



LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON ECONOMY AND GENDER AND ECONOMIC EQUALITY
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Submission Cover sheet

**Inquiry into Long Service Leave (portable
Schemes) Amendment Bill 2022**

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Portable Long Service Leave Expansion: Proposal for PLSL for the Hairdressing Industry in the ACT

About the Australian Hairdressing Council

The Australian Hairdressing Council (AHC) is the national voice connecting hairdressing and barber professionals, educators, and suppliers. It exists to ensure a sustainable, positive future for our industry. Since 2010 the AHC has set ethical business standards for salon and registered training organisation (RTO) members and represents the professional hair industry nationally.

The AHC network and influence is AHC members who are accredited salons, product companies, RTOs and associated industry suppliers, media and businesses that share a united vision to promote and protect the hairdressing and barber industry.

AHC contact for this submission

Sandy Chong - CEO



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Introduction

The AHC participated in a consultation meeting on 14 July, 2022 with the ACT Long Service Authority.

The AHC strongly opposes the ACT's proposal to expand Portable Long Service Leave to include the Hairdressing Industry.

It was very apparent at this meeting dated Thursday 14 July, 2022 that the ACT Long Service Leave Authority had not consulted with the ACT small business community, particularly in Hairdressing or Beauty salons. We were advised that consultation would finish on Monday 18 July, 2022.

The AHC has since spoken to our AHC members in the ACT, who find it unacceptable that they have been excluded from any consultation with the ACT Long Service Leave Authority. These are respected, established, successful businesses operating for 9 - 65 years in the ACT. Some are multi-generation businesses that have been employing and training hairdressers for many years.

These are all small businesses and not BIG organisations. All agree that that this proposed PLSL Bill will negatively affect their business and future employment of staff.

The AHC is happy to provide contact details for the businesses in the ACT that have contributed to our consultation.

The Hairdressing Landscape

Digitalisation, escalating employment costs, lack of apprentices entering hairdressing, a critical skills shortage, the pandemic, the rising cost of living, mental stress and financial pressures, and an under employed industry, all have contributed to a very different industry landscape to five years ago.

In Hairdressing and Beauty there are 119,345 ABNs. *ABS & ATO 2021

14,277 are dormant ABNs.

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More than 58,000 ABNs are not registered for GST and over 65,000 are considered high risk in contributing to the Shadow Economy*.

*The Australian Hairdressing Council is a member of the Shadow Economy Advisory Board, 2020, 2021, 2022.

Hairdressing

Nationally, 12,372 hairdressing salons employ only 34,070 hairdressers and barbers. * 2020/21 ABS & ATO

The ACT accounts for 184 salons.

Nationally, there are 30,771 Sole Trader business models.

The AHC estimates 10,000 Sole Trader ABNs in Hairdressing are dormant or are barely doing business.

The Industry is moving towards HYBRID businesses, with more “contractors” (renting a chair) versus employees.

Surveying the Industry in 2021 and 2022, the AHC has identified that 12% of salons closed due to the aforementioned stresses escalated with the pandemic.

The number of Hybrid businesses shows that many business owners can no longer afford to employ staff. Our surveys show hairdressers that are Sole Traders, operating at home or working within a salon environment renting a chair, are not paying themselves Superannuation. Additionally, 23.1 % are not covered for Treatment Risk and 12% have no Business Insurance.

Salon owners who have chosen to operate on their own have made this decision based on the reasons above: digitalisation, escalating employment costs, lack of apprentices entering hairdressing, a critical skills shortage, the pandemic, rising cost of living, mental stress, and financial pressures.

Salons that are employing staff and investing in Apprenticeships are mostly the 12,372 salons that are not Sole Traders. These salons more often pay above Award wages to accommodate the critical skills shortage. They invest in training

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and education to grow their businesses and invest in their salons for sustainability and the future of the industry.

The effect of Portable Long Service Leave for Hairdressing

Small business employment costs are not just the day-to-day wages. Many small businesses operate their cash flow week to week. Employees who have time away from the business means the business owner not only has to cover the cost of the entitlements, but also cover the loss of productivity and income. In most cases, other staff are needed to cover and this again, is another cost.

Costs over the last five years to employ have escalated and the KPI's for Hairdressing have changed from 38% of turnover to 50%, with many small businesses' employment costs hitting 60% and higher. Salon owners pay themselves last and are more often paid less than their staff.

The effect of the three-year pandemic has exhausted sick leave and personal leave entitlements, including stress leave and mental health days off. The pandemic is now in its fourth year and Covid is still the most used entitlement for personal time away from the business. Business owners are burnt out acting as emotional custodians for their teams, with their own mental and physical health coming last.

Small businesses already feel financial pressure to cover the cost, or loss of income, with Public Holidays, Annual Leave, Personal Leave, Compassionate Leave, Community Services Leave, Training days at college, Mental Health days, Parental Leave (which will soon be extended), Domestic Violence Leave, Superannuation and Long Service Leave. All these entitlements mean that most weeks, a business has an employee not at work. The PLSL will add to work absence and increased running costs.

Small businesses have insurance costs such as Work Cover and lose income when a staff member is unable to work.

For businesses that do employ Apprentices, they have been willing to invest in education and training. Apprentices are the most expensive employees since it takes years before they are productive to a salon business. Time spent on training may be an investment of an employer's time, however is also financially unproductive time spent on an employee. It is years before a business will see a return on the investment spent.

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The introduction to a Portable Long Service Leave Bill in the ACT will see salon owners close their business or employ less staff, especially Apprentices. The PLSL will encourage employers to become Sole Traders. As 70% of our industry's business models are now Sole Traders, there is real concern for the sustainability of apprenticeships and the future of skills.

The intention of Long Service Leave is to reward employees who have been loyal to a business. It is an appreciation of an individual's long-term employment. The AHC and its members strongly agree that making long service leave portable so that it travels from business to business would be a great deterrent for small business owners to employ staff that are nearing a LSL milestone due to the costs involved or are forced to employ such potential employees because of the dire shortage of qualified hairdressers and barbers.

In summary, a Portable Long Service Leave Bill would adversely impact an industry that is already gasping for air.

Ends.

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