) commented:

“Trainees go to college on a full-time basis and at college they’re introduced to hairdressing...When people come out of college they’re fully qualified but they have no salon experience so they’re not so quick – and therefore not so useful in the salon.”

Lincolnshire Salon

Adult Trainees and the Development Rate

The other associated effect of the NMW was to restrict the (already limited) interest in the recruitment of adult trainees. Recruitment of adult entrants to the industry does not seem to have been widespread amongst our respondents, even before the introduction of the NMW and the school leaver entrant was widely perceived to be the norm. Younger people have always been cheaper and so it has never been standard practice for adults to undertake a full training period within hairdressing. Some respondents simply said that this was not applicable in their case.

“We have never done it” Salon owner in South Wales.

“They tend to prefer younger people because they can pay less”. Salon manager, East Midlands.

Where in the course of this research, we identified individuals who had trained at an older age (i.e. 20+) their circumstances were atypical. One of the salon owners, with a degree in electronics re-trained as a beautician in order to set up her own business and was seeking additional qualifications as a hairdresser. In another case an accountant who had married a hairdresser and salon owner had herself re-trained as hairdresser.

It was significant that, when asked about adult trainees, salon owners did not always interpret this to mean new entrants to the sector. Some salons understood adult

training to be a question of professional up-dating for those who were already qualified – sometimes in the form of short training courses provided by product suppliers. In itself this indicates that adult entrant training has not been significant in the past. In other cases adult training was deemed to involve progression for those already qualified. One salon with Investors in People accreditation was supporting a 33 year old employee already qualified as a hairdresser, to work for NVQ3. She said that her IIP status meant that she was able to recoup some of the costs of this training. A few salons with a high commitment to training encouraged professional development.

“We have people who join us from other firms with NVQ2 and we take them on to level 3. Or they come with level 3 and we give them customer service”. Salon owner, London.

For those who did see ‘adult trainees’ as new entrants to the industry, some suggested that the younger recruit was more flexible and more likely to adjust to the requirements of the job. Older people *“are married and may not be as committed”* (Salon owner with four employees, East of England). By contrast though there was a preference for recruitment of older people in some cases because they were more likely to be conscientious and to have the inter-personal skills that would be needed for dealing with clients. This view was not always supported by actual experience of training mature entrants. Implicitly in such cases there seemed to be an expectation that the older person might bring some experience of hairdressing – even if they were not fully trained and qualified.

Most salon owner/managers who commented said that if they had to pay the NMW they would not now be able to afford an adult trainee. Asked specifically about this, the majority response was that to achieve competence as a hairdresser necessitates a much longer period of training so this would not really solve the problem. Some respondents did not seem to be aware of the existence of a ‘trainee’ rate for adults for a six-month period.

Effects on Differentials

One of the additional problems, consequent upon the increase in the youth rate, was the pressure on differentials. The issue arises because of the relationship between pay of apprentices and junior staff (typically aged 16 or 17) and that of the 18/19 year olds who were receiving the youth rate. This is a point at which there is ‘big jump’ according to a salon owner in Oldham. It was described as follows by the owner of a barbers’ shop in the W. Midlands. He said that there is

“a jump between earning £70 per week at 17 and £135 at 18. I need to ensure that their training is going to plan – they need to be cutting hair not just sweeping up. They must be cost-effective now.”

Owner, Barbers’ shops, W. Midlands.

Where the NMW led to a pay rise for juniors or the 18-21 age group in general there was a further spin-off for other more experienced staff who then expected or sought some adjustment in their rates. One of our employee participants reported that she had left her previous salon because the NMW had eroded the differential in favour of less experienced staff. We asked salon owners and managers whether there was any

change to differentials, explaining the question as being concerned with the gap between grades and pay for different levels of staff. Only 15 employers reported such a change – although it is possible that some employers may not have identified this if they increased the pay of their higher paid stylists in order to maintain differentials. This seemed to be commonplace. A salon owner/manager in an out-of-town Portsmouth salon reported that she had to increase pay for higher paid staff to maintain differentials. She also commented that staff were demanding higher pay but without the productivity to justify it. A salon owner in Country Antrim reported that, once the pay of the juniors was increased as a consequence of the NMW, this had an impact on the perceptions of other staff, who then expected an increase in their basic rate. This was conceded - and stylists' pay rose from £200 to £225 as a consequence. Another in Belfast reported similar pressures. A salon owner in Wolverhampton increased pay for the manageress to reflect her responsibilities.

The owner/manager's attitude toward differentials depends in some measure on whether it is believed that employees will share and compare information about their rates of pay and earnings. In fact the rates of pay for juniors are likely to be known – because stylists and senior staff in the salon may be involved in recruitment (sometimes word of mouth) and in training of the juniors. Most salon owners seemed to assume that information about pay rates and pay rises for the lowest paid was likely to be shared. Not all salon owners conceded an increase to the higher paid stylists however. One salon owner commented that one person does not know what others are earning – and so there is not necessarily a need for change.

The adjustments to differentials may help to explain the trends in the pay of the highest paid employees as reported by the NES (cited in chapter 2). This showed that, after an initial diminution in earnings for the upper decile in the year following the NMW (1999-2000), earnings rose again for the highest decile of earners in the industry in the following year (2000-2001).

Effects of Upratings

The up-ratings in the NMW made in October 2000 and October 2001 have had less impact on the industry than the initial introduction of the NMW. Fewer salons report that there are changes or adjustments to pay consequent upon the up-ratings. The majority of owner/managers have come to terms with the regulations and have absorbed the NMW into their business planning. Of the 48 salons surveyed, 23 said that the increases in NMW rates required them to make changes to pay rates in their salons – compared with 34 that reported significant changes on first introduction. The initial problems have been resolved to the extent that new pay structures are in place and new recruits are absorbed onto the relevant pay level. As one respondent said, once the NMW was introduced, it was built into planning for the future. As another person said *“The upratings...did not cause the same panic and there wasn't the same impact on payroll.”*

Some of the salons that report changes made because of upratings in the NMW say that they now plan their pay adjustments in the expectation of an increase to the NMW – using it as the benchmark for pay rates in their own salon.

Case study: Small-town salon, East of England

Small-town salon has four full-time staff, one part-timer who is a shampooist and a Saturday girl. Full-time employment has gone up recently from three to four people because business has been fairly buoyant. The owner and his wife both work in the salon too. Staff – paid on hourly rates with no commission - had always been paid at around the level of the NMW. The exception was the shampooist who was below the NMW when it was first introduced – so her pay was increased at that point. Pay rates are reviewed and adjusted annually as the owner is keen to retain those who are qualified and effective with clients. Recruitment is difficult and the salon’s business does not permit higher rates of pay, although the owner says that he wants to ensure that staff have a ‘proper wage’. The introduction of the NMW had not led to any significant changes in working practice or in business arrangements. The salon owner gives careful attention to adjustments to NMW rates as a benchmark. *“At least they know they’re going to get the NMW. At least I know where to start.”*

The NMW is most likely to provide a reference point for pay rises in the rural or lower- paid areas where pay is based solely on hourly rates. Some employers wish to maintain minimum or close to minimum rates of pay for their staff. Two of the three Lincolnshire salons that we visited saw the NMW as a reference point for pay rises. Where previously wage rates were increased annually, salon owners/managers now say that they await announcements about increases to the NMW. In the third of these salons the NMW was perceived to be a ‘starting block’. This does not mean that all of the staff are paid at minimum levels – rather that the trainee rates and minimum rates are adjusted to ensure that they comply. Pay rises are awarded to other staff at or about the same time and on a similar basis. In Liskeard the salon owner/manager preferred to set pay rates above the NMW and expected to maintain the differential between the NMW and pay rates in her salon. In Barry a salon owner/manager said that pay rates had been adjusted in the past when prices were raised but now they are adjusted when the NMW is changed.

Recruitment and Retention

It is sometimes argued that a decent basic rate of pay will enhance interest in the industry from potential recruits. Our respondents were not convinced by this argument, with many of them pointing out that, since the NMW sets the minimum level of pay across the economy, potential recruits may be equally attracted to other industries or occupations. Only a minority believed that the NMW had encouraged interest from applicants. Recruitment in respondents’ businesses had become more difficult since 1999 although this was not attributed specifically to the NMW. Labour turnover was about the same for the majority as we show in table 22 below.

Table 22: Recruitment and Labour Turnover, 1999-2002

	Harder/Higher	About the Same	Easier/Lower	
Recruitment	24	16	3	N=43
Turnover	4	29	8	N=41

It is worth commenting further on the issue of recruitment, even though respondents said specifically that the problems were not related to the NMW, since the issues of recruitment, training and payment are integrally related to the creation of an effective workforce. The recruitment problem occurs at two levels. Firstly there is the recruitment and retention of apprentices or trainees. Secondly there is the question of recruitment and retention of qualified and experienced staff.

The hairdressing industry was perceived to be attractive to young women who were 'less academic' and who might be prepared to accept low wages because of a high commitment to establishing a career in hairdressing. Historically this was one of the few apprenticeship opportunities available for young women and a number of our respondents recalled that their own pay had been low when training – and that the duration of training was longer in the past than it is today so that things are now easier. One salon owner referred to the period of the 'Youth Training Scheme' when trainees were paid via a government allowance – and argued that training should be government funded. The background and personal experience of salon owner/managers pre-disposed them then, in some cases, to assume that apprentices and young trainees would be a low cost to the salon. They recognised that young workers have job opportunities that are likely to offer more immediate financial returns (for example in the retail sector) or better rates of pay with less arduous conditions (for example no Saturday working) – call centres were often cited – than hairdressing. However the pay differential in these cases was so significant that young workers would need a substantial rise in their rates of pay for hairdressing to be competitive – and so it was argued, hairdressing salons could not for the most part, afford to offer competitive rates of pay.

The level of concern about the number and calibre of new entrants was so widespread amongst our respondents as to suggest that there is something of a crisis affecting the industry. Salon owner/managers reported that they could not get "good people" and that the age cohort – particularly young women - is encouraged by careers' officers to progress through college and university, rather than to go into a career such as hairdressing. Paradoxically it was argued in some cases that there are good earnings opportunities in hairdressing, for someone who is trained and experienced.

"Youngsters know that they can get the NMW at B&Q. Schools are also a problem and put students off hairdressing."
Salon owner, Yorkshire.

"Careers advisors have the wrong impression of the industry. Many are not aware of the good money to be made and earned. But yes, it is hard work for trainees in the early days..."
Salon owner, Swansea

"Too many people are going into education when they would do better to learn a trade."
Salon partner, Newcastle upon Tyne

Young entrants to the industry were perceived to lack basic skills in literacy and numeracy – and occasionally, to be reluctant to engage with the work required.

“Kids that can’t be bothered with learning at school...wayward kids – ones that have learning difficulties...all they want to do is sit out the back drinking coffee”

Salon manager, Nottingham

“They expect a lot – and don’t want to work for £55 a week when they can work in Somerfields for £100 a week.”

Salon owner/partner Plymouth

Client relations are important to the salon owner and, in different ways, many of them expressed concerns that young apprentices and trainees lacked sensitivity in interpersonal relations and awareness of customer care.

Initiatives that were taken to encourage interest from potential trainees included contact with and advertising through schools and colleges. One of the larger salon businesses operates a club for school aged children of around 14 – 16. This is run by the older trainees with the intention of capturing the interest of young people before they reach school-leaving age. Yet it was interesting that, despite these concerns and also despite the widespread recognition that hairdressing is perceived to be a low paid industry, few of the salon respondents had reviewed or evaluated their pay structures for apprentices and juniors.

Some salons survive on the basis of low pay – as in the case of East Midlands salon.

Low cost salon

This salon on the outskirts of a Midlands city employs three staff, including the manageress and two stylists. Its location is accessible, above shops in a busy high street but business in the salon is declining and our respondent expected the salon to close in the near future. Staff were reported to be paid below the NMW. The respondent (salon manageress) commented that young workers are used as “cheap labour” and said that the owners “*won’t employ anyone over the age of 21 and if they can help it they won’t employ anyone over the age of 19. They want someone who is 16 who can be in the lowest wage bracket.*” Over the last four years, the salon has had 28 juniors, she said. None of them have completed their training whilst with this salon. Some of them were part-timers but others were studying full-time at college but worked in this salon for the experience. There were no formal payments to these people although cash-in-hand had sometimes been used.

Initially it seems that the school leavers who choose to come into hairdressing have not been deterred by the reputation of the industry for low pay. In our focus groups with trainees, held in training establishments, participants said that the pay did not initially put them off. Typically, they ‘knew it was low’ but where they had a long-standing interest in hairdressing, this had not put them off. Our research did not allow us to pose the same question to labour market entrants who decided for alternative career options – and further research would be needed here to identify whether the pay levels in the industry do in fact act as a deterrent.

Our research suggests however that low rewards for apprentices and young people – and the long time scale before more significant returns can be expected – contribute

significantly to the high attrition rate amongst young entrants to the industry. Most of those that we spoke to were aged around 18, had already achieved NVQ2 and were working toward NVQ3. Hence they were the high fliers who in some cases were already working as ‘stylists’ rather than ‘juniors’ in the salons that employed them. Most of them were not yet receiving the ‘youth’ rate that applies from age 18 though, because they still ranked as ‘apprentices’. One of the trainers that we interviewed commented that there is a preference, amongst employers, for keeping 18 year olds in training, as the rate of pay can then be held down for a further year. Hence many in this group were still anticipating the ‘big jump’ in pay rates that employers spoke about. The consensus amongst the young people across all of the four focus groups (North West (2), Midlands and South West) that we spoke to who are beginning careers in the industry was that they *‘should get more’*. The pressures on them financially were both absolute (not enough money to meet needs) and relative (compared with friends).

“If you’re living at home and you have to pay keep you’ve no money left to go out with your friends.”

Young woman trainee, Focus group South West.

Some of the young people we interviewed were taking part-time work in the evening – in bars and hospitality for example – in order to make ends meet. This additional work was undertaken on top of commitments to a full-time job and to study at college. They felt particularly that

“the minimum wage should start younger”

“we’re doing a lot of hours: 9–6.00 and sometimes 6.30 or 7.00p.m. – and you get £60 a week”

Young women trainees: Focus group, South-West

The NMW had not changed attitudes of the employees that we spoke to in terms of their ambitions or their willingness to take up training. However almost all of the young people we spoke to indicated that the low wages that they were receiving were a major source of dissatisfaction which encouraged them to think about leaving the industry. Some 18 year olds (Focus group, Midlands) reported that they worked from 9.00a.m. until 8.00p.m. for £45 per week – a rate that is not necessarily illegal if they are apprentices but is certainly very low in terms of meeting expectations or economic needs. One of this group said that she had been sacked because the college had advised that her wages should rise when she reached the age of 18. She was being paid £50 for a 45 hour week at that point. A young stylist, who was happy with her job in a West Midlands salon, reflected on her own perceptions when she was a junior.

“When you’re fed up you don’t believe that it’s ever going to change...Having a rise every six months helped.”

Stylist, West Midlands

A trainer, who reported that in her experience trainees leave because they need more money, said that there should be an increase in pay for the 16 and 17 year olds with a graduated scale – possibly with some state subsidy - leading to the full trainee rate. If there were a higher basic rate for the youngest workers in the industry, she argued, there would be less of a jump in pay when they reached the threshold age and training

level to receive the NMW – and they would be more likely to remain. Interestingly, this view was echoed by one employer, who argued that the very low starting rate was a deterrent to recruitment and that his preference would be for higher starting rates and a more gradual incremental pay scale. Another, based in the west Midlands, said that he pays more in order to ensure retention of staff.

“Recruitment is more difficult. There is a shortage of experienced staff in this area... If there are trained staff, they tend to work for themselves. Having a good reputation means that I do not have to lose staff. Hairdressing on the whole is underpaid – there is a pressing need to raise standards in the industry. It is undervalued work and hard work...and there are few breaks in the working day. Hairdressers deserve good money. I start my trainees on £70 a week and raise it to £90 in the second year. There are lots of bad payers who give less than that.”
Salon owner, Wolverhampton

We asked respondents the destinations of those leaving their employment. In particular we asked whether leavers would go to other salons or to other sectors of employment. This confirmed that wastage is primarily due to juniors leaving the industry, sometimes because they have decided they do not enjoy hairdressing and sometimes because they are deterred by the poor wages that seem to be in prospect for the foreseeable future. Those who remain are likely to be given jobs in the salon where they train, provided that they are competent and there is work there for them. Qualified staff tended to leave for family reasons, to work in other salons or as mobile hairdressers. In other words, once the junior has progressed to a level where s/he is trained and sufficiently experienced to build up a column s/he is more likely to remain within the industry.

The recruitment of skilled and experienced stylists is of on-going concern for many salon owner/managers – and there is no evidence that the NMW has affected this situation either positively or negatively. Labour turnover was reported to be low in many of the salons that participated in this research. Retention of skilled and experienced employees is an important issue for salon owners and managers, since when a stylist leaves, she often takes with her many of her regular clients. This is one of the factors that encourages an interest in performance based pay, so that the most productive workers were receiving earnings that were well in excess of the NMW. Indeed some salon owners insisted that the ‘low paid’ image of the industry was misleading and that the earnings potential is high for individuals who are skilled and efficient.

In concluding this section then, we note that recruitment and retention were not significantly affected by the NMW. Our data suggest that there is now something of a crisis in the industry in terms of recruitment and retention of labour market entrants – particularly those who are of a calibre willing to engage in the training and the hard work necessary to become qualified stylists. Poor wage rates for young trainees – aged 16 and 17 – is a contributory factor.

Training Arrangements

The NMW did not lead to significant changes in recruitment and retention, nor was it generally associated with changes in employers’ willingness to train apprentices

although in some cases (particularly in the largest salons) there was an initial reduction in the number of apprentices that they would take on. The colleges reported though that demand, both from students and from employers, remained buoyant and that there had been no attempt by employers to compensate for rising labour costs by cutting training opportunities. Most salons are supportive, they say, and want their youngsters to succeed.

The hairdressing industry has a strong tradition of new entrant training and this was embodied in the responses of salon owners/managers. Not all of the 48 salons surveyed had apprentices or trainees, but of the 38 who did, 28 provided external day release training for their apprentices or trainees and said that this arrangement had not been affected in any way by the introduction of the NMW. Typically, such respondents said that they had ‘always supported’ apprentices who were sent to college or to an external training provider – and would continue to do so. Many of them volunteered that they also provide in-house training (often in the form of an afternoon or evening) on a less formal basis. No change was identified in terms of the level of training. Nor were there changes in terms of work prospects. If they were motivated and had begun to build a column, apprentices were likely to find work in the salon in which they had trained.

Some salon owners enjoyed their role as trainers and had extended their responsibilities, taking a role in training employees from other salons.

The experience of change in terms of training arrangement was linked to national changes in training arrangements – notably the introduction of Modern/Foundation Modern and Advanced Modern Apprenticeships. Eight salons were actively engaged in training in-house – and stylists were already accredited or were becoming accredited as assessors. In two salons the employer told us that they were seeking to increase and to improve upon training arrangements that were conducted externally.

Conclusion

This chapter has reviewed the employment effects of the NMW in the hairdressing sector and has demonstrated the widespread impact of the NMW at the time that it was introduced. It has shown that the industry has now become accustomed to the NMW and that some employers are using the national rate as a basis for pay setting within their own salons. The most durable area for concern has been the effect on costs and on employment opportunities for younger workers in the industry. The NMW may have constrained opportunities for adult entrants and has done nothing to alleviate the problems of recruitment in hairdressing, according to our respondents. Young workers are concerned about low pay, however, and it is possible that the NMW prevents more serious retention problems for the industry where young workers have alternative job opportunities in other sectors. Without the NMW pay for young people might be even lower – and the attractions of alternative employment opportunities would be greater.

This chapter has identified some of the immediate problems and challenges that resulted from the NMW but has not considered employer attempts to manage the opportunities generated. It is to this issue that we turn in chapter 5.

CHAPTER 5: COPING WITH THE NMW IN THE HAIRDRESSING SECTOR

This chapter considers employer responses to the NMW in terms of the attempts that were made to manage the costs involved and to work through the implications for the management of the employment relationship. It begins with a brief discussion of business objectives and cost management within the hairdressing sector. It goes on to review initiatives that were intended to improve the service for clients and to maximise the cost-effectiveness of the salon.

Managing Business Processes

The majority of the salons that we visited were small enterprises or micro-businesses. Of the 48 respondent businesses 34 were single salons. Many of them were run by an individual proprietor or by a partnership and the owners may not have expected or may not have had the ambition to grow the business beyond the one salon in which they also worked either full or part-time. In some cases they were what is sometimes termed, 'lifestyle entrepreneurs' – that is people who accepted that there would be limits to the growth and earnings generated by their salon.

Some salon owners identified themselves as in the process of 'growing' their salon and expected employment, turnover and profits to increase. However the majority of respondents were more established and were often more concerned with achieving a steady state or a balance in their activities, rather than with managing growth. For some, the interest is in the artistic or creative side of hairdressing – rather than in business issues.

"I'm just interested in the creative side – I leave all the business decisions to my accountant."

Salon owner/manager, Wigan,

According to the owner/manager of one of the largest businesses that we visited, the industry is under-developed in terms of its use of management information systems and, he suggested, many salon owners may be unable to identify and manage their costs effectively. Many, indeed, may not have been trained to do so. Our experience indicated that smaller businesses in the industry rely on appointments and bookings through telephone and face-to-face communication and in very few cases did we establish e-mail contact with salons. Few of the salons that we visited had a web-site or engaged actively in promotional or marketing activity beyond the 'reduced rate' treatments available for senior citizens at the beginning of the week. One of the exceptions was a salon in a Cornish town which used a customer data base to improve understanding of customer needs and the potential for business growth.

Information based salon

This salon, owned and managed by a husband and wife team, provides hairdressing and beauty treatments and is based in the centre of a Cornish market town. There has been a salon at this location for some twenty years. After the failure of the previous owner, the current proprietors took over the business and have re-built it, bringing together hairdressing and specialist beauty treatments.

They are innovative, by contrast with other salons visited, in the approach to the management of information, keep a computerised customer data base with information on the preferences of their 5,000 clients. They have run three customer-surveys since taking on the business, and received a 20% response rate to the most recent survey. Where the customer survey revealed a preference for changes to the way in which the salon is run, these have been promptly incorporated. Hence a receptionist has been appointed and freshly laundered gowns are always provided. The owner says that she would like to employ a male stylist as many women say that they like to have their hair done by a man – but she has been unable to find candidates. The opening hours of the salon are to be changed with the introduction of evening-opening to meet the requirements of working customers.

Costs and prices are carefully monitored and the owner is aware of the margins on all of the various services and treatments that are offered. Cutting and blow-drying hair, for example, is a profitable activity, whereas putting hair up in elaborate styles (for example for weddings) is usually done at a loss – and does not necessarily lead to repeat business.

It should be stressed that the approach to management of information was not in any way connected with the introduction of the NMW. The fact that this level of information management is unusual is a reflection though on the typical approaches to management to be found in salons that are less intent upon expansion. The approach to pay in this salons was based upon an ‘above minimum’ principle. The hourly rate is kept at a level in advance of the NMW – as a means to retention of experienced staff. A lunch allowance and an attendance bonus are paid in addition to the basic hourly rate and uniforms are provided and laundered.

The industry is changing in its identity with a growing trend to provision of alternative therapies and beauty treatments. Many of the salons that we visited provided some beauty treatment as well as hairdressing – although in some cases this brought them into competition with local health and leisure providers. Often this was a recent development. In most cases beauty was only a small part of the overall business, but health and beauty treatments seemed to be growing in importance with the potential to supersede hairdressing as the main activity of the salon in a few cases.

Where there is a preference for ‘steady state’ proprietors may prefer to adjust to new regulations by absorbing the costs, where costs seem manageable, rather than making other, more far-reaching or fundamental changes to the way in which the business operates.

The most common response to the increased costs generated by the NMW in hairdressing took the form of price rises for customers. In total, 21 of the salon

owner/managers who participated in this research said that they increased prices because of the NMW although some of them said that this was only one factor in a number of factors that led to the price increase. In some other cases prices were increased annually or on a regular basis in any case and the NMW was taken into account at that point. There was the occasional, aberrant comment. A salon owner who had been in business for 42 years was more concerned with her clients – many of them elderly people who had become friends. Asked whether prices were raised because of the NMW she said

“It’s all hit and miss with me. I don’t do anything methodically.”
Owner/manager, Colchester salon

Salon owners who wished to maintain, rather than to grow the scale of their operation often made only modest efforts to monitor or control business effectiveness (other than through price rises), to market the business to new clients or to manage employment creatively. The majority of respondents had made no changes to the opening hours of the salon because of the NMW. There were few initiatives intended to enhance productivity or to control labour costs – and typically they involved little more than attention to attendance and to absenteeism. Some respondents said that, whilst the NMW put pressure on costs there are other, more significant financial pressures – including the high and rising costs of hair products. None of the employees interviewed identified changes in their salons in terms of grading, in opening hours of the salon, in their own working hours or in terms and conditions of employment that were brought about by the NMW.

A reactive approach to the NMW regulations may have been encouraged by the risks that seemed to be posed in the event of non-compliance. We came across only one human resource manager in the course of our work and most salons were too small to employ an employment specialist. Some owners and managers commented that they received help from the NHF. We did not ask specifically about the experience of conflict at work or of Employment Tribunals, but proprietors in five of the smaller salons that were contacted in the course of this research volunteered that they had been challenged by employees or former employees with Tribunal cases over different issues. Mostly these related to dismissal or to maternity entitlements (and only one case related to the NMW). The stress and uncertainty associated with such cases is reflected in the following comment:

“I had a very bad experience with one staff member. She took me to a Tribunal over maternity leave. When she got pregnant, she went sick straight away, and did not come back. Then she went on maternity leave. The agency that does my wages sent her a P45 just before Christmas and she thought I had sacked her. She eventually dropped the case but it cost me £500 and a lot of worry and sleepless nights.”
Salon owner/manager, Lancashire.

Certainly there is a very high level of awareness of the NMW amongst those who may be affected. All of the employees and almost all of the trainees that we spoke to were aware of the NMW, although not all of them knew the level at which it was set. Most were confident that they knew or would be able to find out how to claim their entitlement to the NMW if they experienced problems. Although trade union membership in hairdressing is unusual, one case was reported in August 2002 where a

member of the Transport and General Workers union (TGWU) was awarded compensation following her dismissal for claiming the right to receive the NMW. One employee interviewed during our research reported that, in a previous salon, her action had triggered compliance with the NMW by the salon owner.

Kelly's case

Kelly (not her real name) was a stylist in a Scottish salon at the time of our interview. The NMW claim related to her time as a trainee with a previous salon. When she began work as a trainee she was earning £1.20 an hour. By the time that the NMW was introduced she was earning £2.40 an hour. She completed her traineeship and reached the age of 18 at about the time that the NMW was introduced but the salon owner failed to pay her the NMW development rate. Her mother took up the case on her behalf and 'phoned a lot of places' to find out what to do. The salon was investigated without the source of the complaint being identified. The consequence was that almost all of the employees in the salon were paid the NMW – including Kelly herself who received almost £2,000 in back pay. She did not have to go to a Tribunal.

Awareness of this type of experience may have encouraged salon owners to focus on compliance rather than on attempts to innovate and manage more effectively. The other possibilities open to owner/managers apart from or in addition to compliance arrangements included more effective marketing via improvements to information and communication technologies, the installation of new equipment, changes to work organisation and working hours or more effective staff management as a means to improving productivity.

Employers were not, for the most part, prompted by the NMW to adjust the structure of the workforce in salons in terms of the balance between full-time and part-time staff. Eight salon owners said that they are now employing more part-time staff than in the past. One commented that there was a move to four hour, rather than eight hour shifts. An interest in part-time working related more strongly to factors such as staff availability and the need to accommodate women with family commitments than to the NMW. One salon owner said that the NMW had encouraged greater use of part-time staff because of the need to match staffing to times of client demand. In three cases respondents indicated a preference for fewer part-time staff – but here again it was factors other than the NMW that influenced decisions. One salon owner/manager cited the influence of new rights for part-timers. Another referred to the burden of paying working families' tax credit for part-timers – a payment that is subsequently recouped but which led to cash-flow problems. Most frequent were the comments about reduced opportunities for younger workers as discussed in chapter 4 above .

In a unique case, one salon owner reported that he had abandoned employment in favour of operating as a sole trader. The purchase of new wash-basins and more sophisticated equipment enabled him to function more productively, he suggested, without the need to employ staff.

Solo Working Salon: North-West England

The owner/manager of solo working salon has been a hairdresser for about 20 years and has been in business in the salon we visited for about the last twelve years. The main customer base is amongst young professionals, and is about 70% female and 30% male. The owner is a member of the NHF.

In Spring 2001 he employed four full-time staff, comprising two stylists and two juniors. However his experience of staff management was dispiriting. He encountered serious recruitment and retention problems and felt that the calibre of staff was low. Some people were not trustworthy and he felt that there was a problem with attitudes to work, especially amongst young people. The NMW was not an issue since stylists were paid above the NMW rate and the juniors were under 18. Early in 2002 he closed his salon, making his staff redundant in order to stand, unsuccessfully, as a Member of Parliament. When he re-opened the salon it was on the basis of solo working. This, he said, was because of the problems of attracting the right calibre of staff – and was not a consequence of the NMW. He did feel though that the raft of new employment rights is now making things more difficult for employers. He introduced new equipment, including new wash basins (each one costing £3,500 plus VAT) which were intended to allow him to serve up to four customers at once. He has also engaged one ‘chair renter’ who works with him in his salon for two days a week. His turnover is now £3,000 per year higher than when he was employing staff.

One ‘coping strategy’ that must be considered is that of non-compliance or forms of avoidance. We came across only one instance during the salon visits where it seemed that the NMW was possibly not being observed at the time of our visit. The manageress in this salon reported that staff were not permitted by the owners to take meal breaks – that they were paid for 37.5 hours but actually worked for 40. She said that, although in theory she was entitled to commission, it was impossible to meet targets and that she was personally paid at a figure below £4.10 per hour. Her three colleagues, all of them adults, were also paid below the NMW. The owners preferred to employ young people who were cheap or to use full-time trainees from college who did not have to be paid a wage (or who may have been paid on a cash-in-hand basis). This case was relatively unusual since businesses that are by-passing statutory regulation tend to avoid discussing it with visiting researchers.

A number of proprietors complained about non-compliance within the sector – always in businesses other than their own. Typically the view was that customers might be lost to another salon in the locality which does not comply whilst their own salon was obliged to make the price increases necessitated by the NMW. Obviously if all salons pay at the level of the NMW there is a level playing field. Moreover where there is high customer loyalty – either to the salon or to an individual stylist – price rises do not necessarily lead to a loss of customers. None of our respondents said that they had benefited from an increase in their client list because of price rises in other salons.

Similarly there were complaints about the effects of the NMW in encouraging cash-in-hand rather than proper employment arrangements. Cash-in-hand can take the form of substitution for a wage or for part of a wage. This was attributed to concerns by salon owner/managers that the NMW would increase turnover to the level where the salon would be liable for VAT.

“The NMW has affected VAT thresholds – not here but in other salons-some are not declaring earnings to stay below the £54,000 threshold. Quite a few would have gone above that because of the NMW.”

Salon owner/manager, Neath

Our interviews asked specifically about turnover and about registration for VAT. Clearly we did not expect salon owners to tell us that they were neglecting to observe VAT registration and none did so. We were interested however in the relationship between employment, wages and VAT. Two salons reported specifically that the NMW had caused them to exceed the VAT threshold level and that they were now VAT registered. Eight of the respondents said that they were below the VAT threshold level at the time of our research and in most cases these salons employed no more than three people (some part-time) including the proprietor/manager. In one case (cited above) there were no employees at all as the proprietor had given up employing staff in favour of operating without staff. In another case the workforce included a mix of chair renters and direct employees. In one case the salon owner/proprietor said that she was employing eight people, four of them full-time at rates of pay above £7.00 per hour – an arrangement which did not seem to be compatible with the turnover reported as below £54,000 p.a.

Clearly there is some cash-in-hand working within the industry and this was discussed quite frankly in particular cases. It seems likely that the workforce structure in some salons is mixed and that cash-in-hand workers provide a top-up for the regular workforce, often on a part-time or occasional basis. In a predominantly female industry, former employees who are outside of the formal labour market and mobile hairdressers who may have strong family commitments may be used on an occasional basis. One salon owner acknowledged that he did engage people on a cash-in-hand basis and saw this as the only means of combating the variety of pressures that worked against his business.

As he commented:

“It’s such a hard game to earn a living. Everything has gone up – stock, wages, rent. You can’t put up the price of a haircut to such an extent in this sort of area. Do you get someone in off the street, cash in hand?”

Salon owner/manager, East of England

It must be stressed though, that although we noted the existence of hidden work within this sector, we found no evidence that this had grown because of the NMW.

Self-Employment or Chair Renting

The question of chair-renting raises rather different issues, since it constitutes a legitimate activity within the industry where it operates in accordance with Inland Revenue regulations (Seymour, 1993). The use of self-employed operators within the salon – often termed ‘chair renters’ – means that the salon owner can reduce turnover since some at least of the individual’s turnover would not be attributed to the salon and VAT liability would be reduced. The proprietor may also avoid many employment responsibilities including National Insurance payments and liability for

Statutory Sick Pay and Statutory Maternity Pay. The chair renter must be a genuinely independent contractor who controls his or her own work. It is possible for a salon to employ some workers and to lease a chair to others or to rely exclusively on chair renters to provide the service to clients.

Our research sought information on the extent of chair renting and. In particular, we asked whether there had been any growth in this practice since 1999 since chair renting might be seen as a means of by-passing employment regulation, including the NMW.

Of the 45 salons that commented specifically on this issue, 37 made no use of chair renting. Many respondents said that they disliked the idea of chair renting because of the loss of control that would be involved. There were fears of indiscipline (e.g. theft of stock) and worries that poor standards by chair renters could affect the image of the salon. A minority of salon owners/managers who did not use chair renting indicated that they were interested – although this interest was not specifically prompted by the NMW. Six salons had some chair renters and only two salons that we visited relied exclusively on chair renting to staff the operation. Where chair renting was used it was already well established and we found no evidence that its use had been either encouraged or discouraged by the NMW. In fact chair renting seemed to be rather a localised phenomenon with salon owners in some towns reporting that, if they did not offer the option when they were recruiting staff, fewer people would be interested in working for them. In Falkirk, for example, self-employment was said to be common place and the salon that we visited there offered staff the option of employment or self-employment. In Plymouth too chair renting was reported as the norm for experienced stylists. Yet in other areas chair renting seemed to be almost unknown.

Employees that were interviewed confirmed that there had been no push to chair-renting by employers over the last three years as a response to the NMW. None of the employees that we spoke to had been encouraged to take up chair renting, although one volunteered that she would welcome the opportunity once she had built up a column. One of the ‘employees’ that we interviewed in a Northern Ireland salon actually turned out to be self-employed, having changed status from employee to self-employed at the suggestion of her employer. Her salon was using self-employment before the NMW was introduced but we cannot rule out the possibility that in this particular case the NMW encouraged more interest by the salon owner since the NMW actually triggered wage rises in this salon. However the proprietor emphasised that the move to self-employed status was a matter of individual choice, a view that was confirmed by the self-employed person interviewed, who was confident of the benefits.

“I went to being self-employed about two years ago. It’s up to you. Once you get your own clients it’s the best way to make more money. It was my choice to go self-employed, not everybody does.”
Self-employed stylist, Co. Antrim.

In general however the NMW did not seem to be linked to the use of self-employment or ‘chair renters’.

NMW and Business Development

Some of the salon owner/managers were actively engaged in reviewing and developing the service that they provided with the intention of enhancing the image of the salon and demand for the services that it provided. Typically, salons of this type were highly committed to training and so were affected by additional employment costs for 18 – 21 year olds. This group responded more positively to the NMW, at least in the sense that it was viewed as a factor to be managed as part of the commitment to reconciling cost control with effective people management. Where the NMW was a significant pressure on the wage bill, control of costs took on greater significance.

Some salon managers engaged in active performance management. A salon manager with a large salon in South Wales (20 employees of whom six were juniors or apprentices) explained the performance management process for each member of staff. This involved measurement of the average income per client, the number and target number of clients, hourly rates of pay and guaranteed pay. A sliding price scale for trainees was applied, which was reflected in wage rates, with the intention of encouraging trainees to complete the various units of their training. Whilst these systems were not devised directly in response to the NMW, the respondent said that he had introduced appraisals and now managed performance more rigorously. New wage bandings had been created to ensure that differentials were appropriate. Perhaps most significantly, trainees are now moved quickly out onto “the floor” (i.e. cutting hair in the salon) in order to recoup the investment in their training and wages.

The concerns that were raised about the costs of the development rate for 18 – 21 year olds were balanced in some cases by the view that young stylists could be given more opportunity to build up their column and so to ‘pay their way’ within the salon. The position of young stylists is a sensitive one requiring salon owners to generate the opportunity for skill development whilst recognising the limits to the experience and competence of their younger staff. Many of the salon owners commented on the cost of this group but in some cases young workers reported that they were charged out to clients at full price even though they were paid only as trainees (NVQ3 trainee, SW focus group). One of the respondents who relied primarily on chair renting was highly committed to training and employed trainees and young stylists although recognising that he could not charge out their services to clients at the same price as experienced stylists. He had therefore introduced a special price list to encourage client interest and to generate experience and opportunities for this group. The orientation of this city centre salon was toward the youth market and the salon owner believed that young stylists would be more in tune with prevailing fashion trends. The use of a graduated price list was not in itself uncommon but the critical issue appeared to be, at what point was a trainee or young stylist encouraged or permitted to undertake the creative tasks involved in cutting, styling or colouring hair. The graduated price list or special rates for clients seemed to be a useful innovation where it occurred. One small salon owner said that:

“I support the trainee – not exactly to fast track her, but I offer training nights each week so the trainee already has some sort of client base. Clients are offered half price hairdressing on these nights.”

Salon owner/manager, Doncaster.

Fast-tracking trainees

Our research asked about the ‘fast tracking’ processes that might be developed for trainees since it was envisaged that salon owners and managers may wish to balance the extra costs of 18-21 year olds with opportunities to enhance trainee performance from the beginning of their time in the salon. The salons that engaged in fast tracking were a distinctive minority of our respondents. They comprised some of the larger salons, those with a strong fashion orientation and those that delivered their own training, rather than sending trainees to external training providers. Fast tracking was less likely to be found in the out-of-town, lower cost or family salons. The reasons are probably to do with supply side factors as well as with the organisation of training arrangements. The larger, fashion salons may find it is easier to attract trainees who are committed to hairdressing and may be better placed to deliver fast-tracking by providing the volume and diversity of experience and the reward for those who are willing to progress rapidly. The larger salons were also more likely to provide active support for training and to staff the salon so as to relieve the apprentice or trainee of some of the routine tasks that might normally fall to them. Two of the salon owners in Northern Ireland (19 employees and 12 employees respectively) reported that there was a move to employment of salon assistants, who could shampoo, colour hair and undertake some other, fairly routine responsibilities. The aim here was to enable trainees to train more quickly. The NMW had not prompted this initiative, but, insofar as it was a pressure on costs, it seemed to confirm the need for it.

In one case we found that the NMW had encouraged a stronger focus on progression. Where previously it might have been accepted that apprentices would progress at their own pace, the prospect of paying the 18-21 year old youth rate to someone who had not reached NVQ2 encouraged a tougher approach.

“Some may not be very self-motivated at that age and you can end up running over and paying them. So we’ve gone from a softer management basis to ‘these are the levels that you should be at by then’. And making sure people are at that level. We are very concerned if they are six weeks behind on any module.”
Owner/manager, Glasgow, city centre high-fashion salon

The same person went on to add that:

“What I have seen is the trainees are perhaps better because of the sense of urgency.”

This perspective seemed to work for employees too. The senior stylist interviewed in this salon began working there as a Saturday girl before leaving school. She achieved her NVQ2 at age 17 and subsequently went on to NVQ3. At the age of 19 her pay rate was £4.10 per hour and her earnings, which included commission, were approximately £800 per month – well above the level of the 18 – 21 rate.

In this case the salon owner/manager also ran a training academy. It is not clear that his approach could easily be transferred into other salon environments, firstly because of the variable calibre of trainees and secondly because, where trainees are externally trained, there is less control over training performance and progression. Many salon owners/managers commented on the poor skills and attitude of their trainees and

suggested that they would struggle to reach NVQ2 within two years. Some reported that trainees were ‘wasting time’ at college and offered criticism of local training providers. The training providers that were visited in the course of this research offered impressive provision in terms of the simulated salon environment and in terms of the support for personal development of the young people for whom they were responsible. Yet one training co-ordinator (who managed the liaison with industry) commented that her institution was unlikely to fast track the Foundation Modern Apprentices simply because they did not have the staff to do this.

Investors in People

The smaller salons that seemed, of our interviewees, most easily to absorb the requirements of the NMW tended to have received some outside advice or support on customer care. This included two salons that had achieved Investors in People (IIP) status. There were 150 hairdressing salons which had achieved IIP at the time of our research (HABIA, 2002). It is sometimes argued that IIP standards are not relevant for micro-businesses but both of the IIP accredited salons reported here were small employers.

Investors in People is not, of course, a panacea for all problems. Indeed it might be argued that an owner or manager who can see the relevance of IIP and who can achieve it in the circumstances outlined below is likely to be able to cope effectively with government regulation in any case. In other words the achievement of IIP status may reflect a more pro-active approach to management amongst those who achieve it in the small firm sector. Yet the emphasis that is placed by IIP standards on training, on communication with staff and on standards of customer care seemed to have a particular resonance for the hairdressing sector – and to reinforce effective management practice. Although IIP accreditation is not widespread, it seemed to encourage a framework of reference that supported innovation and effective cost management in both of the IIP salons that we visited. This seemed both to reflect and to encourage a proactive approach to people management, so that the cost implications of the NMW were fairly easily absorbed.

Case Study: Investors in People salon: West Midlands.

The IIP case study salon in the West Midlands is situated some way from the centre of the nearest town in a tree-lined, residential area. The salon is not a large one and there are side rooms for beauty treatments. The beauty business is run as a separate enterprise. The hairdressing salon has been under the same ownership for 27 years but was actually founded by the present owner's grandmother 80 years ago when it was the first ladies' hairdressers in the area.

This is a family salon that employed five people altogether at the time of our visit – two senior stylists, one stylist and two juniors. Staffing levels have reduced since 1999, primarily because of changes in the local economy. The closure of major manufacturing establishments in the locality has undermined the salon's regular client base so that overheads have increased although turnover and profits have diminished. It is impossible for the salon owner to raise prices in these circumstances.

With nine part-time staff in spring 1999 – most of them eligible for the Working Families Tax Credit - the owner was confronted with the need to pay out significant sums that were only subsequently reimbursed. In this context the NMW was an added pressure and the salon owner re-structured when the opportunity presented, toward full-time employment. Some staff were made redundant in consequence. In doing so, her strategy was to retain good staff, to provide a high quality of customer care and to provide working conditions that were 'family friendly'. Staff were allowed a degree of flexibility in working hours, with some opportunity to take Saturdays off, since she felt that a five day 40 hour week with regular Saturdays was not easily reconciled with family life. The salon owner argued strongly for higher standards – and particularly for training to NVQ3 as a minimum -in the industry. An employee aged 33 was being supported to achieve NVQ3. The manageress was trained to NVQ4. Pay rates were maintained at a level that is above average for the area in order to retain staff. The owner perceived the NMW as being a benefit to the employer because it contributes to raising standards and argued that it should be extended to trainees.

“It does raise standards. People feel more valued. What needs to happen is increased values and esteem of hairdressing. Poor pay is bad for the self-esteem and job satisfaction. There should be a NMW for the under 21s and trainees. Paying a trainee £45 a week is scandalous. They should also not be expected to do the cleaning in a salon either.”

Trainees are fast tracked and encouraged to achieve qualifications as soon as possible with a view to maximising the contribution that they can make in the salon. A junior stylist who had worked in the salon for five years commented that *“We have always had good terms and conditions here.”* Overall the salon owner said that her primary consideration was to ensure the job satisfaction of staff and to give them a decent income with the intention that they should feel valued and, in turn, be motivated.

Case Study: Investors in People Salon, North-East

The IIP salon in the North East was established in 1985 with just one employee. The salon achieved its IIP status in 1994 and employment has grown steadily. In 1998 a training school was opened and the business is committed to the training and development of its staff. There were four salon stylists, four academy staff and two juniors in the salon in Spring 2002.

Pay is performance related with a performance incentive paid as a monthly bonus. Bonus is generated once income is equal to three times the individual salary. Additional earnings accrued at 15% of all income generated. Staff were also paid 5% of all retail sales. The owner in this case felt that the NMW was something to be managed. Her preferred approach was to reward staff according to performance – rather than to have a minimum laid down. The system of appraisals, held every 13 and 26 weeks, was linked to adjustments to pay, which were made at half-yearly intervals. This meant that staff could progress rapidly, but equally that under-performance would lead to slower progression. Staff retention was reported to be good and labour turnover was low.

The strongest impact of the NMW was on the rates for Advanced Modern Apprentices as they came out of their time. The salon owner said that the NMW had encouraged a review of employment structures to ensure that recruitment of new staff was cost-effective. *“It has made us much smarter about monitoring staff performance”*. Changes were connected with the introduction of the NMW and they were now focussing the business more effectively, she commented.

Another salon, where the owner had been in business since autumn 2000 felt that association with a service known as ‘365’ had given her additional understanding of the marketing side of the business. This monthly subscription service is targeted specifically at hairdressers, she said. She receives information on how to improve client relations, people skills and best practice. As a consequence of this she provided new clients with ‘welcome packs’, used a client data-base and postal client contact as a means of growing her business. She also stressed the benefits of the NMW in encouraging managers to value their staff and in improving pay in the industry generally – even though this eroded the distinctive position she had had in treating staff well.

“The NMW makes managers value staff more, they realise they have got to treat staff well....It (NMW) should have eased recruitment problems but the downside is that I like to pay my staff well, but now other salons’ pay is no different – none are really bad! In the old days there were some really bad salons...but not now. But I suppose the NMW does give guidance for payment.”

Owner/manager Yorkshire salon.

In Conclusion

The coping strategies of the salons that we visited ranged from a focus on compliance and cost control through to an emphasis on effective people management as a key

component in attracting and retaining clients. Many proprietors – especially in smaller businesses where the aim is ‘steady state’ rather than expansion - may be more concerned with balancing income and expenditure and with avoiding tribunals, than improving their business. For this group, the NMW is a cost to be managed. Cash in hand payments may be a factor for a few. The industry has long included practices of this type but we found no evidence that the position had been affected by the NMW – either positively or negatively. Similarly the use of self-employed staff, already a long-established practice, tended to be localised and had not increased because of the NMW. We found little evidence overall of innovative business practice designed to cope with the NMW. Opening hours of salons had not changed. There had been only limited attempts to monitor attendance and control absenteeism. In a few cases, where training was important to the salon, we found that there was increased interest in appraisals and in fast tracking trainees. The salons that provided the strongest evidence of managing change were those that had already achieved IIP status. This may be because the proprietors in these two cases had a particularly innovative approach to management, but it may also be that the disciplines encouraged by IIP were helpful in meeting the challenge of statutory pay requirements.

CHAPTER 6: CONCLUSION

The hairdressing sector makes a significant contribution to economic activity in the UK. It is important as an employer, particularly for women and has a high proportion of young workers. There is evidence from the pay data available to us (both published NES data and survey results from the NHF) that pay in hairdressing increased substantially as a result of the NMW, especially for the lowest paid, and significantly ahead of inflation and average earnings increases over the same period. Nevertheless, pay levels in hairdressing are still low in comparison to other sectors. The data also indicate that payment by results (PBR) (usually commission in the case of hairdressers) is largely the preserve of higher paid hairdressers. Lower paid staff, such as trainees, receptionists and shampooists are unlikely to receive commission.

Our research reviewed the employment effects of the NMW in the hairdressing sector over the three year period since it was introduced and found that there was little evidence that the NMW had led to diminished employment for qualified workers. Rather, the NMW was introduced at a time when the industry was expanding and employment has increased over the last four years. The industry has suffered something of a crisis in terms of its capacity to recruit good staff. However the NMW has not reversed the low paid image of hairdressing which was a source of comment and concern for many respondents. There is no evidence that the NMW led to a change in the composition of the workforce – for example in terms of the balance of full-time as compared with part-time staff.

The NMW had a widespread impact on pay in hairdressing at the time that it was introduced – across all regions of the United Kingdom. There were significant gains initially for the lowest paid workers – and significant costs for salons that employed them. Higher paid stylists, especially those on commission were unlikely, at this stage to feel any benefit. Where a multiplier of the basic rate was used as the threshold for commission, the NMW may even have had an initial, detrimental effect on the earnings of higher paid stylists. It seems likely though that this negative movement was reversed as pay demands from qualified and experienced workers encouraged salon owners and managers to restore differentials. Our research found little evidence of employers adjusting pay systems (e.g. providing a guaranteed minimum commission payment) as a means of dealing with the NMW. Over time the industry has become accustomed to the NMW. Increases to the NMW in October 2000 and October 2001 seem to have been assimilated fairly easily and some employers (typically those with hourly based pay) are now using the national rate as a basis for pay setting within their own salons.

The biggest impact of the NMW and the most durable area for concern has been the effect of the NMW on costs and on employment opportunities for younger workers in the industry – those aged between 18 and 21 who are eligible for the youth rate. The sharp increase in costs led directly to redundancies amongst young workers in some cases. Many employers are now unwilling to provide training opportunities to young workers who are above the age of 16 or 17. The NMW has not affected the availability of training and the industry remains, for the most part, committed to training opportunities for new entrants. Young people who complete their training as work based trainees are likely to find work within the industry – most commonly in the salon where they have undertaken their training. The period when the young

stylist is building up a column is likely to be a period when s/he is paid on the development rate. This is a key period both for the employer and for the employee. We found some initiatives (e.g. reduced price evenings and special price lists) intended to encourage demand for the services of the young stylist and to build the column to the point of economic viability. In some cases though, the work of the young stylist is charged at full rate to clients. There was resistance amongst salon owner/managers to offering training opportunities for adults. The opportunities presented by the six month period adult traineeship were very little used because, it was said, the time period is insufficient to enable anyone, however well motivated, to train as a hairdresser. Salon proprietors prefer not bear the risk of employing an adult in these circumstances.

We were unable to ascertain whether the low paid image of the industry acts as a deterrent for labour market entrants – since we spoke only to those who had chosen hairdressing and not to those that had rejected it in favour of other opportunities. Equally we were unable to show that the prospect of low pay during training does not deter those who otherwise would prefer a career in hairdressing. There is a high attrition rate amongst apprentices and young workers and our evidence, based on a limited contact with juniors, indicates that low pay discourages young people from continuing their training within hairdressing, particularly if they have to supplement their income with work in a second job. In this respect the prospect for trainees of moving on to the youth rate, although it is unpopular with employers, may encourage retention. It is possible then that the NMW youth rate prevents more serious retention problems for the industry.

The coping strategies of the salons that we visited were varied. There is a high level of awareness of the NMW and small business owners often seemed concerned at the prospect of being challenged over employment practices at an Employment Tribunal. The salons that we visited were, almost uniformly, careful about implementation of the regulations. Many focussed on compliance and cost control but a few emphasised effective customer relations and good people management as key components in their business practice. Many proprietors may be more concerned with balancing income and expenditure and with avoiding tribunals, rather than with expanding or improving their business. For this group, the NMW is a cost to be managed. Cash in hand payments may be a factor for a few. The industry has long included practices of this type but we found no evidence that the position had been affected by the NMW – either positively or negatively. Similarly the use of self-employed staff, already long-established practice, tended to be localised and had not increased because of the NMW. We found some evidence overall of innovative business practice designed to cope with the NMW. Opening hours of salons had not changed. There were some, limited attempts to monitor attendance and control absenteeism. In a few cases, where training was important to the salon, we found that there was increased interest in appraisals and in fast tracking trainees. The salons that showed the strongest capacity to manage change were those that had business advice or IIP status. This may be because the proprietors such cases already had a particularly innovative approach to management but it may also be that the disciplines encouraged by IIP were helpful in meeting the challenge of statutory pay requirements.

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Appendix A: University of Greenwich Business school (UGBS)/ National Hairdressers Federation (NHF)/ Hairdressing Employers' Association (HEA) and the Hairdressing and Beauty Industry Authority (HABIA).

Salon Interviews with managers/owners

Name of Salon

Full address

Telephone number

Name of interviewee

Date of interview.

Interviewer: Pick up a price list and attach it to your typed up notes. Failing that take a note of the price of a cut and blow dry (may also be termed cut and finish).

The salon interviews are semi-structured rather than fully scripted, with the intention that interviewers can move off-script in order to address particular issues arising in the individual salon. The objectives is to be able to understand variations in experience and approach - to answer the questions 'how' and 'why' in each case.

Introduction

Thank you for agreeing to spend some time with me. As our letter explained, a team of staff from the University of Greenwich is conducting research in conjunction with the NHF/HEA and HABIA. The research is sponsored by the Low Pay Commission. The purpose of our work is to understand how hairdressing employers and salons have come to terms with the National Minimum Wage. Can I reassure you from the outset that the comments that you make in this interview will be treated in absolute confidence by the research team. A summary of results will be presented to the LPC but this will not include individual responses from anyone.

Question schedule:

1. I wonder if, to start with, you could tell me something about your role and about the salon.
 - Are you the owner of the salon, the manager or both of these?
 - How long have you been in business in this salon?
 - Is this salon part of a larger group of salons?
 - What is the main customer base?
 - Are you a member of an employers' association? (e.g. HEA or NHF)
2. How many employees are there currently working in your salon - distinguishing between full-time, part-time and Saturday staff? Men and women? And between senior stylists and juniors?
 - How has this changed since 1999 - i.e. is employment the same, more or less today than it was in spring 1999?
 - How do you expect it to change over the coming year?

Employment	c. Spring 1999	Spring 2002	Projected spring 2003
FT			

PT incl. Saturday staff			
M			
F			
Senior stylists			
Stylists			
Juniors & apprentices including Foundation MAs and Advanced MAs or trainees			

3. (Where changes are noted) What would you say were the main reasons for the changes in employment that you have identified?
4. Could you please look at the pay bands that are identified here and tell me how staff in your salon would fit into these bands? How do these pay rates relate to staff by age (where age related) and by job title? How many staff would you currently have in each of the following band?
(Show the interviewee the pay-bands on the separate sheet)
 - Up to £3.50 p.h.
 - £3.50 -£4.09 p.h.
 - £4.10
 - £4.11-£5.00 p.h.
 - £5.01 -£6.00 p.h.
 - £6.01-£7.00 p.h.
 - £7.00+ p.h.
5. Is pay in this salon based on hourly rates, on commission or on some other arrangement or combination of factors?
6. You may remember that the national minimum wage was introduced in April 1999 with an adult rate of £3.60. This was increased in October 2000 and October 2001 and the current adult rate is £4.10 per hour. Did the introduction of the NMW cause you to adjust pay rates in this salon?
7. How often are pay rates adjusted in this salon?
8. Have the up-ratings of the NMW October 2000 and October 2001 caused you to adjust pay rates in this salon? If so what changes were made and why?
9. Has there been a change in the balance between employment of more experienced workers and young workers or trainees since 1999. For example are there now fewer experienced workers and more young workers/ trainees - or vice versa? How have these changes come about? What were the main reasons for change?
10. Recruitment: Do you find that it is more difficult/ about the same/ or easier to recruit now than it was (say) three years ago? What reasons would you give for change? Has the NMW made any difference to recruitment for under 18s? for young workers aged 18 - 21s? and for adult workers = 22+?
11. Applicants: Do you think that the NMW has encouraged interest from potential job applicants (i.e. because they know there is a minimum level for pay)?
12. Labour Turnover: Are staff more likely/less likely/ about the same to remain with you now than they were in the past? What reasons would you give for change? Has the NMW encouraged retention?
13. Quits: What is the destination of staff leaving your employment? Have you found that staff are leaving you for employment with other hairdressers? Or for

employment within other sectors? Or to become self-employed? What reasons would you give for change?

14. Did the introduction of the NMW or subsequent changes cause you to make adjustments to *the way in which staff were used*? If so, what actions were taken and why? (In each case where a change is indicated interviewer should ask a subsidiary question: Can I just check, was this change made specifically because of the NMW or was there some other reason behind it?).
- Were there changes in staff working hours? If so, what were they and why were they made? (Where a change is indicated ask the subsidiary question: Can I just check, was this change made specifically because of the NMW or was there some other reason behind it?).
 - Was there greater or lesser use of part-time / full-time or male / female staff? (Where a change is indicated ask the subsidiary question: Can I just check, was this change made specifically because of the NMW or was there some other reason behind it?).
 - Was there any change to differentials (the gaps between grades and pay for different levels of staff)? (Where a change is indicated ask the subsidiary question: Can I just check, was this change made specifically because of the NMW or was there some other reason behind it?).
 - Did you make any changes to job roles - e.g. shampooist employed so trainees can progress faster? (Where a change is indicated ask the subsidiary question: Can I just check, was this change made specifically because of the NMW or was there some other reason behind it?).
15. Did the introduction or subsequent up-ratings of the NMW cause you to make any changes to business practices?
- Were there, for example, any changes in opening hours - e.g. longer hours of opening on a daily basis; introduction of Sunday working? (Where a change is indicated ask the subsidiary question: Can I just check, was this change made specifically because of the NMW or was there some other reason behind it?).
 - Did you put up prices? (Where a change is indicated ask the subsidiary question: Can I just check, was this change made specifically because of the NMW or was there some other reason behind it?).
 - Has there been any attempt to enhance productivity or control labour costs as a consequence of the NMW e.g. - to offer a wider range of services; to tighten control of sickness absence; reduce meal breaks? (Where a change is indicated ask the subsidiary question: Can I just check, was this change made specifically because of the NMW or was there some other reason behind it?).
16. Benefits: What are the benefits for the employer of the introduction of the NMW (e.g. encouraging interest from potential employees; easing recruitment problems; lower staff turnover, greater productivity)?
17. Changes in the composition of pay and conditions since 1999. What has been the impact of the initial introduction of the NMW on the way in which pay is made up? What is happening to commission arrangements and other incentive payments, (Increase/ same/ decrease)?
18. How are tips handled - are they paid to individuals, paid through another staff member or paid out through pay-roll? Has this changed since 1999? Has the

NMW had any impact on tips e.g. increased or decreased? Have the more recent increases in the NMW caused any changes? What are the reasons for change?

19. Self-employment: Has the introduction of the NMW had any effect on the choice to use self-employment - e.g. chair-renting or self-employment in preference to direct employment? If so, how has this come about?
20. Young Workers: Are young workers supported to attend college or other external training? Has this changed since 1999? For example are you now more likely to train in-house rather than using external training providers? Or vice versa?
21. If youth trainees are supported to attend college, has there been a change in the level of qualification for which they are trained?
22. Are trainees more or less likely to be supported to attend external training than in the past? Is there likely to be any change in support for training?
23. What happens to young workers on completion of training? Are they given work here in this salon or do they have to look elsewhere? Has there been any change in this respect over the last three years (and if the answer is yes, does this result in any way from the NMW?)
24. Are any trainees being fast-tracked - and, if so, are new employment structures being created for other people to support the trainee in becoming an effective and efficient team member?
25. Do you provide any training for adult trainees? If so is this provided in-house or in conjunction with an external training provider? Are you more likely or less likely to provide such training now than in the past? And if there is a change, what would you say is the reason for it?
26. The Business in General: What would you say has been the impact of the NMW on the paybill of your salon?

No impact at all	A slight pressure on the pay-bill to rise	A significant pressure on the pay-bill causing it to rise?
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27. Where would your turnover fall within the bandings that I am showing you?

- Up to £54,000
- £54,000+ to £100,000
- £100,000+ to £150,000
- £150,000+ to £250,000
- £250,000 + to £350,000
- £350,000+

28. How has turnover changed over the last three years?

Since 1999	Increase	Same	Decrease
Turnover			

29. How have profits changed over the last three years?

Since 1999	Increase	Same	Decrease
Profits			

Where you have identified changes, are they in any way connected with the introduction of the NMW?

30. Are you VAT registered? Did the cost of introducing the NMW affect VAT liability? If so what actions have been taken to minimise the impact of VAT payments? If not registered for VAT, what steps have been taken to remain below the VAT threshold?
31. Overall, what is the primary consideration in determining the pay level of staff?
32. Would you say that the NMW has had a positive, neutral or negative impact on your business? (and if the reason for this answer is not already clear...) And why do you believe this is the case?

Rates of pay

Could you please look at the pay bands that I have identified and tell me how staff in your salon would fit into each band? We are interested in the current pay rates in this salon by age (where age related) and by job title. How many staff would you currently have in each of the following band?

- Up to £3.50 p.h.
- £3.50 -£4.09 p.h.
- £4.10
- £4.11-£5.00 p.h.
- £5.01 -£6.00 p.h.
- £6.01-£7.00 p.h.
- £7.00+ p.h.

Turnover

Where would your turnover fall within the bandings that I am showing you?

Up to £54,000

£54,000+ to £100,000

£100,000+ to £150,000

£150,000+ to £250,000

£250,000+ to £350,000

£350,000+

JD/Sunday, 03 March 2002

9. How are tips divided up? Paid to individuals? Divided up centrally? Some other system?
10. How is your pay package made up? (What we mean by this is, do your earnings include payments for performance or bonus, for sales commission, for tips or for overtime?) Has there been any change in the composition of earnings over the last three years? Has there been any change in the way that tips are divided up?
11. What is your current pay rate? And your current earnings?
12. How often is pay adjusted for you and for other people working in your salon? More than once a year; once a year or less frequently?
13. Do you think that the introduction of the NMW has affected the grading structure in your salon? (e.g. are there now more juniors/ fewer senior stylists - or vice versa?)
14. Has there been any change in your hours of work since 1999? Different working hours e.g. evenings or Sundays? Longer working hours? Fewer working hours? Move to PT working? If so what do you think was the reason? And did you have any say in the changes?
15. Have there been any changes made to the organisation of the salon over the last three years? If so what do you think was the reason? Do you know if there are more or fewer people employed in the salon than there were three years ago?
16. Have there been any changes made to your terms and conditions of service over the last three years? (And if there were changes) If so what do you think was the reason? Did you have any choice about the changes that were made?
17. We would like to know something about the training provision in your salon. Do you currently receive any training? (And if so) what form does that training take (where and for how long)? Will it lead to any qualifications?
18. If you are not in training now, have you received any training in the last three years? (And if so) what form did it take? Why did it stop? Has the type of training changed over that period (e.g. moved from training e.g. at college to in-house training).
19. Have you or any of your colleagues been encouraged to try 'chair renting'? (And if the answer is yes) what was your response - and why?

JD/ Sunday, 03 March 2002

Appendix C: University of Greenwich Business school (UGBS)/ National Hairdressers Federation (NHF)/ Hairdressing Employers' Association (HEA) and the Hairdressing and Beauty Industry Authority (HABIA).

Training Provider Interviews

Interviews are semi-structured rather than fully scripted, with the intention that interviewers can move off-script in order to address particular issues arising in the individual salon. The objectives is to be able to understand variations in experience and approach - to answer the questions 'how' and 'why' in each case.

Introduction

Thank you for agreeing to spend some time with me. As our letter explained, a team from the University of Greenwich is conducting research in conjunction with the NHF/HEA and the National Training Organisation, HABIA. The research is sponsored by the Low Pay Commission. The main purpose of our work is to understand how hairdressing employers and salons have come to terms with the National Minimum Wage. The question of training provision is an important feature of this research. Can I reassure you from the outset that the comments that you make in this interview will be treated in absolute confidence by the research team. A summary of results will be presented to the LPC but this will not include individual responses from anyone.

I wonder if, to start with, you could tell me something about your organisation and the training that it provides.

Insert Name and Address of Training Provider

Name and Position of Interviewee

Main responsibilities of Interviewee

Length of time in post

Question schedule:

1. Could I ask you about the training provision that you (College or other external training provider) make for hairdressers. How are trainee hairdressers recruited by your organisation (i.e. do you recruit trainees and place them in salons in some cases? Does the salon recruit the trainee and send them to you for training? Does the trainee come to you on a full-time basis without having a salon base?) What are the entry qualifications? What proportion of your trainees attend for training on a part-time basis?
2. What qualifications do you award? What do courses cover?
3. Could you tell me how your training provision has changed since 1999. Do you have more trainees now than in 1999? Ideally I would like exact figures - failing this to know if the level of hairdresser training was the same, more or less than spring 1999.

Training	c. Spring 1999	Spring 2002	Projected spring 2003
FT NVQ2			
PT NVQ2			

PT NVQ3			
Foundation MA			
Advanced MA			
Other			

What would you say were the main reasons for the changes that you have identified?

4. Do you think salons are now more likely or less likely to employ trainees
 - a) below the age of 22? If yes, why? And
 - b) below the age of 18 - and again if yes, then why?
5. Are young workers/ trainees supported by salon owners to attend college? Has this changed since 1999? Are young workers now more or less likely to receive off-the-job training? What do you think is the reason for any change?
6. Has there, to your knowledge, been any change in the balance between employment of more experienced workers and young workers or trainees since 1999? For example are there now more experienced workers and fewer young workers/ trainees? How have these changes come about? What were the main reasons for change?
7. What happens to young workers on completion of training? Employed with the same salon? With another salon? Self-employed? Other?
8. Are any trainees being fast-tracked?- and, if so, are new employment structures being created for other people to support the trainee in becoming an effective and efficient team member?

JD/ 17-Mar-02

Appendix D: University of Greenwich Business school (UGBS)/ National Hairdressers Federation (NHF)/ Hairdressing Employers' Association (HEA) and the Hairdressing and Beauty Industry Authority (HABIA).

Focus Group Schedule

The focus groups will be largely unscripted and the following points are intended as 'prompts' to generate discussion. The objectives is to be understand how young workers perceive the industry and the opportunities open to them and to ascertain whether the NMW has made the industry more attractive for them.

Introduction

Thank you for agreeing to take part in this focus group. My name is ...I am part of a team from the University of Greenwich, conducting research in conjunction with the Employers' Associations in hairdressing and the National Training Organisation, HABIA. The research is sponsored by the Low Pay Commission. The main purpose of our work is to understand how hairdressing employers and salons have come to terms with the National Minimum Wage. We are interested in your views, as people who will make up the industry of the future. Can I reassure you from the outset that the comments that you make in this discussion will be treated in absolute confidence by the research team. A summary of results will be presented to the LPC but this will not include individual responses from anyone.

Discussion schedule:

I wonder if, to start with, you could each say your first name (the name you like to be called by) and tell us something about your salon, how long you have worked there and how long you have been training.

- What attracted people here to work in hairdressing?
- What sort of pay did you expect? And how does this compare with what you actually get?
- Do any of you know anything about the National Minimum Wage? Has it had an effect on pay for any of you or your colleagues? Did anybody get a pay rise as a result?
- What sort of employment opportunities do you expect when your training is completed? Will you have the opportunity to stay with the same salon?
- Do you feel that you are being 'fast-tracked' in order to produce income for the salon?
- Do any of you feel under pressure to take on the role of stylist before training is completed.
- Has there been any change in your employer's support for young workers/ trainees to attend college or other external training over the last three years?
- Do you see the hairdressing sector as a good area for employment in the future?

JD/Monday, 18 February 2002