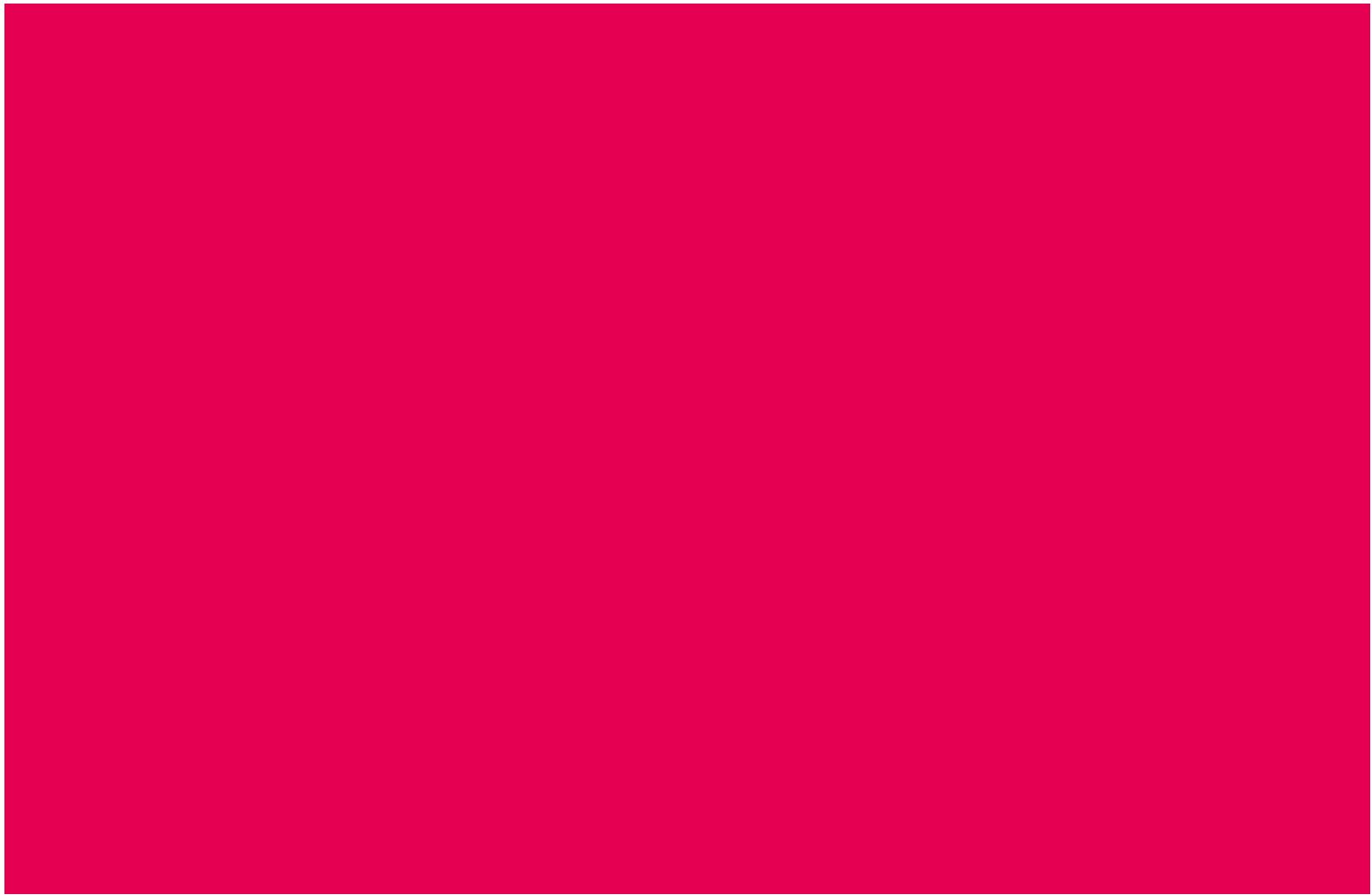


Closed loops to start-ups. Skiing salopettes to transatlantic green baizes to school jumpers blankets to avant-garde handkerchiefs. Gaga collaborations. London to worsted suits to Paris fashion to honeymoon suites. Conveyor hosiery. Waterless fabric finishing. Flatbed screen-printing. Showrooms to weaving fibre tops to boutiques and hosiery since 1783 to brilliant bras that to office chairs. Satchels to shirts. Mills to Mayfair. Taffeta to Far East. Proudly made in Britain.

**REPATRIATION OF UK
TEXTILES MANUFACTURE**



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THE ALLIANCE PROJECT

The Alliance Project, based at New Economy, was established to examine the potential for repatriating textiles manufacturing to the UK. The team led and delivered one of the largest pieces of research, with both industry and retailers, to understand the opportunities for growth in the UK's textiles sector, and the barriers that would prevent the sector realising its true growth potential. The work was commissioned by Lord David Alliance and Greater Manchester Combined Authority (GMCA) with the support of Government through the Department for Business, Innovation and Skills. This report is a result of this research and identifies a range of recommendations which Government accepted in full. The Alliance Project was asked to continue work focussing on four key areas: Skills, investment, innovation, and reconnecting supply and demand.

NBROWN GROUP

The group, and its principal subsidiary, JD Williams and Company Ltd, is a leading internet and catalogue home shopping company, with over 140 years of experience in the distance shopping market. It has an extensive ranges of value products, principally clothing, footwear, household and electrical goods. Its brands include SimplyBe, High and Mighty and Jacamo and it has strong trading success through new brand development, niche acquisitions and strong internet presence.

GREATER MANCHESTER COMBINED AUTHORITY

Greater Manchester Combined Authority (GMCA) is a unique model of governance for a city region. It is a statutory body with its functions set out in legislation and builds on the Association of Greater Manchester Authorities collaboration between Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford, and Wigan. It oversees functions which cover the Greater Manchester area, including powers over public transport, skills, housing, regeneration, waste management, carbon neutrality and planning.





FOREWORD

This report is the biggest study in twenty years on supply and demand in UK textile manufacture. None of this would have happened without three main parties, Lord Alliance, the Greater Manchester Combined Authority and Vince Cable. This report is a testament to all three and proof that local government working with industry can affect real change. GMCA and NBrown used this research to successfully establish the first ever UK investment fund for textile manufacturing which is featured in the sister report also launched today. Government asked us to work with KPMG to independently verify our figures and their credibility hugely helped get the retailers to part with commercial confidential data without which our report wouldn't exist.

However, the real stars of the report are the manufacturers themselves who have not only survived decades of offshoring and the global recession, but are investing and growing. Government, national and local, are essential enablers but the real drivers are the companies themselves.

Without the 200 manufacturers and sixteen national retailers we would have no real data. They were very generous with their time and knowledge, some of them have been involved continuously over the last two years. I would particularly mention M&S, and the other retailers who gave the research huge credibility by sharing their data with KPMG for our report.

Both the British Fashion Council and the UK Fashion Textile Association, the industries two leading trade bodies, have also been integral to the project and are very valued partners.

Finally, we would like to offer special thanks to New Economy and specifically Rupert Greenhalgh who has acted as Head of Research for the Alliance Project over the last two years. His work is of the highest standard.

Lorna Fitzsimons
Director
Alliance Project

Executive Summary

This report presents the main findings from a two year research project conducted by The Alliance Project into the potential for repatriating textiles manufacturing to the UK. The research on supply and demand also considered market failure to establish if Government action was needed. The work was commissioned by Lord David Alliance and the Greater Manchester Combined Authority (GMCA), with the support of Government through the Department for Business, Innovation and Skills. We were asked to report our initial findings to Government with recommendations last year, this is the second and final part of the report.

The research explores the viability of growth in parts of the UK textiles industry, the opportunities that can be supported, and how inhibitors can be overcome. It was developed in light of growing change in the global textiles market. In apparel and homeware this is primarily led by a change in consumer behaviour globally – but most significantly in the UK; and the success of British design and ‘brand Britain’. In technical textiles, this is due to the wider global change bringing supply closer to markets, securing supply, and our globally competitive niche manufacturing.

Rising wage rates in the hitherto cheaper labour markets is often cited as the primary driver, but although there has, and will continue to be, a levelling out of labour and production costs, we found these not to be the main contributors. It should be noted that the UK still has one of the highest energy costs in any of our competitor markets due to the way our energy market is structured.

The Alliance Project research has become the most in-depth research on UK textile manufacture supply and demand in two decades. Interviews were held during 2013 and 2014 with over 200 manufacturers, with sixteen major high street retailers, university and college staff, and fashion and textiles manufacturing students. We have also used the detailed information gathered by the NBrown Textile Growth Programme, the UK’s first public-private textile investment fund, which over the last year, has been investing in UK textiles manufacturing companies.

The report focuses equally upon the actions and perspectives of major UK retailers and brands, and UK textile manufacturers. In the UK textiles sector, the prime retailers dwarf the largest manufacturers in terms of turnover – they are the power-players – but they are resolutely not ‘Primes’ or Original Equipment Manufacturers (OEMs), in the UK textile supply chain as is often wrongly thought, including by Government. As such the research highlights the barriers to growth faced by a supply chain with no OEMs, which is predominantly micro-size and small

manufacturing firms, many of whom are already growing or aim to grow in the next few years.

The research proved there are already established markets for UK textiles manufacturing, finding that there are £9bn textiles currently annually manufactured here. If the self-employed and sole traders are included, the figure rises to well over £11bn.¹ Due to the drivers of growth outlined in this report this is set to increase, with growth equally driven by re-shoring and increasing exports.

However, whilst textiles is one of the oldest made markets in the world, there is market failure in the UK due to decades of offshoring. One of the most urgent failures Government and industry need to address is an ageing workforce, with a lack of skills provision and the image of the industry – which is prohibitive to new recruits. The good news is that the report’s findings show that there is a thriving and world class textile manufacturing base in the UK that is investing and growing, with new markets coming on-line all the time. The challenge for Government and industry is how to capitalise on this growth with a predominantly micro-size supply chain with no OEM’s, or large ‘Prime’ manufacturers, to act as enablers in the UK textile manufacturing ecosystem.

It should be noted that our initial report for Government estimates that over the next five years the 5,000 new jobs would be created in the UK in textile manufacturing. The Governments own data says this was achieved in 2013. PwC reviewed our work and concluded our optimism bias had been too harsh, and the figure could be upwards of 20,000 new jobs.

In this executive summary are a set of key recommendations which, if government and industry respond to, will help realise opportunities for jobs and growth in some of the hardest to reach areas of the UK economy where textile manufacturing is still most prevalent.

Key Findings 1

– Market Opportunities

- Textiles still makes a significant contribution to the UK economy, both in terms of economic output and employment, whilst also providing considerable support to the UK Exchequer.
- The total production value of UK textiles is worth just under £9bn and growing (excluding the self-employed and sole traders etc. See source²; and supports 90,000 to 100,000 employees in firms within key areas of the UK. According to the latest national statistics, there has been a net increase of 5,000 employees between 2012 and 2013.³
- The UK is the 15th largest textiles manufacturer in the world, with the value of production growing since 2009, and export growth across most areas of apparel since 1990. Although competition is fierce, the marketplace is huge. The global apparel market alone has a total value of just under £1.3 trillion (2014). This excludes the market for homeware and other manufactured textiles.
- Significant capability still exists in traditional sectors such as yarn spinning, knitting, weaving and making-up (Cut Make Trim/CMT), alongside growth in technical textiles, materials and composites; and key clusters of production are located within some of the textiles industrial heartlands of Greater Manchester, Lancashire, West Yorkshire, East Midlands and Scotland.
- These headline facts support the case made by the original research undertaken by KPMG and The Alliance Project on opportunities for growth in the textiles sector. The growth opportunity is also reflected in the success of the current NBrown National Textiles Growth Programme (Regional growth Fund Round 4), running from January 2014 to summer 2015, which by January 2015 is already supporting 1,625 jobs.
- The rationale for sourcing from low cost countries has weakened. This is because:
 - Consumer behaviour is demanding shorter lead times from origination to ‘shop-floor’. This is known as fast fashion and keeping up with the latest trends can be challenging for UK retailers with longer and more complex supply chains;
 - fashion is driving-up demand for UK-made homeware;
 - retailers are increasingly realising that the benefits of on-shoring, such as reduced ‘margin erosion’ and inventory risk, can offset additional unit production costs. The costs of discounting bulk bought stock from

- overseas can exceed premiums paid for faster, smaller runs from UK manufacturers; and
- increasing costs in competing countries (energy, labour, transport material inputs) and currency fluctuations are reinforcing these trends.
- As a result, retailers are now investing in on-shore facilities. River Island, ASOS and John Lewis are three significant leaders in this move. M&S have launched British womenswear and menswear lines, and other retailers across the price ranges are keenly trying to source more UK supply.
- The sourcing models being developed can be broken down into those retailers that are investing in their own direct manufacture supply capability, those that have ‘exclusive/sole’ trade relationships with a few suppliers, and those that have launched ‘British’ ranges but source from several manufacturers across the UK depending on product and styles required. Further implications of these are covered in the main report.
- The economic case for repatriation is clearer where the demand for short lead times is acute, quality control and provenance are important, and where manufacturers have a significant design input. Critically, where a retailer charges a premium for these characteristics, high enough margin can be made by manufacturing in the UK.
- As a result of the cost and consumer drivers, high-end and mid-market apparel, fast fashion, luxury clothing and homeware products are the areas where the proposition for repatriation is strongest. The more added value in the manufacture process, from design, to digital and panel printing, jersey and jacquard, embroidery and knitwear, the more the market can be made in the UK.
- There are viable markets in other segments, particularly where the product is low spec and can be manufactured in a highly automated manner like hosiery and socks. Hence the on-shoring that has, and is, happening in this sector.
- However, for undifferentiated products (staples) economic considerations mean that, for a number of products, the UK will stay uncompetitive on cost for some time. This is exacerbated by generous government subsidies in some competitor countries.
- In technical textiles the high value of our niche manufacturers is powering increased demand initially through offshore markets but increasingly onshore as well.

¹ The production value of the sector is over £11 billion when self-employed, sole traders, and other textiles laundry services are included in the sector definition, as used by a range of different textile/fashion/creative industry sector representative organisations. If fashion design, clothing, media, fashion retail and cosmetics are included – the figure rises to over £26 billion (British Fashion Council)

² Source: Eurostat/monitordatbank using SIC codes 17 & 18 together with £8.8bn – figure excludes the self-employed and sole traders, textiles laundry services etc. and also see ONS (2014) Review of Manufacturing – production turnover figures for textiles

³ Source: ONS Business Register and Employment Survey (2013) – excludes self-employed

Key Findings 2 – Barriers to Growth

- A significant barrier to realising the retailer demand is their lack of knowledge about the UK supply base. Buyers are often in their 20s, do not remember when most clothes were domestically sourced, and are often rotated between posts, hampering the ability to build relationships.
- An aging workforce, endemic skill shortages (especially Cut Make Trim/machinists) and lack of investment are the critical barriers that are threatening the UK's existing supply base. Most notably the growth in export markets for luxury and high-end fashion, as well as domestic demand for bespoke homeworkare.
- Other barriers to growth include
 - Asymmetry between retailers of a global scale and micro suppliers, typically employing less than ten employees, which can leave UK manufacturers exposed to the market power of retailers and often unable to quickly service large orders;
 - the predominantly micro-size nature of the supply chain which can hamper information exchanges, supply chain integration, and major investments;
 - long-term confidence of manufacturers in retailers placing larger, sustained orders;
 - addressing the image of the textiles industry which is often thought of by potential entrants – particularly teenagers – in terms of 'sweat-shops' and not the more typical opportunities in high-tech and fashion-related premises;
 - a lack of 'Prime' manufacturers to invest in research, innovation and upskilling – the decline of UK textiles manufacturing in the early twentieth century was hastened more by underinvestment in implementing technology rather than developing it; and
 - retailer payment terms being less regulated in the UK than many other countries mean that UK suppliers often wait longer for payment than foreign competitors.

Key Findings 3 – The Value of Intervention

- Despite these barriers, the research identifies a very high quality and resilient micro-supply chain, many of whom are supplying larger manufacturers and high street retailers as well as exporting successfully.
- Textiles firms are diversifying into higher value opportunities in technical textiles, which are well integrated with much other advanced manufacturing e.g. medical textiles, civil engineering, industrial materials, automotive and aerospace, and ICT/smart garments – supporting Governments ambitions to rebalance the economy.
- Importantly, most UK textiles manufacturing is concentrated in localities with high levels of public sector spending; within areas that have higher than average proportions of long-term unemployed, youth unemployment, and BME residents.
- If Government is minded to help develop the textiles sector to meet its potential, strong consideration should be given to addressing barriers to jobs and growth.
- It is critical to enable retailers to develop their knowledge base about UK suppliers and to help firms invest in an immediate pipeline of skills. It will also be important to support micro and small firms to scale their operations, re-invest in supply-chain technologies, collaborate to secure larger orders; and address payment terms which may act as a brake on growth.
- Much has already been achieved through the delivery of the NBrown National Textiles Growth Programme – funded by the Government's Regional Growth Fund (Round 4). In the first twelve months of operation (January to early December 2014) the RGF Programme has funded 94 projects worth a total value of £38.8 Million by using £9.2 Million grant to leverage £29.6 Million private investment, supporting 1,625 jobs; and creating 115 apprentices.

RECOMMENDATIONS

Addressing the critical issues outlined below will continue to ensure that the UK textiles sector capitalises on the emerging opportunities for growth. The Alliance Project continues to work on ways to support the realignment of textiles supply to meet demand, with the expectation that additional growth and jobs will flow from this investment immediately.

The fragmented nature of UK textiles manufacturing and its supply chains makes support from prime retailers, trade bodies and government particularly important if the economic opportunities the sector is currently experiencing are to be exploited broadly and quickly. The Alliance Project strongly recommends that the private sector continue to lead solutions for growth, but this can only be enabled by Government support.

Recommendation 1: Help industry map the supply chain nationally and develop a sourcing asset register

- To realise the growth opportunity in the UK there is a need to continue mapping the supply chain as piloted in Greater Manchester. A national database, as used in other industries, facilitating domestic and foreign buyers to source production in the UK will address the sectoral information exchange failures identified in the research. These powerful market failures inhibit firms from using UK suppliers. Such information will also support the growth in overseas trade, as well as inward investment – promoting British manufacturer's capabilities.
- A key to the success of the pilot in Greater Manchester was that it was co-led by industry and local government. This helped establish ownership, momentum and relationships between industry and the public sector, which proved invaluable for business development and sharing opportunities for growth through enquiries to the asset register; and connections to major UK retailers. To replicate this success nationally, the UK Government should work with industry partners.

Recommendation 2: Support national and international trade fairs

- To further address the information divide and asymmetry in the UK market there is a need to support meet-the-buyer manufacturing events that will help raise the profile of the sector, both nationally and internationally. Such events are frequently held in other major textile manufacturing nations, offering general networking, meet-the-buyer event and workshops.
- Due to the micro-nature of the supply chain, few UK manufacturers have the resources to fund this type of event. Although retailers have shown some interest in offering support, much of their sourcing is conducted overseas and therefore Government support and trade body sponsorship is necessary to overcome funding gaps and to accelerate the connectivity and growth of UK textiles manufacturing.

Recommendation 3: Address immediate skill shortages alongside image and branding of the sector

- There is a need to urgently address two key issues: the immediate skills shortage; and the image of the industry. Skills shortages, especially in Cut-Make-Trim (CMT), are acutely evidenced in the research, alongside growing skill needs emerging from rising demand in the luxury and fast-fashion sectors and in bespoke homeworkare. Overall, the number of skilled entrants into textiles needs to be increased if the current workforce size is to be retained.
- Additional support will be needed to change young people's perceptions of the sector with appropriate labour market information, advice and guidance. Working with schools and colleges to promote good career pathways in the industry will be key.
- Further work is required to identify latent skills in the labour market that can be more readily deployed, meeting immediate employer need and giving time to develop a longer term skills pipeline. This will include assistance to support moving people from the informal to formal labour market, most notably in the Black and Minority Ethnic community.

Recommendation 4: Investment in the micro-size UK supply chain

- The emerging growth potential, allied to the micro-size nature of the sector's firms, highlights the need for dedicated textile manufacturing business development programmes. Key aims should be to build upon the success of the current NBrown National Textiles Growth Programme to:
 - Provide investment to support the scaling-up of micro-enterprises into SMEs;
 - encourage collaboration and consortia, as government has done in the aerospace and automotive sectors, to cost effectively support training, trade and investment;
 - support the establishment of manufacturing 'Primes' that generate supply chain 'spill-overs', and investment to grow SMEs that will support the development of micro-size firms; and
 - support investment to secure growth opportunities in the 'circular economy' including the re-use and recycling of existing textiles resources, and generating new substitute materials.

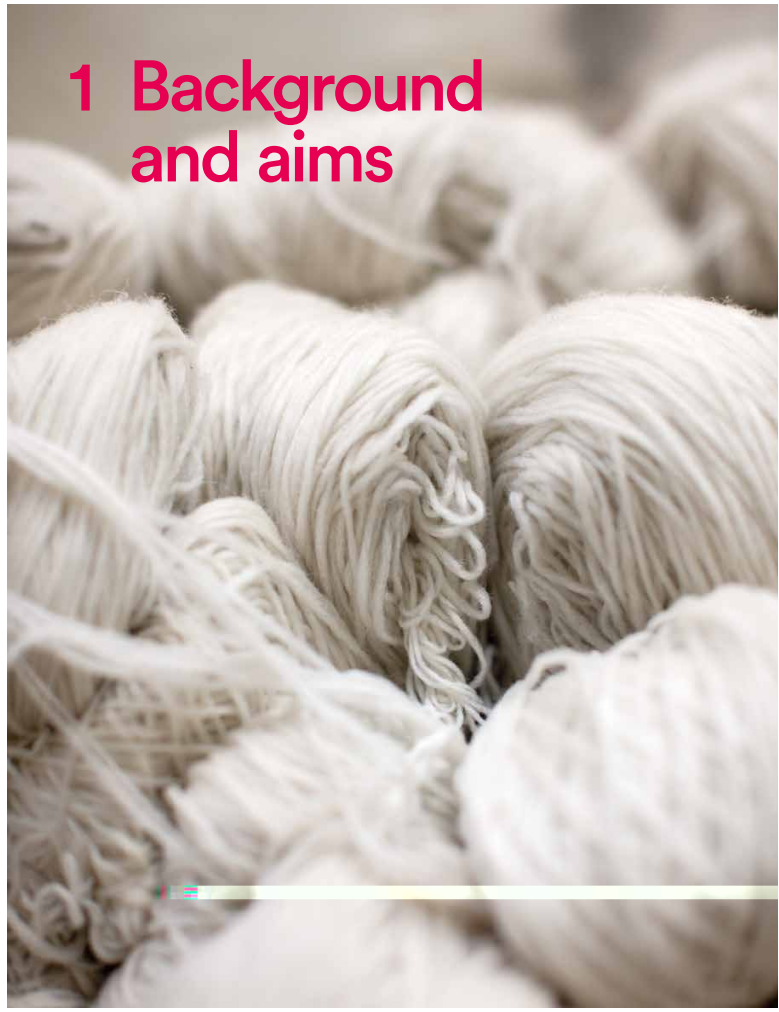
Recommendation 5: Support for product and process innovation

- Research with retailers and manufacturers emphasises the growing importance of design and innovation in driving the success of the sector. The lack of large supply-chain 'Primes' highlights the need to develop stronger linkages between firms and local universities/colleges – including access to state-of-the-art facilities that will help to recruit, promote, and develop future innovation.
- With encouragement from Government, retailers have the potential to develop their role as Primes in supply chains, as indeed many of them already do with offshore suppliers.
- Industry, working with government, universities, and other public/private support agencies should deliver a physical space for industry that will drive innovation and excellence. This will enable and foster networking and collaboration between industry and globally recruited 'world-class' talent from the disciplines of Design, Fashion, Manufacturing and Engineering.

Recommendation 6: Address the issue of payment terms

- Not dissimilar to the challenges faced by the food manufacturing industry, payment terms are creating difficulties in the textiles supply chain and driving chronic short-termism. These factors were particularly acute in micro-size firms and if addressed would create a much stronger incentive and ability for firms to invest and grow.
- Promoting and rewarding good practice and the use of new financial tools, such as payment intermediaries, could help in the short-term and enable further longer-term solutions.

1 Background and aims



1 Background and aims

Background and aims

- 1.1 This report synthesises the main findings from different strands of research undertaken as part of the Alliance Project, a fast moving initiative ongoing in Greater Manchester to establish a business case for the repatriation of textile manufacturing to Britain.
- 1.2 This work represents the most in-depth research on UK textile manufacture supply and demand in two decades. It includes interviews with major high street retailers, interviews with over two hundred manufacturers – and engagement with over three hundred firms in the NBrown National Textiles Growth Programme; and focus groups with University and College staff and students from fashion & textiles courses.⁴
- 1.3 The primary aims of the research are:
 - To research the proposition for both re-shoring and scaling up the UK's textiles sector, by identifying if any markets are viable, and if so stating which; and
 - to understand what barriers to growth are inhibiting these opportunities, if proven.
- 1.4 These aims also raise a number of additional implicit questions which the research also seeks to address, including:
 - What is the size of the existing UK textiles sector (jobs and production) and its markets?
 - Where do the economics favour opportunities for scaling up growth?
 - Where will, or could investment come to support the sectors development?
 - What needs to happen to enable this?
 - What could the role for Government be to help capture the opportunity?
 - What are the market failures which Government, working with industry can address?

Structure of the report

- 1.5 The remainder of the report is structured around the following sections:
 - Section 2:** Economic context, including the current position, scale and performance of UK textiles manufacturing and global market for textiles.
 - Section 3:** Demand side drivers of change affecting the growth in UK sourced textiles.
 - Section 4:** Supply side factors affecting UK firms' ability to respond to current and potential growth opportunities.
 - Section 5:** Issues to address and recommendations to help secure jobs and growth in UK textiles. This section gives a summary of the major areas of growth and the support needed to realise these opportunities.

2 Economic context



⁴ NBrown National Textiles Growth Programme: The Government's Regional Growth Fund supports an industry led £12.8 fund package that will create over 1,000 textiles jobs in the UK. Grants and bespoke textile expertise are available to business for capital and revenue expenditure up to summer 2015.

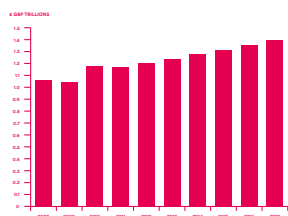
2 Economic context

2.1 This chapter highlights the scale and performance of the global textiles sector and the UK textiles sector in terms of: production value, exports and imports by product area, and employment. Sector definitions are shown in the annex and data sourced throughout.

Global textiles market growth forecast

- 2.2 The global market for textiles is significant. As shown in Figure 1, global apparel sales alone are estimated at just under £1.3 trillion globally in 2014. Asia-Pacific makes up £520 billion of this. Worldwide demand for textiles is forecast to increase, reflecting growing global population, rising to a forecast £1.4 trillion by 2017.
- 2.3 Reflecting broader economic conditions, growth in the demand for textiles is expected to be particularly strong in Asia Pacific, alongside growth in the Middle East and Latin America.
- 2.4 Growth in Asia Pacific is mainly driven by China, with Chinese customers currently making half of the luxury purchases in all of Asia. The global luxury goods sector is estimated to grow by 10%, with a total global revenue of €212 billion (£182 billion).^{5,6}

Figure 1: Global apparel market growth forecast, 2008 to 2017



5. Source: Bain & Company (2012), 2012 Luxury Goods Worldwide Market Study
 6. Source: Drapeau (February 2013), Luxury Boom Predicted (press article)
 7. Source: Eurostat (2013), accessed 19/06/2013, showing Composite Annual Growth Rate
 8. Source: Euromonitor – Total production value (gross) including the self-employed and sole traders cited in KPMG (2013), Repatriation of UK textiles manufacturing (unpublished)

UK textiles – in context

2.5 Textiles and clothing manufacturing is a long established industry in the UK. Significant capability still exists in traditional areas such as yarn spinning, knitting, weaving and making-up (Cut Make Trim/ CMT), alongside growth in technical textiles, materials and composites.

Market value and scale

- 2.6 UK textiles production, particularly apparel and homewares, still contributes significantly to the national economy. Within the UK, the textiles sector has a total production value – verified through KPMG and New Economy research – as £9 billion and growing.⁹ The total production figure includes businesses that manufacture textiles (60% of turnover), clothes (30%) and leather & related products (11%). This report refers to all three as 'textiles'.⁹
- 2.7 The Office for National Statistics and Oxford Economics¹⁰ estimate the Gross Value Added by the core textiles manufacturing sector (defined in annex 1) as four to five billion. GVA represents the total value of profits and wages paid to staff in the textiles sector, corresponding to 3% to 4% of the total value added by UK manufacturing – and similar in size to the UK's electrical equipment sector. Total export sales in 2013 was just under £8 billion, up £500m on the previous year.¹¹
- 2.8 Studies have illustrated the Gross Value Added of the wider industry which encompasses all parts of British 'fashion', takes the total to a considerable GVA £26bn contribution to the UK's economy; and 800,000 jobs across industry sub-sectors including: designer fashion, outerwear, underwear, sportswear, workwear, retail and wholesaling, creative media and fashion textiles manufacturing.¹²
- 2.9 As the industry has modernised, increasing emphasis has been placed on activities such as branding, distribution, supply chain management, and specialisation within particular markets. This has helped the sector remain resilient in the face of stiff competition overseas, in particular the growth in manufacturing in Asia and the Far East from 2000 onwards.

9. Source: Office for National Statistics (2014), Changing Shape of UK Manufacturing – Textiles Release: <http://www.ons.gov.uk/ons/rel/industry/industry/changing-shape-of-uk-manufacturing--textiles/index.html>
 10. Source: Oxford Economics (2014), GM Forecasting Model
 11. Source: World Trade Organisation <http://stat.wto.org/StatisticalProgram/WaWdExport.aspx?Language=E> (accessed November 2014); and Office for National Statistics

- 2.10 Companies that have been able to invest in modern equipment and design facilities are reaping the benefit in terms of quality, cost, flexibility, and speed of order delivery. Leading global brands are sourcing from the UK because of its reputation for quality and innovation, combined with the attraction of heritage brands. This gives the UK a competitive edge.
- 2.11 The textiles sector has also experienced significant diversification, such that UK textile manufacturing occupies an important position in the supply chains of domestic industries as diverse and far ranging as medical textiles, construction/civil engineering, housing and home furnishings, industrial materials, automotive, auto-sport and aerospace components; and across a full range of apparel products: underwear, outerwear, sports and workwear.

Technical textiles

- 2.12 A significant technical textile industry has emerged in the UK in recent decades, consisting of: a number of major publicly listed companies with headquarters in the UK, operations belonging to companies whose headquarters are overseas; and a substantial tier of small and medium-size enterprises (SMEs) which have proved to be particularly resilient in the face of overseas competition and adept at finding profitable niche markets and applications for their products. In addition, significant activity in technical textiles research and development is carried out in UK universities, research institutes, and specialist textiles testing companies.
- 2.13 Specialist and technical textiles are growing areas for traditional textile companies to diversify into, with many firms seeking new opportunities in higher value manufacturing. Estimates suggest that technical textiles contributes £1.5bn to £2bn to the UK's economy.¹³ Many workwear and performance textiles firms interviewed in this study highlighted their links to other advanced manufacturing sectors, for example flame and heat retardant materials.
- 2.14 The vast majority of technical textile SMEs are located in the areas that form part of the UK's former "textiles industrial heartland", namely Greater Manchester, Lancashire and Yorkshire, and in the regions around Leicester and Nottingham, shown in figure 2.¹⁴

- 2.15 Technical textile products are synonymous with the servicing of a number of end-user products e.g. providing advanced materials to service the needs of a number of end user markets and industry sectors, including: Automotive; composite materials; industrial filtration; biotechnology; nanotechnology; geo-textiles; performance work-wear and technical smart garments, that are detailed further in Table 1.
- 2.16 The key sub-sectors within Technical Textiles, in which UK companies are thriving, are: nonwoven fabrics – based mostly on dry-laid staple fibre technologies; woven, warp knitted and/or stitch-bonded fabrics which form the basis for composites – and 'Multi-axial' fabrics that allow composite manufacturers to process multiple layers of unidirectional fibres, the optimum fibre form, in a single fabric and/or 3D structures.
- 2.17 There are clear links to the UK's leading companies and successes in the advanced materials and composites sector where the UK's expertise is applied in aerospace, high-performance cars and wind energy; and quickly expanding into other product areas. Despite these advances, the UK composites strategy recognises that the technical textiles and composites sector is fragmented resulting in co-ordination failures as few firms have the critical mass to invest in equipment to make structures at the speed industry requires.¹⁵
- 2.18 Recent international research work with garment and technology firms highlights further growth opportunities in smart fabrics and smart garments, integrating sensors and micro-chips into fashion. Grand View Research (US Consulting Firm), estimate the size of the global smart textile market as worth US\$290 million in 2012 and expect it to exceed US\$1.5 billion by 2020.¹⁶

14. Source: Textiles Intelligence Limited (2014), The UK Technical Textiles Industry (Part 1) Five Large Producers and UK operations of foreign companies, and Part 2 Small and medium-size enterprises. <http://www.grandviewresearch.com/industry-analysis/technical-textiles-industry> (accessed November 2014)
 15. Composite defined in the UK Composites Strategy (ISS 2009) as "Structural Fibre-reinforced Polymer Matrix Composites"
 16. Source: Grand View Research (2014), Smart Textiles Market Analysis And Segment Forecasts to 2020 <http://www.grandviewresearch.com/industry-analysis/smart-textiles-industry> (accessed November 2014)

SECTOR	EXAMPLE PRODUCT	MARKETS/DRIVERS OF CHANGE
Automotive	<ul style="list-style-type: none"> Airbags and seat belts Upholstery yarns and fabrics Needle-punched headliners, carpets, boot-liners, sound-proofing and insulation Lightweight non-wovens used in filters Tyre cord fabrics clothing for space suits – lightweight and highly flexible Mechanical rubber goods i.e. brake hoses and belts Various composite components 	<ul style="list-style-type: none"> European 'space race' and potential commercial flights Continuous reviewing of safety standards New materials producing improved performances Improved flexibility raising new standards creating new markets.
Composite materials	<ul style="list-style-type: none"> Aerospace components (tails, wings, fuselages propellers) Boat and scull hulls Bicycle frames and racing car bodies Fishing rods, storage tanks, and baseball bats Boeing 787 structure, including the wings and fuselage is composed largely of composites. 	<ul style="list-style-type: none"> • 0T_w -2.3(n)-2.5Q

Productivity and wages

- 2.19 In terms of productivity, the textiles sector has a Gross Value Added per employee (excluding self-employed) of £50,000. This is higher than the average across all sectors in the UK of £44,000, but below the average for all manufacturing £57,000.¹⁹
- 2.20 The productivity of an industry partly determines how much can be paid to employees. The textile industry has an average weekly wage of £371.²⁰ This compares with an average weekly wage of £564 for manufacturing as a whole. Despite this disparity, wage levels within key textiles occupations such as skilled garment manufacturing jobs are broadly similar across the country with an average of £19,000 per annum, ranging from £23,000 per annum in Scotland to £17,000 in the East Midlands.²¹

Clusters of textiles manufacturing employment

- 2.21 Whilst the sector has seen a decline in both employment and production nationally over the last 15 years, it still contributes an estimated 90,000 to 100,000 jobs in the UK.²² However, including self-employed, sole traders, and employees in other non-manufacturing, textiles laundry services and textile testing services puts the figure much higher.²³
- 2.22 Interviews with employers and data from the Inter Departmental Business (The Governments own cross-department database of firms) confirms that the sector is mostly micro-size in nature and remains highly fragmented. Almost 90% of UK textiles enterprises have under twenty employees and 80% have under ten employees (excluding self-employed). Only 4% of UK firms employ over 50 people.²⁴
- 2.23 The following section shows a map of the textiles sector across Great Britain. It illustrates the main geographic concentrations including an area extending from Greater Manchester to West Yorkshire and South Lancashire (which is centred upon Rochdale, Oldham, Jameside and Kirkles) where textiles remains central to future manufacturing ambitions. Other major centres include: Leicestershire, Derbyshire,

- Nottinghamshire, Rutland and Northamptonshire, Eastern Scotland and South Western Scotland, and Inner London.
- 2.24 The densest concentrations of textiles activity in the UK are found within the city region areas of Greater Manchester, Leicester & Leicestershire, West Yorkshire, Derbyshire & Nottinghamshire, and Lancashire, shown in table 2. These areas combined, account for 44,000 employees in the UK, just under half the total number of people employed in the sector nationally. Within these areas Greater Manchester contributes the most in terms of employment, with an estimated 11,300 jobs (excluding self-employed and sole-traders), and an economic output of £600 million to £700 million – over half the economic output from the sector in the North West.²⁵
- 2.25 As shown in table 2, analysis of sub-sectors within textiles indicates that Greater Manchester has one of the largest concentrations of garment and knitted clothing sectors in the UK (totalling 4,000 jobs), second only to Leicestershire (6,900 jobs). Greater Manchester also has one of the largest concentrations of homeware textiles in the UK, employing 3,000. Whereas West Yorkshire has one of the largest spinning and weaving sectors, employing 2,900 – excluding those also employed in new technical textiles industries and textiles finishing.

¹⁹ Source: New Economy and the Greater Manchester Forecasting Model, with local, regional and national data & forecasts
²⁰ Source: ONS (2014) 'Changing Shape of UK Manufacturing – Textiles Release' <http://www.ons.gov.uk/sum/rel/sumreg/iscd/summary/changing-shape-of-uk-manufacturing-2014/index.html>
²¹ Source: ONS Annual Survey of Hours and Earnings (2014) provisional, using mean wages per annum

²² Source: ONS Business Register and Employment Survey 2013. Full and part-time in employment – ONS textiles definition
²³ Source: Creative Skillset, unpublished
²⁴ Source: ONS Inter-Departmental Business Register (2014). Local Enterprise Unit counts – ONS textiles definition
²⁵ Source: Oxford Economics – Greater Manchester Forecasting Model, Economic Output 2013 (2014 release)

Figure 2: Major centres of textiles employment in the UK, employment levels, 2013²⁶

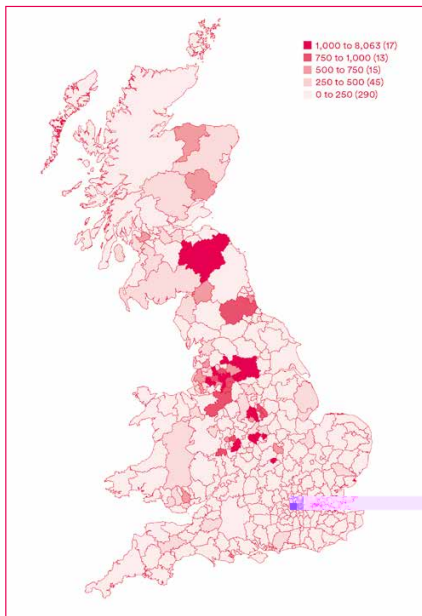


Table 2: Employment (excluding self-employed) for selected benchmarks with the highest levels of textiles employment, 2013²⁷

TOP10: LOCAL ENTERPRISE PARTNERSHIP (OR NUTS2/CITY REGION AREAS WHERE DATA COVERS SCOTLAND)	TOTAL: TEXTILES MANUFACTURING	SPINNING, WEAVING, KNITTED CLOTH	DYEING AND FINISHING	CARPETS, RUGS, CORDS, ROPES	OTHER TECHNICAL & INDUSTRIAL TEXTILES	HOMEWARES – SOFT FURNISHINGS
Greater Manchester	11,300	900	600	900	700	3,000
Leicester & Leicestershire	10,700	700	1,900	0	400	500
West Yorkshire	8,500	2,900	800	900	400	1,500
Derbyshire & Nottinghamshire	7,500	700	500	C	500	2,500
Lancashire	6,100	600	600	300	400	1,500
London	5,900	100	300	0	0	800
Eastern Scotland	4,000	1,200	400	C	300	700
South Western Scotland	3,300	300	200	300	200	800
South East Midlands	2,800	0	100	100	100	300
Northamptonshire	2,500	C	100	0	C	300
Great Britain	92,800	8,900	8,100	4,900	5,100	22,800
England & Wales	84,000	7,200	7,400	4,500	4,600	21,000
Scotland	8,800	1,800	700	400	500	1,800

TOP10: LOCAL ENTERPRISE PARTNERSHIP (OR NUTS2/CITY REGION AREAS WHERE DATA COVERS SCOTLAND)	CLOTHING: LEATHER & WORKWEAR	CLOTHING: UNDERWEAR/ OUTERWEAR	CLOTHING: AND APPAREL – HOSIERY	LEATHER ACCESSORY AND FOOTWEAR	OTHER TEXTILES MANUFACTURING N.E.C.	WHOLESALE OF TEXTILES AND CLOTHING
Greater Manchester	400	2,400	1,200	1,100	300	7,800
Leicester & Leicestershire	300	5,100	1,600	100	200	3,100
West Yorkshire	200	1,500	0	0	400	2,300
Derbyshire & Nottinghamshire	100	1,500	1,100	0	400	3,200
Lancashire	300	900	0	1,300	200	2,300
London	200	3,900	0	400	100	13,000
Eastern Scotland	0	200	1,100	0	0	2,100
South Western Scotland	100	600	100	700	100	1,300
South East Midlands	100	700	0	1,300	0	1,600
Northamptonshire	0	600	0	1,400	100	900
Great Britain	3,400	23,100	5,500	8,500	2,600	55,500
England & Wales	3,200	21,700	4,200	7,800	2,500	52,000
Scotland	200	1,400	1,200	700	100	3,500

²⁶ Source: All textiles employment maps use ONS Business Register and Employment Survey data, 2013. Figures exclude self-employed (published October 2014)

²⁷ Source: ONS Business Register and Employment Survey 2013, see appendix for Standard Industrial Classification Codes. C = Confidential under the 1947 Statistics of Trade Act; all figures rounded to the nearest 100 & c.o. = not elsewhere classified

The importance of Scotland's textiles industry and supply linkages

- 2.26 Table 2 shows the importance of Scotland's textiles sector – totalling just under 9,000 employees, working in over 500 firms generating a turnover of £800 million (and £400m export sales).²⁸ The majority of textiles and garment manufacturing are found in Eastern Scotland and South Western Scotland (totalling 7,300 employees) mostly in knitwear and homewares.
- 2.27 The intra-reliance of the English and Scottish cloth and tailoring industries means that textiles manufacturers in England contribute significantly to the value chains of high value, typically luxury, products that are exported from Scotland. In particular, the wool spinning, dyeing and finishing, and textiles manufacturers based in Greater Manchester and West Yorkshire.²⁹
- 2.28 The clustering of weaving and dyeing/finishing manufacturers and associated workforce skills have given the firms in these areas the capability and capacity needed by Scotland's textiles sector. However, the industry remains heavily reliant on a small core of firms supplying the majority of: woollen yarns, contract weaving, and dyeing services that – outside a small number of vertically integrates mills – no longer exist in sufficient supply in Scotland.
- 2.29 These findings suggest that a coordinated approach needs to be maintained to develop the UK's textiles sector, both across the key sub-sectors of the supply chain, as well as geographically in the clusters of textiles manufacturing that exist throughout the UK.

Future growth and rebalancing the economy

- 2.30 The Alliance Project's research and latest data from ONS suggest that the original proposition for UK textiles sector growth remains valid. This has been borne out by the success of the current NBrown National Textiles Growth Programme funded by Regional Growth Funds (Round 4) – shown in the following case study. Office for National Statistics data also confirms that West Yorkshire, Greater Manchester, and the West Midlands each saw growth in clothing manufacturing employment between 2008 and 2011, and nationally, textiles employment saw a net increase of +5,000 in 2013, compared with levels in 2012.³⁰
- 2.31 Interviews with manufacturers highlighted that a third of firms were looking to potentially employ additional staff, typically five employees, in the next 12 months. Applying the potential number of 'growth firms' and 'new jobs' to the national level, suggests that there could be an opportunity to create 5,000 to 15,000 new jobs in the course of the next decade, depending on how quickly investment and the opportunities can be realised. Taking a scenario for import growth also suggests that a 0.5% to 1.0% shift in the current level of UK imports would equate to an additional 2,000 to 4,000 jobs in the UK economy.³¹
- 2.32 Given these growth opportunities (jobs and economic output), it is worthwhile noting that many UK textiles firms are located in some of the areas experiencing high levels of long-term unemployment, including high levels of unemployed residents from minority ethnic backgrounds and young people, as shown in table 3. The recent growth in employment in the textiles sector suggests an immediate opportunity to deliver economic and social prosperity, alongside re-balancing of the economy.

²⁸ Source: Alliance Project (GVA = Profit plus wages. Figures rounded, and £50,000 per employee, excludes self-employed)
²⁹ Source: Alliance Project Research interviews with manufacturers

Table 3: Unemployment rates for selected city region benchmarks, 2014³²

TOP10: LOCAL ENTERPRISE PARTNERSHIP (OR NUTS2/CITY REGION AREAS WHERE DATA COVERS SCOTLAND)	ALL AGED 16-64	ALL AGED 16-24	MALES AGED 16-64	FEMALES AGED 16-64	ETHNIC MINORITY AGED 16+	WHITE AGED 16+
Greater Manchester	8.8	21.5	9.4	8.1	12.6	8.0
Leicester & Leicestershire	7.6	18.2	7.6	7.5	12.8	6.0
West Yorkshire	8.9	22.3	9.6	8.0	17.5	7.4
Derbyshire & Nottinghamshire	6.9	17.7	8.3	5.2	12.5	6.4
Lancashire	7.9	19.8	8.8	6.9	11.3	7.4
London	7.6	21.0	7.1	8.1	11.8	5.1
Eastern Scotland	6.6	20.4	7.0	6.1	11.9	6.2
South Western Scotland	8.6	21.9	9.3	7.9	12.1	8.4
South East Midlands	5.6	13.9	5.7	5.4	9.8	4.9
Northamptonshire	5.4	6.7	5.9	4.8	4.3	5.3
National	7.0	18.6	7.4	6.5	12.1	6.1

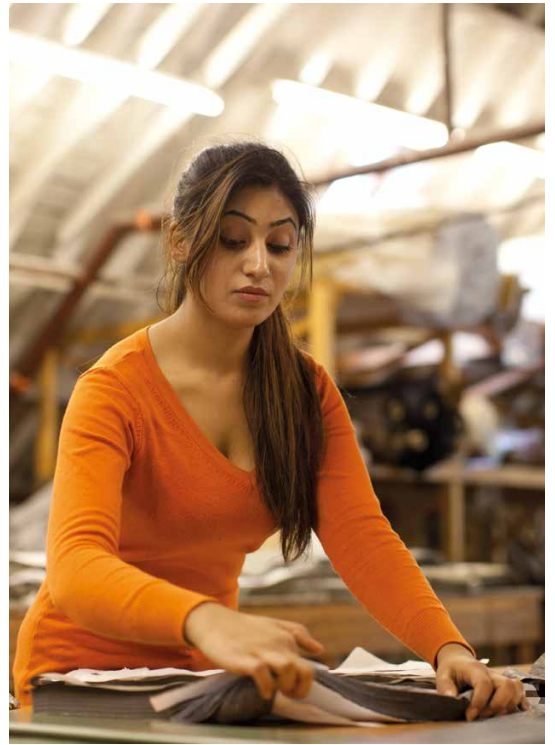
³² Source: ONS Annual Population Survey, 2014. The Alliance Project has undertaken detailed research to map textiles firms, residents with textiles skills, and unemployment using Census data

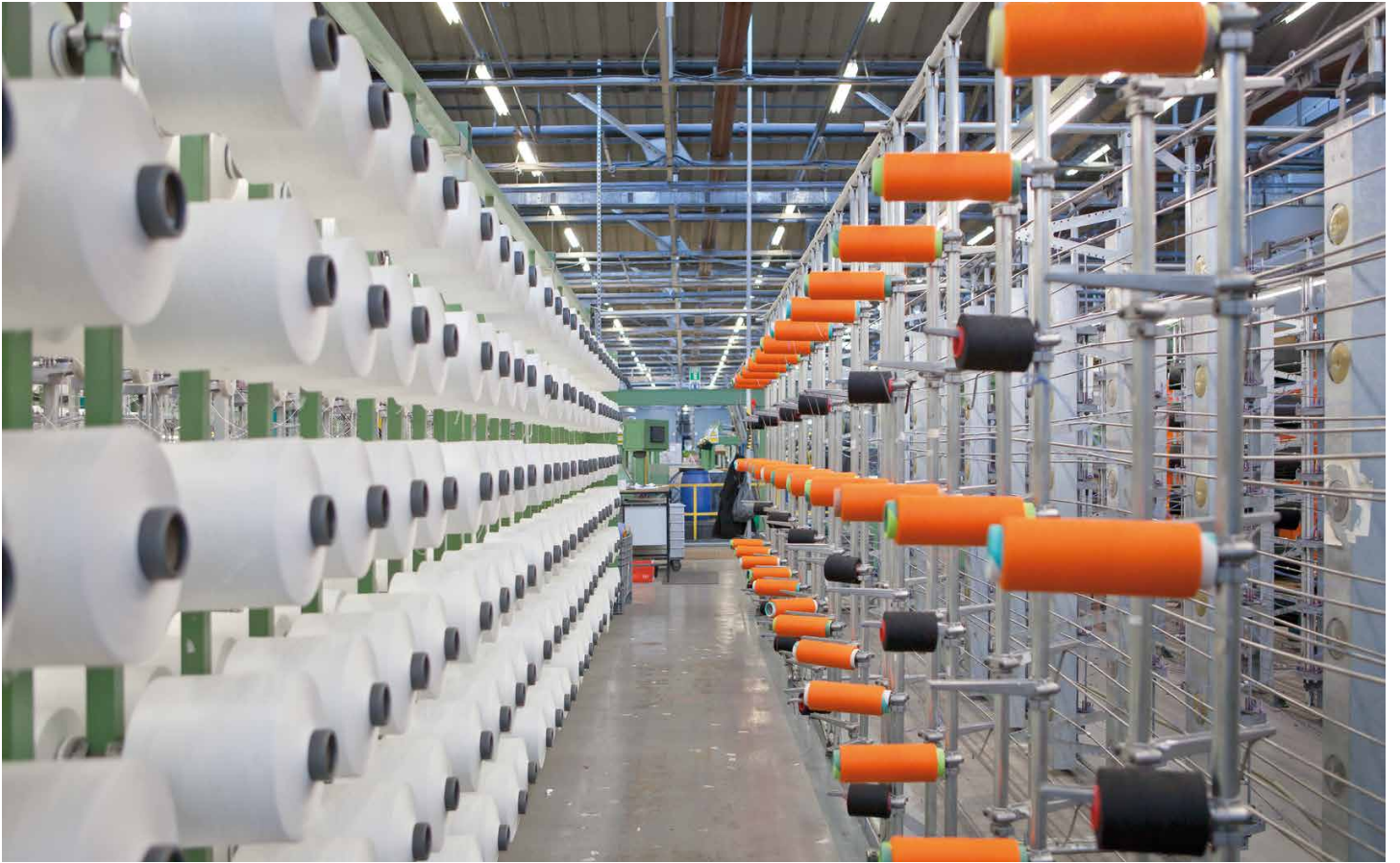


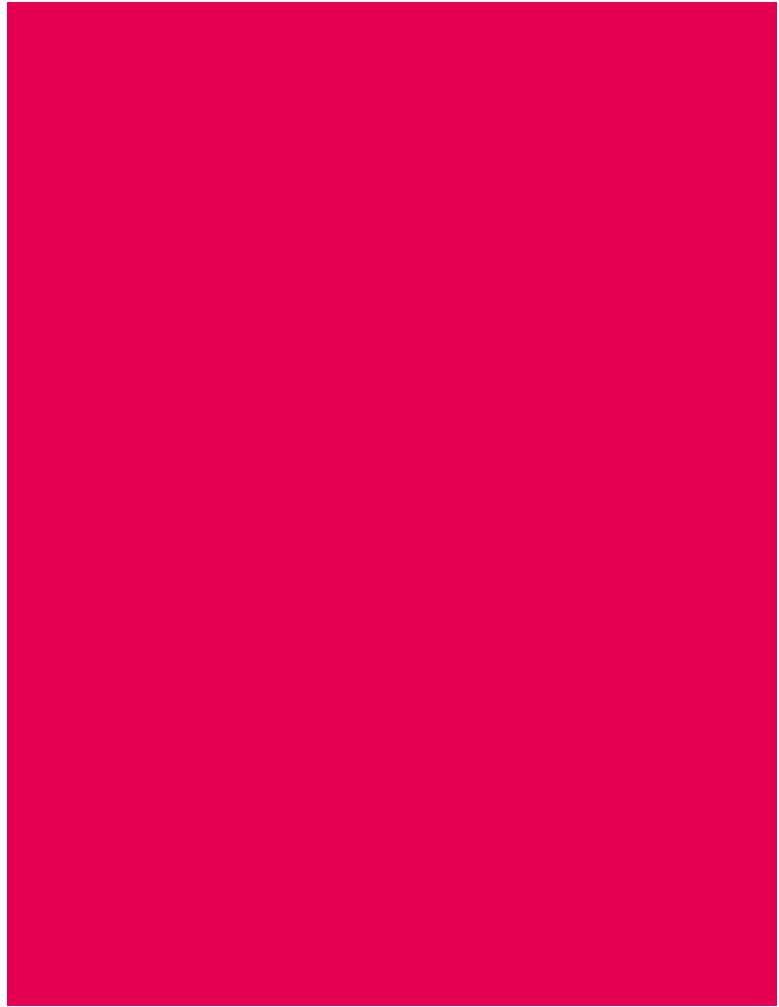












CASE STUDY: THE NBROWN NATIONAL TEXTILES GROWTH PROGRAMME

Overview

Given the current performance of the fund, it forecast to assist between 100 and 125 projects by programme end, with a total value of £50 million, of which the £11m grant will be used to support the creation of 2,000 sustainable jobs, and 150 apprentices in the British textiles industry.

This investment is helping to rebalance the North away from the public sector which accounts for over one-in-four jobs in some areas. It is also supporting technology-led innovation in an export growth sector, that will continue to help address textile's balance of payments deficit.

The programme activities, its appraisals, and governance board pro-actively promote investment in parts of the textiles supply chain which are currently under-represented/in need of scaling to meet the rising demand from downstream producers. They have also made positive efforts to promote the implementation of technologies that reduce waste & energy use; and support businesses to manage their environmental risks.

2.33 Further case studies illustrating how textiles firms have been supported in other countries is included in Appendix 5. These include lessons from developing textile skills in Italy (Prato), and support for German manufacturers to grow technical textiles and international trade.

Market outlook: Apparel

- 2.34 The last twenty years has seen significant increases in the market for clothing, both in the UK and globally. Research by ONS and MINTEL shows that consumer spending on clothing was up 6% in 2014/15 compared with the previous year, to a total of £53 billion (of the 6% rise, 4.6% was due to rising spend and 1.4% due to inflation).³⁴
- 2.35 Despite squeezed incomes, renewed consumer confidence has meant that spending on men's and women's outerwear in the UK was the fastest growing segment in the apparel market between 2009 and 2014; and fashion clothing is still the most important area of spend for the under 25s.
- 2.36 Women's outerwear remains the largest component of clothing spend, totalling £26.5 billion in the UK in 2014 – just under half (49%) of apparel spend. In comparison, spending on men's outerwear, is only half of the spending on womenswear (£14 billion or 26% of total clothing spend) yet the market grew by 18% between 2008 and 2013, and menswear continued to outperform womenswear throughout 2013/14. The remaining market segments are spread across childrenswear (13%), underwear (6%), apparel accessories (5%), and nightwear (1%).
- 2.37 Growth is predicted to continue, with MINTEL forecasting the size of the UK's clothing market to be worth £63.7 billion by 2019. Scenarios for growth suggest the market value will be between £60.1 billion (low scenario) and £67.4 billion (high scenario) in the next five years.
- 2.38 Over the last twenty years there has been significant change in UK production, driven predominantly by retailers and 'tier-one' manufacturers seeking to take advantage of lower labour costs overseas. Many leading clothing manufacturers developed their own production facilities in North Africa, the Indian sub-continent and, in particular, in the Far East. This trend is not exclusive to the UK, for example over three-quarters

- of clothing for suppliers based in France and Germany is now manufactured overseas.
- 2.39 The rate of decline in apparel production was most pronounced in the late 1980s to early 2000s. There was a further dip in apparel production in 2009, potentially linked to the UK recession. However, since 2009, the market has experienced growth, driven largely by exports, which have seen sustained growth since 1990.
- 2.40 In terms of distribution, traditional channels and routes to consumers have already come under increasing pressure from on-line sales, particularly given the emergence of the "informed consumer" who will explore a number of options, for example visits to retailers, sales outlets, price comparison websites – before making a final purchase.
- 2.41 Demand for on-trend, high design content products has led to online retailers carrying many more lines of stock – encompassing different styles, colourways, sizes. This has been mutually reinforced by the rise of fast-fashion where the turnaround from design to the shop floor has reduced from four months to a matter of days for some products.
- 2.42 The progressive liberalisation of international trade has meant that more trade markets have become viable targets for UK manufacturers. These developments mean that clothing markets in South America and Asia are now more open than they have ever been to imports and this continues to provide an opportunity to British apparel exporters, especially consumers in those countries that see the 'Made in Britain' brand as a mark of quality.
- 2.43 The UK has successfully used its world leadership in product design and brand marketing to ensure that luxury brands have penetrated international growth markets in particular within Asia and the Far East, appealing for example to China's fast-growing upper middle class.

- 2.44 The UK, although not a major player in global textiles trade, still exports significant volumes of, typically higher value apparel, remaining 15th in terms of exports in the world. The UK ranks alongside countries such as Vietnam, Spain, Mexico, but currently remains behind the other major Western European countries, for example Italy, Germany, and France.
- 2.45 UK apparel exports were valued at just under £5.5 billion or 1.7% of total UK exports in 2013, rising from £2.7 billion over the decade from 2003, as shown in figure 3. Despite the growth opportunities for apparel in emerging economies, for example China, the bulk of the UK currently largely exports to developed markets such as Europe, for example Germany £800m, Ireland £700m, and the US £300m, shown in figure 4.

Figure 3: UK apparel exports, 1998 to 2013³⁵

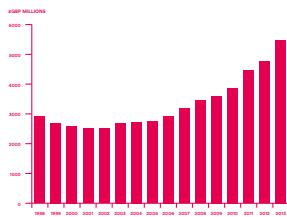
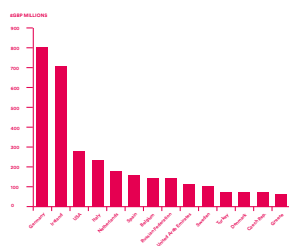
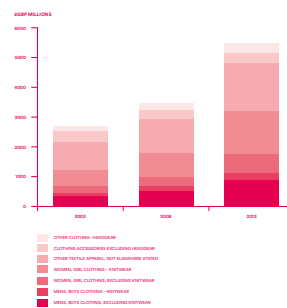


Figure 4: UK apparel exports by top destination countries, 2013³⁶



- 2.46 As Figure 5 shows, there has been significant growth across all areas of apparel export. Whilst most of the growth has been driven by a rise in the total value of women's clothing (almost two-fifths of total exports) the value of total exports in men's clothing grew by 160% (on a 2003 baseline) compared with 150% for women's clothing, including knitwear. In both cases the opportunity is being driven by higher value products, where design, branding and marketing are the key to success.
- 2.47 Almost three-quarters (70%) of textiles firms in the Alliance Project's field research said they are currently exporting. The main markets for these firms are: Europe (74% of all firms), North America (24%), Asia Pacific (22%), and China (15%).³⁷
- 2.48 Against this context, it has proved difficult for established UK exporters to maintain the financial commitment required to support export campaigns and international trade fairs. This barrier was particularly acute in textiles given the predominance of micro-size firms in the textiles sector compared with other industries. The Alliance Project research highlighted significant interest in more support for firms to attend trade fairs and help with exporting products/expanding in new international textiles markets.

Figure 5: UK apparel exports by type of garment, 2003 to 2013³⁸



Market outlook: Textile Homewares

- 2.49 The UK has a strong presence in homeware manufacture, covering products from 'bath to bed'; and 'oven to table'. However UK production is predominantly in bulky products such as quilted textile products, mattress and in particular duvet /bed covers. This is due to the freight costs for 'higher volume/filled items' where it doesn't make sense to 'export air', which means the UK stays cost competitive for these products in the domestic market.
- 2.50 The UK textiles homeware manufacturing sector has a production value of £250 million.³⁹ The market is mature and demand is heavily influenced by external factors such as household income, consumer confidence and spending, underlying strength of the housing market and trends in home decor. Data and research by ONS and MINTEL shows that

- consumer spending on household textiles in the UK rose from £5.5 billion in 2008 to £6.0 billion in 2013 (comprising £1.5 billion window furnishings, £1.2 billion household linens, £3.4 billion 'other' household textiles).
- 2.51 The current positive trends in the housing market, and underlying economy, are likely to remain key drivers for growth in the short-term. The textiles homeware sector is forecast to have a total market value of £7.1 billion by 2018/19 (comprising window furnishings £1.7bn, household linens £1.4bn, and other homewares £4.0bn).⁴⁰ In the longer term, interest rate rises could have a dampening effect on the house-move market, which could squeeze spending on non-essential household textiles goods.
- 2.52 Imports of household textiles account for more than half of the domestic market, and have continued their upward trend, while exports – worth between £110 and £120 million – have also risen, as shown in figure 6, with household linens/bedding making up the majority of homeware exports. However, the rise in import values also reflects variable exchange rates and raw material costs as well as higher manufacturing costs in China, a major source country for household textiles imports to the UK.
- 2.53 There has been a shift in homeware manufacturers moving towards product differentiation, focusing their efforts on niche and higher end products. Homeware is becoming more fashion conscious, with consumers increasingly following new trends and linking purchases to new interior-designs, character themes and colours, requiring quicker access to the latest products and design. The market is likely to experience shorter replacement cycles into the medium-term as constraints on non-essential spending continue to ease.
- 2.54 Polarisation of the market is set to continue into the medium-term with intense price pressure at the lower end of market likely to constrain future value growth. Continuation of the trend to "on-shoring" may lead to value growth in the mid-upper market sectors, but with price competitive imports are expected to drive the lower market sector in the medium-term. Many manufacturers in the research highlighted rising demand for local sourcing, especially for large and bespoke products such as furniture fabrics and curtains. For overseas sources, shipping freight still

35. Source: World Trade Organisation <http://stat.wto.org/StatisticalPrograms/WuRExport.aspx?Language=E> (accessed November 2014); and Office for National Statistics: Trade in Goods – Exports by industry, current prices, not seasonally adjusted (accessed November 2014).

36. Source: World Trade Organisation <http://stat.wto.org/StatisticalPrograms/WuRExport.aspx?Language=E> (accessed November 2014); and Office for National Statistics: Trade in Goods – Exports by industry, current prices, not seasonally adjusted (accessed November 2014).

37. Source: Greater Manchester manufacturers interviews.

38. Source: World Trade Organisation <http://stat.wto.org/StatisticalPrograms/WuRExport.aspx?Language=E> (accessed November 2014); and Office for National Statistics: Trade in Goods – Exports by industry, current prices, not seasonally adjusted (accessed November 2014).

39. Source: Alliance Project using Euromonitor data.

40. MINTEL (2013) Homewares – UK – January 2014. Value includes VAT.

remains the most cost viable option despite the cost increases and unpredictability of shipping timings. Whilst delivery by air reduces transport time by three to four weeks, it still remains a significant and prohibitive cost premium for manufacturers (an estimated 40% increase in transport costs in some cases).⁴¹

Figure 6: UK homework exports, 1998 to 2013⁴²

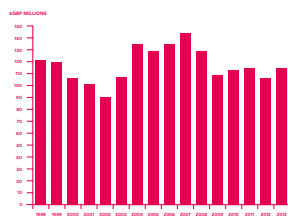
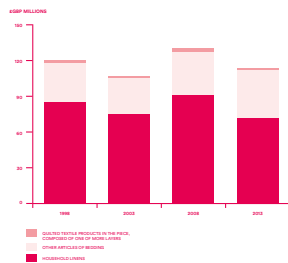


Figure 7: UK homework exports by type of product, 1998 to 2013⁴³



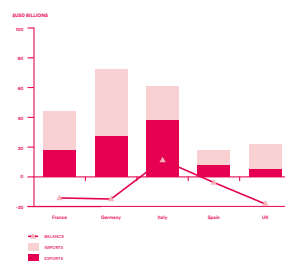
41. Source: Retailer interviews
 42. Source: World Trade Organisation <http://stat.wto.org/StatisticalProgram/WallExport.aspx?Language=E> (accessed November 2014); and Office for National Statistics: Trade in Goods - Exports by industry, current prices, not seasonally adjusted (accessed November 2014)
 43. Ibid

Imports and balance of trade

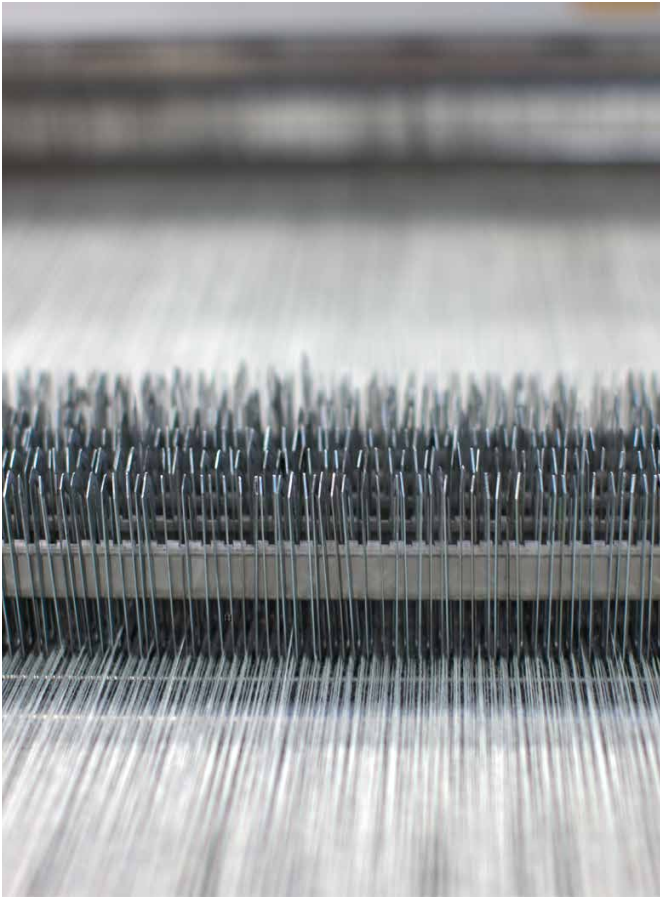
- 2.55 The progressive liberalisation of international trade – including phasing out of international quota agreements in 2005 – has meant that more markets have become viable targets for UK manufacturers; and equally the UK has become more exposed to overseas competition.
- 2.56 There has been significant growth in the imports of both textiles and apparel over the past 15 years. The main source of apparel import for the UK is China and is by far the largest source of product. Other key sources of imports include Bangladesh, Turkey and India.
- 2.57 In 2013, total UK textiles exports were just under £8 billion (£5.5bn clothing, £2.5bn other textiles); and total textiles imports were just over £21 billion (£16.3bn clothing and £4.7bn other textiles/fabrics).⁴⁴ The UK has a £13 billion negative balance of payment from textiles, despite falling by £500m between the levels recorded in 2011 and 2013, and this compares unfavourably with selected European countries, shown in figure 8.⁴⁵
- 2.58 Against this backdrop and trade deficit, it has proved difficult for the established exporting firms surveyed in this research to maintain the financial commitment necessary to individually support effective textiles exporting campaigns. It is hoped that the recommendations identified in this report will help to address the deficit, the largest in Europe; and at the same time Government's efforts to rebalance the economy. In particular, supporting micro and small size textiles firms that find it hard to grow international trade due to cost constraints.

44. Source: Office for National Statistics (September 2014): Statistics on the top 30 commodities imported and exported from the UK, and online trade database of imports, exports and balance of trade (accessed November 2014)
 45. Source: UN Comtrade database; and ONS Import/Export statistics

Figure 8: Balance of trade in UK and EU 'benchmark' countries in \$US, 2013⁴⁶



46. Source: World Trade Organisation <http://stat.wto.org/StatisticalProgram/WallExport.aspx?Language=E> (accessed November 2014) - expressed in \$US Dollars to allow comparisons between countries in purchasing power parity



3 Demand: Drivers of growth

3 Demand: Drivers of growth

- 3.1 The following section identifies the key drivers of change affecting demand for UK textiles manufacture, and identifies the parts of the market where the case for repatriation and growth are strongest. The findings are based on extensive in-depth interviews with retailers and manufacturers during 2013 and 2014, alongside desk review of key literature. Sources include: ^{47,48,49,50,51,52,53}
- 3.2 The factors affecting the apparel and homeware manufacturing sectors have been highlighted by several recent global consultancy reports and press. Here, the strength of the rationale for sourcing from low cost countries has weakened, and both re-shoring and demand for British textiles product continues to grow. Whereas the in the technical textiles sector, industry has concentrated on those areas where domestic manufacturers are world-class, has a competitive advantage other than the lowest labour costs, and has leveraged the UK's specialism in material sciences to promote innovation.

- 3.5 Shorter lead times from origination to 'shop-floor' is challenging UK retailers with longer and more complex supply chains who cannot keep up with the latest trends. Equally, forecasting future demand has become difficult, leading to overstocks, obsolescence and discounting. Lower lead-times are attractive for the ability to react in season and avoid overstocks⁵⁴
- 3.6 Online retailers now add hundreds of new lines of product per week, where newness of design, high volumes of click-through, and exclusivity of product means that successful manufacturers have to be able to respond quickly with shorter runs and lead times, and deliver a flexible response to orders.

'We saw most of our competitors go to the wall, the ones that were not as agile or flexible as us...not able to get quick runs out the door in time'⁵⁷

- expanding capacity and expanding manufacturing centres in the UK. ^{61,62} and there are recent examples of high street retailers promoting 'Made in Britain' labels, including a number who are already actively growing the proportions they source from the UK. ^{63,64,65,66} Examples include:
- John Lewis is investing in Made in Britain product lines.
 - M&S launches a women's and men's British range.
 - Debenhams 'Made in Britain' campaign launch.

'Customers regularly ask about the provenance of products... whether it's British made'⁶⁷

The importance of design

- 3.10 A consistent theme running throughout the research findings is the importance and value of design input to all parts of the production process, not just fabric and garment design, but encompassing everything from brand to stationery to exhibition stands. This was emphasised at the 'New Dawn for UK Textiles Conference' in 2012, where leading designers encouraged manufacturers to help young designers by producing small orders which included distinctive, design-driven products:

'Companies need to be distinctive, promoting attractive niche products which get buyers' attention, whilst having more mainstream offerings which generate stable revenues. This balance supports success & sustainability.'⁶⁸

- 3.11 Retailers and manufacturers pointed out that good design and product innovation will not only help differentiate products, but it can also guarantee both a higher mark-up/price premium (up to 25% more identified in the research) on products, as well as reducing the need to discount.

- 3.12 A supply chain closer to the end market increases the degree of control and security, particularly important given recent global events (e.g. stock outs due to inaccurate weather predictions, or social unrest in supplier countries). Furthermore, consumers are providing more input into the design process than ever before. Designers are adopting crowd-sourced collections, and shoppers can customise purchases in a variety of ways.
- 3.13 Retailers are increasingly valuing a strong relationship with their design teams to aid control of product creation and output. Manufacturers also noted the importance of being close to their customers in order to test both quality and new designs/rapid prototypes of products:

'We benefit from being located near our customers, they can come in and check the material quality and make sure the design is right first time'⁶⁹

Technology and automation

- 3.14 Increased mechanisation of manufacturing processes and supply chains is having a significant impact on the cost benefit of production between different locations for certain product lines. There are also viable markets in other segments, particularly where the product is low spec and can be manufactured in a highly automated manner like hosiery and socks where on-shoring is already happening in this sector.
- 3.15 Feedback from manufacturers suggested that greater automation could make the economic case in some 'lower value' manufacturing viable in the UK, and at the same time allow some parts of the sector to specialise:

'We've spoken to our competitors about automation, we'd be interested in picking up the lower-end, at the same time this would allow them to focus on their higher value range'⁷⁰

Fashion driven demand and shortening lead times

- 3.3 The traditional two-season cycle has ceased to be the business model for growth in the sector. Demand for on-trend and in-season merchandise is increasingly driven by consumers adopting a 'buy now/wear now' mentality. Consumers are increasing spending at high and low price points, while reducing spending at mid-tier price points, which are core to many high street retailer and department stores.⁵⁴

'The two-season model is now gone... people are looking at their buying calendars differently'⁵⁸

- 3.4 To remain competitive retailers must be able to support in-season trading by responding quickly to the latest trends to maintain exclusivity of product. This is the case for both apparel and homeware sectors where there is a clear trend towards treating furnishing and household interiors as fashion items.

Desire to buy British and the 'Made in Britain' brand

- 3.7 There has been an uplift in demand for UK products that have a strong British association, where branding, authenticity and tradition of well-made products are seen as a mark of exclusivity overseas. Growth is strong in emerging markets, particularly in the BRIC countries and the Middle East.⁵⁸ The global retail industry has continued to grow, in particular in emerging markets, with annual growth rates of 5% per annum.⁵⁹
- 3.8 Increased prosperity for many of China's consumers has led to a huge demand for fashion. Chinese consumers now make half of the luxury purchases in all of Asia, and nearly one third of those in Europe. Globally, one in four purchases of personal luxury goods comes from Chinese consumers. China is expected to become the second biggest fashion market in the world, and is expected to account for 44% of the global luxury goods market by 2020.⁶⁰
- 3.9 Consumers are willing to pay a higher price for premium and heritage products made in Britain. There are several examples of luxury brands

47. Source: Boston Consulting Group (2014) Apparel at a Crossroads: The End of Low-Cost Sourcing | Accessed November 2014 http://www.bcg.com/resources/industry_insights/apparel/_documents/apparel_crossroads_and_low_cost_sourcing_slidesetp1-9

48. Source: M&S Company (2014) 'What's next in optical retailing?' http://www.moscow.com/media/industry/industry_client_services/retail/industry_perspectives/2014summer/2014/09/2014opticalretailing.pdf | Accessed November 2014

49. Source: FT (March 2014) 'Retailing could create 200,000 jobs over next decade, based on PwC report' <http://www.ft.com/content/16075d40-0e4c-11e4-803a-00144feabdc0>

50. Source: Kantar (2014) Clothing Retailing Market Update 2013 | The Clothing Industry Monitor Group <https://www.kantar.co.uk/media-centre/in-the-news/display/the-clothing-industry-monitor-group-update-2014>

51. Source: The Telegraph (2014) Economic not 'Made in Britain' brand brings textiles home <http://www.telegraph.co.uk/finance/economy/12075099/Economic-not-Made-in-Britain-brand-brings-textiles-home.html>

52. Source: International Textile Journal (December 2014) 'What's' with all the UK optimism <http://www.internationaltextile.com/what-will-all-the-uk-optimism/>

53. Source: Cusack (2014) Bringing Manufacturing Back - Is the tide of offshoring beginning to turn towards reshoring? <http://www.internationaltextile.com/whats-with-all-the-uk-optimism/>

54. Source: Report by Annamaria MONTI, Bank & Company

55. Interview with major apparel brand article in Drapers (March 2013) 'Product is King'

56. Retailer interview

57. Source: Manufacturer interview

58. BRIC's Brazil, Russia, India and China

59. Source: Citic (Drapers (April 2013) Global Report

60. Source: Bain & Company, Luxury Goods Worldwide Market Study

61. Source: Drapers (March 2013) Article 'Turning the Tide - Manufacturing Brand Market Report

62. Source: Financial Times (November 2013) High-end demand revives Yorkshire's skills <http://www.ft.com/cms/1/1/2724-4242-11E4-8100-00144feabdc0.html#sthash=PT171216zw>

63. Source: Drapers (October 2013) John Lewis to push British-sourced products in its stores to support UK manufacturing <http://www.drapersonline.com/john-lewis-to-lead-in-uk-product-push-30/10729-article>

64. Source: London Fashion Week (February 2013) <http://www.londonfashionweek.co.uk/news/5/0-Mark-Spencer>

65. Source: Drapers (December 2012) Debenhams to launch made in Britain brand <http://www.drapersonline.com/news/debenhams-to-launch-made-in-britain-brand-30/10769-article>

66. Source: Manchester Evening News (September 2010) Royal appointment with Salford clothing firm <http://www.manchestereveningnews.co.uk/news/royal-appointments-salford-clothing-7012447>

67. Source: Retailer interview

68. Source: New Dawn Conference (November 2012) Rebuilding UK Textile Manufacturing

69. Source: Manufacturer interview

70. Source: Manufacturer interview

- 3.16 However, as highlighted in the next section of the report, this often requires significant capital investment requiring finance, confidence and security of orders from retailers in order for manufacturers to invest in the future. There are notable examples of retailers investing in supply chain technology and other capital machinery in other countries.
- 3.17 Retailers acting as exemplars, placing guaranteed orders as well as making supply chain investments, would help to spark additional growth and investment:

'There's two simple things, placing actual orders, demonstrating confidence in UK manufacturers and then building the supply chain... it will take time'⁷¹

- 3.18 Some textiles and supply chain academics contacted by the Alliance Project point to long-term trends for increasingly automated textiles manufacturing, driven primarily by the increasing flexibility of machinery.
- 3.19 In an almost fully automated future manufacturing era, the UK may still be disadvantaged by relatively high land and energy costs, but will likely benefit from competitive advantages in terms of consumers (including in China) trusting its products versus near-shore competitors such as Turkey. However, competing in this way requires immediate investment in technology and training.

The impact of discounting and margin erosion

- 3.20 Retailers, particularly in certain segments of the market, have suffered as a result of significant discounting. Retailers are increasingly realising that the gains from on-shoring can offset additional costs due to 'margin erosion' and inventory risk, i.e. they lose more money through discounting than they do paying more for faster, smaller runs from UK manufacturers.
- 3.21 Discounting can reduce the actual retail price of both seasonal and fashion items, in some instances, by up to 90% of a 'standard retail price.'⁷² A simple solution

- is to have the right stock and order forecasts to meet consumer demand. However, for global production chains, evidence suggests that this is becoming far more problematic due to changing fashions, and other factors affecting supply chain risk.
- 3.22 The additional benefits accruing to the retailer (in terms of shorter lead times, flexibility, less write-downs/ discounting) allow for a marginally higher sales price from the factory, improving the overall margin:

'Lower lead-times are attractive for the ability to react in season and avoid overstocks'⁷³

- 3.23 Without fully factoring these issues both retailers and manufacturers run the risk of not capturing the full viability of the proposition for onshore production, nor addressing factors that need to be considered to ensure UK manufacturers operate on a level playing field with overseas suppliers.

Rising transportation costs and other input costs affecting UK sourcing

- 3.24 Transport, tariffs and taxes have a significant impact on the economic case. Shipping freight remains the most cost viable option despite cost increases and unpredictability of shipping timings. Analysis suggests that shipping freight costs were not a material issue (but worthy of consideration nonetheless) and that the key factors for on-shoring relate to the factors of quick response, shorter lead times and inventory risk.

'Transport costs to distribute goods from China to the UK fluctuate considerably throughout the year...and a six month wait for products to reach us from China is problematic'⁷⁴

- 3.25 Whilst delivery by air can reduce transport time by three to four weeks, there is a significant cost premium (estimated 40% increase in transport costs), as well as the issue of product carbon miles. Increasing input costs in competing countries mean, that for some products, UK manufacture is becoming, and will continue to be, ever more attractive. Although UK wage levels are more stable than those in, for example the Far East, labour costs remain significantly higher, with the UK minimum wage over 200% higher than the average wage in China⁷⁵, and UK average wages, despite a closing gap with emerging economies, are forecast to remain higher over the next 20 years.⁷⁶
- 3.26 Despite this, the Alliance Project's research suggests that up to two-thirds of additional wage costs due to repatriation to the UK can be cancelled-out through automation and improvements in efficiency. However, this requires significant initial investment and a high level of capital intensity to ensure levels of productivity required to make the proposition work.
- 3.27 As a result of these changes, retailers (as reported earlier) are now investing in their own on-shore facilities. River Island and John Lewis are two significant leaders in this move.⁷⁷ Other retailers from luxury to the lowest price point are keenly trying to source more of their supply in the UK. However, energy prices are putting increasing pressure on manufacturers (especially in the energy intensive parts of the sector) and their ability to respond to opportunities:

'It has been particularly challenging in these difficult times with spiralling costs in energy and raw materials and the tightening of margins'⁷⁸

- 3.28 Interviews with manufacturers throughout 2013 and 2014 identified that four-in-five (81%) firms surveyed had experienced significant cost pressures from rising energy prices in the last year.⁷⁹ Furthermore, both retailers and manufacturers identified a need for support for investment in energy efficient technologies which will help strengthen their business.

Product analysis

- 3.29 For specific product types, retailers and manufacturers identified four key areas that could be appropriate for repatriation of textiles manufacture. Central to the decision to source from the UK is the potential to improve the overall economics of their business and boost achieved margin and reduce margin erosion, as reported previously.
- 3.30 The economic case for repatriation is stronger in certain areas of the market. The case is clearer where the demand for short lead times is acute, quality control and provenance are important, and where manufacturers have a significant design input. Critically, where a retailer charges a premium for these characteristics, high enough margin can be made by manufacturing in the UK.

'There's growing demand for the 'Made in Britain' brand where heritage and provenance appeal to increasingly affluent consumers'⁸⁰

- 3.31 As a result of the cost and consumer drivers, high & mid-end fast fashion, luxury and homeware products are the areas where the proposition for repatriation is strongest. The more added value in the manufacture process, from design, to digital and panel printing, jersey and jacquard, embroidery and knitwear, the more the market can be made in the UK.
- 3.32 However, for many other undifferentiated products (staples) economic considerations mean that, for a number of products, the UK will stay uncompetitive on cost for some time. This is exacerbated by generous government subsidies in other competitor countries. However, some opportunities for growth in this market segment are already being realised by firms surveyed in this research.
- 3.33 The research and the Alliance Project's on-going contact with both retailers and manufacturers identifies key areas of opportunity, the strength of the case in these segments for future on-shore/ UK growth, as well as potential re-shoring manufacturing operations. Opportunities exist across most products and price points, however the case is strongest at upper-mid and higher-end price points, and in luxury and fast fashion.

⁷¹ Source: Manufacturer interview
⁷² Source: Alliance Project research – unpublished
⁷³ Source: Major High Street Retailer
⁷⁴ Source: Major High Street Retailer

⁷⁵ Source: Alliance Project research – unpublished
⁷⁶ Source: PwC (2013) Global wage projections to 2019
⁷⁷ Source: Debenhams (March 2013) High street must support UK factories
⁷⁸ Source: Major High Street Retailer
⁷⁹ Source: Manufacturer interviews
⁸⁰ Source: Retailer interviews

Figure 9: Analysis of the potential market opportunity within UK apparel and homeware manufacturing⁸¹

		PRODUCTS				RETAILERS BY PRICE POINT	ECONOMIC DRIVERS BECOME MORE IMPORTANT	CONSUMER BEHAVIOUR BECOMES MORE IMPORTANT >>>
		APPAREL			HOMEWARE			
		LUXURY	FAST FASHION	STAPLES				
DESIGNER MARKET	HIGH	-	-	-				
HIGH END	MEDIUM HIGH	MEDIUM HIGH		MEDIUM				
UPPER MID	-	MEDIUM HIGH	MEDIUM	MEDIUM				
LOWER MID	-	MEDIUM	LOW	LOW				
LOWER MARKET	-	-	VERY LOW	VERY LOW				

4 Supply: Barriers to growth



⁸¹ Source – Alliance Project research and survey interviews with manufacturers and retailers

- 4.11 Thirdly, interviews with manufacturers across a range of product and price points showed that greater coordination between retailers and manufacturers was needed to address the barriers faced by producers.
- 4.12 The reticence of buyers to commit to higher volumes results in total orders sometimes running as low as 200 to 300 pieces – given the combinations of sizes, styles and colour-ways. There are some larger retail orders reported of over 1,000 pieces⁸⁵, but this research suggests that these are an exception rather than the rule.
- 4.13 Lower order sizes have a significant effect on the factory efficiency in the firms surveyed, increasing garment cost per standard minute of production. Orders of less than 500 pieces result in almost halving of production efficiency. Furthermore, multiple orders of under 500 include multiple sample and test runs which add to overall production costs⁸⁶.
- 4.14
- 4.17 Therefore, to maintain the efficiency of production, as well as making the sector attractive to continuous highly skilled employment, manufacturers stated that they need confidence that retailers were, in principle, ready to place larger orders; and ideally to support sustainable long-term investment throughout the supply chain.
- “They just need to place serious orders, someone to take the lead ...just to show it can be done”⁸⁷**
- 4.18 Manufacturers highlighted other supply-chain gaps are holding back realising the opportunity to scale up the sector, including the availability of dyeing and textile product finishing services, and supply of woollen yarns to both the fabric and knitwear industry. There was also interest in developing models of collaborative work, sharing R&D facilities and using technology to support ‘distributed manufacturing’ production in the UK.
- “The major problem is the decline in the dyeing and finishing factories. Without support for these, we will lose flexible high quality and cost effective finishing”⁸⁸**
- 4.19 This research also highlighted that there was more to do to fully realise the market potential of Best of British product ranges, including:
- Expanding the high-street presence beyond a small number of major stores; and
 - better integration, marketing and promotion campaigns for both male and female ranges.

Barriers to Trade: Subsidies, taxes, tariffs

- 4.20 The research identified several factors which affect the ability of companies to compete successfully in world markets. The findings rehearse well known challenges to the repatriation of manufacturing, and cover a wide range of practices which affect international trade in textiles and clothing.
- 4.21 The key 'barriers' to growing international trade identified by interviews with manufacturers include the prevailing economic climate and the financial support and subsidies provided by competitor countries to textiles manufacturers. This has pushed down production prices and made other locations more attractive for investment. Some manufacturers said more could be done to help address the levels of imports coming into the UK, alongside further incentives that would support the creation of a 'level playing field', including the availability of investment funds.

'Government should consider imposing higher rate of tax on imported goods to enable the UK textile manufacturers to compete on price'⁹⁰

- 4.22 Given the micro-size nature of the sector, manufacturers identified that, despite recent success in growing exports, more could be done to promote their sector for international trade and investment, including regular national meet-the-buyer events and support to grow trade in new international markets.

'The only way UK textile manufacturing can be developed is to get the retailers fully involved in this exercise, and to help grow international markets through support for international events'⁹¹

⁹⁰ Source: Manufacturer interview
⁹¹ Source: Manufacturer interview
⁹² Source: Manufacturer interviews

Employment and skills

- 4.23 One of the critical success factors identified throughout the interviews, with both retailers and manufacturers, was the need to ensure that the UK textile and clothing industry has strong and relevant skills to compete successfully in world markets. The supply side research highlights that UK manufacturing lies in specialist, highly skilled production with an emphasis on smaller production cells, delivering shorter – quicker runs.
- 4.24 The Alliance Project has undertaken several strands of skills research with companies, mainly within Greater Manchester (and some further afield), looking at demand, provision and funding. This research has identified skills shortages as the main barrier to growth facing the sector. The survey of textiles employers shows that just under two-fifths (37%) of firms interviewed stated that skills are a barrier to growth; half (49%) reported hard-to-fill vacancies; and half (50%) said that their recruitment problems over the last two years related to low levels of applicants with the right experience and qualifications required.⁹²
- 4.25 Throughout the research undertaken, employers expressed serious concerns, including:
- The industry's aging workforce, associated loss of skills and training capacity, and recruitment difficulties reported across a range of occupations by employers;
 - poor image of the sector, and a potential workforce, especially young people and parents, that lack information about career opportunities and progression in the industry;
 - a lack of understanding by employers of the funding and support available for skills, a lack of time and resource to address workforce development in a mostly micro-size sector; and
 - a lack of support for appropriate work based training.

Aging workforce, recruitment difficulties and skills shortages

- 4.26 The sector suffers from an aging workforce. National research suggests that half of the fashion and textiles workforce is aged 45 years and over, which is higher than the average across all sectors in England (40%).⁹³
- 4.27 Employers interviewed in Greater Manchester said they face an urgent challenge to replace an estimated 150 machinists each year over the next decade, due to retirements. Adding in other non-skilled machinist occupations to these figures increases the total to a replacement demand of 400 employees per year.⁹⁴
- 4.28 Bi-monthly Employers Skills Groups were held in Greater Manchester to identify and address skills issues in the textiles sector and, in particular, to complete workforce planning research identifying the number of:
- Staff expected to retire over the next five to ten years and their job roles; and
 - new employees and their job roles expected to join over the next five to ten years.
- 4.29 Employers at the Skills Group were asked to discuss specific training requirements and complete training plans identifying specific job roles, skill requirements and training methods. Table 4 shows that over two-thirds of vacancies (66% or 80 jobs) relate to machinist roles, and just over a quarter (28% or 34 jobs) are managerial/professional/technician roles. Just under one-in-ten (7%) are semi – and unskilled staff.

⁹³ Skillset (2011), Sector Skills Assessment for the Fashion and Textiles Sector in England, and UKCES (2012) Employer Skills Survey
⁹⁴ Source: Alliance Project & New Economy. Unpublished analysis using employer feedback and data from the GM Forecasting Model

Table 4: Summary of current skill shortages reported by textiles firms⁹⁵

OCCUPATION	NUMBER OF SKILL SHORTAGES REPORTED	NOTIONAL SKILL LEVEL OF SKILL SHORTAGE	PERCENT OF TOTAL SKILL SHORTAGES
MANAGERIAL, PROFESSIONAL, TECHNICIAN	34	Level 3-4	Total 28%
Trainee production managers	6	3	5%
Procurement managers	4	3	3%
Warehouse managers	3	3	2%
Training and HR Managers	2	4	2%
Garment Technologist	2	3	2%
Product Developer	2	3	2%
Merchandise	2	4	2%
Buyer	2	3	2%
Sales Manager	2	3	2%
Quality Managers	2	3	2%
Logistics manager	1	3	1%
Finance manager	1	4	1%
HR manager	1	4	1%
Office manager	1	4	1%
Marketing manager	1	3	1%
Designer	1	3	1%
Administrator	1	2	1%
SKILLS CRAFT/MACHINE OPERATIVE	80	Level 2-3	Total 66%
Trainee production machinist	50	2	41%
Junior Pattern cutters	7	2	6%
Sample machinists	7	3	6%
Make through machinists	4	3	3%
Weaving technicians	4	2	3%
Textile fabric machine operatives	3	2	2%
Team leaders/machine supervisors	3	3	2%
Senior Pattern cutters	2	3	2%
SEMI-SKILLED & UNSKILLED STAFF	8	Level 1-2	Total 7%
Warehouse operatives	6	1-2	5%
Garment Finishing	2	2	2%
TOTAL	122		

95. Source: Manufacturer interviews and profemas collated at the Textiles Employer Skills Group – Summer 2014 (Percentages rounded)

Sector image, careers, and engaging with latent skills in the labour market

- 4.30 Over half (52%) of employers in the Alliance Project's research state that recruitment difficulties are related to 'image' of the sector, in particular the views of parents and young people.⁹⁶
- 4.31 As within other areas of core manufacturing, there is a widely held perception that the textiles and clothing industry has been in decline for many years; and where it does exist, jobs are perceived to not offer good wages, skills and careers.

'Need to be more professional about how we promote the (textiles) sector and career progression, things are too generic.'⁹⁷

'You are not exposed to the right level of information...too little too late... not industry specific.'⁹⁸

- 4.32 Equally there is evidence that young people do not fully understand the breadth and scope of careers within the UK textiles and clothing manufacturing industry. More extensive and co-ordinated campaigns in partnership with careers advisors and national agencies would help to demonstrate the breadth of careers and career paths; and help to signpost young people towards relevant training.
- 4.33 Focus groups with students from Universities and interviews with staff suggest that more could be done to provide the work experience and employer links they need. They suggested a need for coordinated labour-market information for students and parents that promotes links to local manufacturers as well as the fashion/retail brands which they supply.

- 4.34 The employer discussion groups identified the need to re-brand the sector and to establish closer links with schools and colleges, and to give greater opportunities for pupils and students to gain first-hand experience about the industry. These factors were seen as central to supporting more young people to enter the sector.

'Our greatest concern is the loss of skills within the industry and the need to address the difficulties in attracting young individuals into the business'⁹⁹

- 4.35 The rapid growth in demand for skilled machinists points to the potential to identify and hire latent skills in the local labour market. Manufacturers have highlighted the potential to work in areas with the densest concentrations of textiles skills and to engage with people that want to progress further in the industry, as well as those that have the requisite 'latent' skills, but might be currently working in other sectors/used to work in the industry.

'Developing a local talent pool, and promoting further career opportunities in these localities will support the development of micro-size into small and medium-size enterprises that have the capacity to invest in workforce development'¹⁰⁰

96. Source: Manufacturer interviews
97. Source: Manufacturer interviews
98. Source: Manufacturer interviews
99. Source: Manufacturer interviews
100. Source: Manufacturer interviews

4.36 It is worthwhile noting that many firms across the UK operate with banks of machinists who they call on for piece-work, as and when needed. From a social perspective, 'formalising' the industry will open opportunities for residents to enter jobs with training.

Raising productivity and addressing existing workforce skill gaps

- 4.37 Employers consulted during Employer Skills Groups in Greater Manchester said that they are unclear and confused with regard to the role of skills support agencies and find it difficult to identify where/who to go to discuss training needs and identify solutions. They also cited a lack of Government support for work based training for both adults and young people.
- 4.38 Nearly all employers at the Skills Groups reported issues around investment and cash-flow that restrict their growth and investment in workforce development. These barriers are reinforced by the fact that most employers are micro-size and small firms, and do not have the resources to investigate or put suitable programmes of training together.
- 4.39 Employers reported a number of skill gaps within their existing workforce, in particular the skills of team leaders/manufacturing managers and administrators which are acting as a barrier to growth. In many cases, these staff are very good at their technical jobs, but have not been developed to deal with new techniques like LEAN, as well as core skills like business development and HR planning:

"We need to develop our managers and to also develop existing machinists so they can develop into managers"¹⁰¹

- 4.40 The interviews highlighted evidence of skills gaps amongst young people and graduates in the workplace, especially commercial and employability skills. National and international research continues to highlight the importance of high quality work experience, as well as the fact that many young people are not aware of the range of jobs and careers available.¹⁰²
- 4.41 Textiles employers highlighted that skill gaps are having an impact on the bottom line of businesses, as well as increasing the workload for other staff, increasing operating costs, leading to difficulties introducing new working practices and losing orders.¹⁰³
- 4.42 Despite these workforce development and recruitment difficulties, just 15% of textiles firms interviewed were currently formally connected with a local training provider/college/university in the last 3 months – compared to an average of 26% across all sectors.¹⁰⁴
- 4.43 However, many firms were keen to stress that their staff received 'on-the-job' training because of the specific nature of production; and to express interest in developing work-based training.

"It's quite difficult to find a college/university that offers the training required"

"Where the training is available, it's just too generic; we're struggling to find places that can do computer aided design (LECTRA) for cutting technicians"¹⁰⁵

Investment

- 4.44 The UK no longer has the advantage of being a low wage and lowest cost supplier of textiles products. The sector has remained resilient in the UK by moving its products and services up the value chain seeking competitive advantage through a variety of means, including: specialisation, quality, flexibility, speed of response, design inputs, marketing and innovation.
- 4.45 Despite these drivers of change the industry still faces barriers to growth and investment. These issues are reflected by the aging condition of capital assets/ under-capitalisation, the reported lack of access to investment capital (prior to the National Textiles Growth Fund), and critically a lack of large 'Prime' customers that provide a firm foundation for the sector in terms of a commitment to large orders, as well as sustained investment in the UK supply chain.

"There's a lack of financial support to invest in much needed new equipment and machinery"

"The banks are not interested in lending to small firms"¹⁰⁶

- 4.46 Traditionally, large fibre suppliers and machinery manufacturers drove product quality and innovation in textiles and clothing. The loss of large firms in these sectors has resulted in a greater onus upon retailers and universities to undertake research that will 'spill-over' into supply chains.
- 4.47 The shift towards off-shoring large production centres by retailers, coupled with a growing emphasis upon 'demand-led' innovation – where customers increasingly drive rapid product development – has placed significant pressure upon smaller firms that lack the capacity, cash-flow and connections to invest in new technology.

- 4.48 Over two-fifths (42%) of manufacturers highlighted that company finances and productivity were currently holding back growth in their firm. Whilst, many manufacturers recognised the potential benefits of product innovation, very few had committed their scarce resources to projects which might fail or yield inadequate returns.¹⁰⁷
- 4.49 Funds to support capital investment will help to provide the industry with the confidence that there is a commitment to support growth in the textiles sector in the longer-term and encourage them to commit more to investment. The research highlighted the potential to use grant funding to leverage significant amounts of investment from manufacturers, something which has been borne out through the performance of the NBrown National Textiles Growth Programme.

"There needs to be some facility for the manufacturers to invest in new technology through grants and loans"¹⁰⁸

101. Source: Manufacturer interviews and Greater Manchester Textiles – Employer Skills Group
102. Textile Institute (2004) Fashioning the future – Education in fashion and textiles in the UK
103. UKCES (2012) Employers Skills Survey

104. Source: Alliance Project Asset Register – Textiles Manufacturer Survey, and UKCES (2012) Employers Skills Survey
105. Source: Manufacturer interviews and Greater Manchester Textiles Employer Skills Group

106. Source: Manufacturer interviews
107. Source: Manufacturer interviews
108. Source: Manufacturer interviews

Innovation

- 4.50 The Alliance Project over the last 18 months has brought together the largest and most diverse industry group possible to address the need to raise innovation throughout the UK's textiles sector. This has included major retailers, industry, universities and public sector agencies/research laboratories. The group recognise that there is no industry led centre that exists anywhere in the world that brings together the key ingredients for textiles innovation, including manufacturing, engineering, fashion & design, information technologies, & business.
- 4.51 There is a clear need to promote the specific assets, capabilities and expertise which exists within these large organisations amongst SMEs that lack the contacts, connections and knowledge of opportunities for product development and design. This is reflected in the unmet demand to make small sample batches of new designs in locations that are physically near creative and design centres.¹⁰⁹
- 4.52 Textiles and clothing sectors should seek new ways to increase collaboration between companies. For example, potential exists to develop the Virtual Factory concept whereby small firms use ICT to collectively win contracts.
- 'Many of our suppliers are based in north Manchester, we would be willing to work as part of a wider consortium'¹¹⁰**
- 4.53 The research has highlighted four key opportunities that would help to deliver greater levels of innovation and create additional growth in the UK's textiles sector:
- Development of a physical space for industry that will drive innovation and excellence – through enabling and fostering networking and collaboration between industry and the globally recruited talent from the disciplines of Design, Fashion, Manufacturing and Engineering;
 - delivery of textiles product and process innovation in the 'circular economy';
 - foster opportunities for greater commercialisation, especially of new products, new scientific discoveries and innovation in new technologies and processes; and

- locating the centre within the densest concentration of textiles manufacturing in the UK, thereby capitalising on the proximity to, and partnership with, the biggest global centres of teaching and learning on textiles.

Payment Terms

- 4.54 Payment terms of key retailers can be difficult for small and medium sized businesses to accept due to the heavy cash flow burden this places upon them. Prompt payment is critical to the functioning of businesses and supply chains. Yet the research highlighted challenges faced by small firms, especially with orders that hold a minimum of 60 day payment terms.
- 'If the payment was more flexible, such as part payment every couple of weeks, rather than waiting up to 90 days, it would significantly ease the cash flow situation for manufacturers'¹¹¹**
- 4.55 Some manufacturers surveyed cited that retailers have, in the past, used small firms "as their bank in terms of making a later or sometimes late payment", and that lengthening payment terms has threatened their survival and ability to make investments in the longer-term, particularly for large-scale capital investments in new technology and machinery.
- 'All the risks and responsibilities are now on the manufacturers, not the retailers'¹¹²**
- 4.56 Shortening the time taken by buyers to pay their suppliers will strengthen business relationships and manufacturers confidence to invest. The emergence of payment intermediaries, is another development which could help small firms 'bridge' cash-flow gaps.

5 Issues to address



109. BFC (2013) Future of Fashion, Strategic Considerations for Growth
110. Source: Manufacturers interviews
111. Source: Manufacturers interviews
112. Source: Manufacturers interviews

5 Issues to address

- 5.1 The findings of various strands of research have highlighted a resilient UK textiles sector, which has adapted to the challenges of globalisation, but faces several barriers to growth.
- 5.2 The economic analysis has highlighted that, for certain products, there is a potential case for repatriation of UK textiles manufacturing. Given the fragmented nature of the UK textiles manufacturing supply chain, achieving broader and quicker repatriation of textiles manufacturing will rely on support from government, prime retailers and trade bodies.
- 5.3 The critical success factors will be to enable retailers to develop their knowledge base about UK suppliers and to help firms invest in an immediate pipeline of skills. It will be important to deliver assistance for micro and small firms to scale their operations, re-invest in supply-chain technologies and collaborate to secure larger orders; and to address payment terms which may act as a brake on growth.
- 5.4 The key issues to address, therefore include: mapping the supply chain nationally, supporting trade fairs, developing workforce skills, supporting product innovation, and reviewing retailer's payment terms. These are set out as a series of recommendations below.

Recommendation 1: Help industry map the supply chain and develop a national sourcing asset register

- 5.5 To realise the full growth opportunity in the UK there is a need to continue the mapping of the supply chain, as has been piloted in Greater Manchester, and expanded across the additional NBrown National Growth Programme target areas of West Yorkshire and Lancashire. Developing a full national database tool (used in other industries) that allows buyers both in the UK and abroad to source production in the UK will address the information divide, identified in the research, that acts as an inhibitor to sourcing supply in the UK.
- 5.6 A key to the success of the pilot in Greater Manchester that was led by industry in partnership with Local Government. This helped establish ownership, momentum and developed relationships between industry and the public sector which have proved invaluable for business

development and growth. For this to progress, Government should financially enable an industry led mapping exercise, as successfully applied in the Greater Manchester Textiles Asset Register pilot.

Recommendation 2: Support national and international trade fairs

- 5.7 To further address the information divide and asymmetry in the UK market there is a need to support meet-the-buyer manufacturing events that will help raise the profile of the sector, both nationally and internationally. Such events are frequently held in other major textile manufacturing nations, offering general networking, meet-the-buyer sessions and workshops.
- 5.8 Due to the micro-nature of the supply chain, few UK manufacturers have the resources to fund this type of event. Although retailers have shown interest in offering support, much of their sourcing is conducted overseas and therefore Government support and trade body sponsorship is necessary to overcome funding gaps and to accelerate the connectivity and growth of UK textiles manufacturing.

Recommendation 3: Address immediate skill shortages alongside image and branding of the sector

- 5.9 There is a need to urgently address two key issues: the immediate skills shortage; and the image of the industry. Skills shortages, especially in Cut-Make-Trim (CMT), are acutely evidenced in the research, alongside growing skill needs emerging from rising demand in the luxury and fast-fashion sectors and in bespoke homeware. Overall, the number of skilled entrants into the textiles sector needs to be increased if the current scale of the textiles workforce is to be retained.
- 5.10 Additional support will be needed to change young people's perceptions of the sector with appropriate events and labour market information, advice and guidance. Working with schools and colleges to promote good career pathways and opportunities for progression in the industry will be key.

- 5.11 Further work is required to identify latent skills in the labour market that can be more readily deployed, meeting immediate employer need and giving time to develop a longer term skills pipeline. This will also include assistance to support moving people from the informal to the formal labour market, most notably in the BME community.

Recommendation 4: Investment in the micro-size UK supply chain

- 5.12 The emerging growth potential allied to the micro-size nature of the sector's firms, and the performance of the NBrown National Textiles Growth Programme, highlights the need for a dedicated textile manufacturing business development programme. Based upon lessons and evaluation of what works, the key aims of the support should be to deliver:
- A team of dedicated advisors that work with firms to identify opportunities and barriers for growth, connecting them with leading technologies and global supply chains;
 - capital and revenue support to help the scaling-up of micro-enterprises into SMEs with the capacity & capability to invest in skills development, and product/process innovation;
 - to encourage collaboration and consortia, as government has done in the aerospace and automotive sectors, to cost effectively purchase training, work with universities etc.;
 - establish 'Primes' that generate supply chain 'spillovers'; and investment to grow SMEs that will support the development of micro-size firms; and
 - exploit opportunities in the 'circular economy' including the re-use and recycling of existing textiles resources, and generating new substitute materials.
- 5.13 Developing micro companies to become more self-sustaining SME's and bringing prime manufacturers to support the supply chain must be at the heart of any investment strategy. Particular emphasis must be to shore up aspects of the vertical supply chain that are key to realising the growth, as achieved in the National Programme, like CMT, Dyeing & Finishing.

Recommendation 5: Support for product and process innovation

- 5.14 Research with retailers and manufacturers emphasises the growing importance of design and innovation in driving the success of the sector. The lack of large supply-chain 'Primes' reinforces the need to develop stronger linkages between firms and local universities and colleges – including access to state-of-the art facilities that will help to recruit, promote and develop future innovation. With encouragement from Government, retailers have potential to also grow their role as 'Primes' in this supply chain, as indeed many of them already do with their offshore suppliers.
- 5.15 Industry, working with government, universities, and other public/private support agencies should deliver a physical space for industry that will drive innovation and excellence. This will enable and foster networking and collaboration between industry and globally recruited 'world-class' talent from the disciplines of Design, Fashion, Manufacturing and Engineering.

Recommendation 6: Address the issue of payment terms

- 5.16 Not dissimilar to the challenges faced by the food manufacturing industry, payment terms are creating difficulties in the textiles supply chain and driving chronic short-termism. These factors were particularly acute in micro-size firms and if addressed would create a much stronger incentive and ability for firms to invest and grow. Promoting and rewarding good practice and the use of new financial tools, such as payment intermediaries, could help in the short-term and enable the development of a longer-term solution.

Concluding remarks

- 5.17 Many of the successes to date and lessons from the Alliance Project and the NBrown National Textiles Growth Programme point to the importance of an industry led initiative to support the growth of UK textiles. This has helped maintain significant momentum and delivered buy-in from the sector, both locally and nationally. The project strongly recommends that the private sector continue to lead solutions for growth, but this can only be enabled by Government's continued support.
- 5.18 Addressing the critical issues and recommendations outlined in this report will ensure that the UK textiles sector capitalises on the emerging opportunities for growth. The Alliance Project continues to work on ways to support the realignment of textiles supply to meet demand, with the expectation that additional growth and jobs will flow from this investment immediately.
- 5.19 Many UK textiles firms are located in areas experiencing high levels of long-term unemployment, and as our earlier analysis shows, in areas with high levels of youth and BME unemployment. Investing in textiles offers a clear opportunity to deliver economic and social prosperity in such areas and the continued re-balancing of the economy towards private sector growth.
- 5.20 Finally, given the integration between technical textiles and other sectors – e.g. medical textiles, civil engineering, industrial materials, automotive and aerospace – support for textiles firms will support ambitions to grow the UK's advanced manufacturing capability.

ANNEX 1: Manufacturing firms participating in the research interviews

Our thanks go to the following firms and participants in the detailed research – 1 hour interviews and employers' skill discussion groups, who kindly gave their time and input:

A & I Manchester Knitwear Ltd	Image @ Work Ltd
A & N Knitwear Ltd (Expo Knit Ltd Classic Knitwear)	Imperial Knitwear Ltd
A Beam Bag – Sloyz	J Clegg & Brox (Rakewood) Ltd
A. Rowel Ltd (Grays) Ltd	J. Rosenbail & Son Ltd
Abacus Careerwear Ltd	James Robertshaw & Son (1954) Ltd
Action & Action Ltd (Action's Made To Measure)	Kenzi Kare
Affinity Knitwear Company Limited	Lantex Manufacturing Company Limited
AKI Limited	Lees Newsome Ltd
Alexander James Of Pendlebury Ltd	Leish Spinners Ltd
Amann Orsky Threads Ltd	Leisurewear Design Ltd
Ambassador Textiles Ltd	Levi Knitwear Ltd
Artisan Furnishings Ltd	Macropes Ltd
Aspire Curtains	Mallalena's Of Delph Ltd
Azura Soft Furnishings (UK) Ltd	Marathon Belting Ltd (Heimbach)
Bakar Knitwear Ltd	Miliken Industrials Ltd (Wigan)
Best Knitwear Ltd	Moonies Bedding Co Ltd
Bhana Clothing	Munshini Sportswear
Bind-A-Tex Ltd (Bindates)	Newcamp Ltd
Blackburn Yarn Dyers Limited	Newhey Carpets Ltd
Bolton Textiles Ltd	PW Greenhalgh & Company Limited
Brightbook Fashions	Passion Knitwear Ltd
Britannia Knitwear	Peter Hutchinson Designs Ltd
Bury Loose Covers & Foam Products	Plant & Hill Ltd
Bush Baby	Polux Ltd
Caledonian Quilting Co. Ltd	Porters Of Manchester Ltd
Cavendish Sports	Profile Patterns Ltd
Cdm UK	R & Q Ltd
Cherry UK Ltd (Wellspan Ltd)	R. D. Cockett & Company Ltd
Cooper & Sothrand Limited	R. Gladhill Ltd
Corproex Apparel Ltd	Ragamutti Textiles
Curtains By Aspleigh	Regatta Ltd (Head Office)
D&S Blinds & Curtains Ltd	Rival Knitwear Ltd
Dovechase (Charles Bell (Bd) Ltd)	Ross Hill Tailoring Myles Anthony
Don Interiors	Saira Of Manchester Ltd
Donner Knitwear Ltd	Sam Knitwear Ltd
Design Plus	Shawn Knitwear Ltd
Digster Group	Shenna Knitwear (Manchester) Limited
Direct Linen Textiles International Ltd	Shirley Dyeing & Finishing Ltd
Doevy Manufacturing Co. Ltd	Silhouette Lingerie Limited
Dreamtextiles Ltd (Rosewood Designs)	Smart Knitwear Limited
Duvel Pillow & Linen Co. Ltd	Saugdodders Of Norway Ltd
Eagle Knitwear (Manchester) Ltd	Shurproofings Limited
Eagle Technical Fabrics Ltd	Style Knitwear Limited
Era Design House Ltd	Sweeney's Outerwear Ltd
Fabrad Ltd	Swingers Protective Clothing
Fallsworth Hats Ltd	Textile Technologies Europe Ltd (Resintex Ltd)
Flame Uk Ltd	The Bespoke Mat Creations Company Ltd
Frank Rotton The Shirt Makers	The Curtain Studio
Freedra Fabrics Ltd	The Sewing Room North West Ltd
Friedman's Ltd	Thomas Silk Ltd (Gill & Williams)
G&B Bedding Ltd	Tibard Ltd
Gardside Knitwear Ltd	Tivot Prints Ltd
Gorgeous Couture Ltd	Trendmost Ltd (Interiors)
Gradeplan And Erica Stacey Bridalwear	Trutex (John Hall Schoolwear Ltd)
Greening's Fabrics	Unico Knitwear Ltd
Gulshan Knitwear Limited	Victory Trading (UK) Ltd
Headon and Quarry UK Ltd	Vilda
Heather Horrocks Design In Textiles	Wholesale Dance
Highland Knitters	YKK (UK) Ltd
Hierwich Sewing Ltd	Zam Zam Knitwear

ANNEX 2: Retailers interviewed during this research

Our thanks go to the following retailers and participants in the research who kindly gave their time and input:

Alexander McQueen
 Asos
 Boohoo Com
 Duchamp
 Dunelm
 French Connection
 House Of Fraser
 Jigsaw
 John Lewis
 M&S
 NBrown Group
 JD Williams
 New Look
 Next
 Primark
 Roland Mouret

ANNEX 3: Student and staff focus groups

Our thanks goes to the following universities, students and staff, who participated in a series of focus groups

- University of Manchester
- Manchester Metropolitan University

ANNEX 4: Standard Industrial Classification and definition of the sector

The detailed breakdown of sectors and sub-sectors included in Section 2 covering the analysis of jobs and economic output is based on the definition of Textiles using the SIC codes below:

CODE	DESCRIPTION OF THE ONS SIC CODE – 2007 LISTING
13100	Preparation and spinning of textile fibres
13200	Weaving of textiles
13300	Finishing of textiles (including dyeing & coating fabrics)
13910	Manufacture of knitted and crocheted fabrics
13921	Manufacture of soft furnishings
13922	Manufacture of canvas goods, sacks etc
13923	Manufacture of household textiles (other than soft furnishings)
13931	Manufacture of woven or tufted carpets and rugs
13939	Manufacture of carpets and rugs (other than woven or tufted) nec
13940	Manufacture of cordage, rope, twine and netting
13950	Manufacture of non-wovens & articles from non-wovens, except apparel
13960	Manufacture of other technical and industrial textiles
13990	Manufacture of other textiles nec
14110	Manufacture of leather clothes
14120	Manufacture of workwear
14131	Manufacture of men's outerwear, other than leather clothes and workwear
14132	Manufacture of women's outerwear, other than leather & workwear
14141	Manufacture of men's underwear
14142	Manufacture of women's underwear
14190	Manufacture of other wearing apparel and accessories
14200	Manufacture of articles of fur
14310	Manufacture of knitted and crocheted hosiery
14390	Manufacture of other knitted and crocheted apparel
15110	Tanning and dressing of leather, dressing and dyeing of fur
15120	Manufacture of luggage, handbags and the like, saddlery and harnesses
15200	Manufacture of footwear

Sub-sectors not included in the data for employment and output from the textiles sector

CODE	DESCRIPTION OF THE ONS SIC CODE – 2007 LISTING
20600	Manufacture of man-made fibres
28940	Manufacture of machinery for textile, apparel and leather production
46150	Agents involved in sale of furniture, household goods, and hardware
46160	Agents involved in sale of textiles, clothing, footwear & leather goods
46240	Wholesale of hides, skins and leather
46410	Wholesale of textiles
46420	Wholesale of clothing and footwear
71210	Technical testing services
95230	Repair of footwear and leather goods
95240	Repair of furniture and home furnishings
96010	Washing and (dry-)cleaning of textile and fur products

ANNEX 5: Case studies on the Italian and German textiles industries

ITALIAN TEXTILES PERFORMANCE

Despite the reputation for quality, flexibility and a growing case to 'on-shore' UK textiles production and balance of trade has been falling behind other comparator countries such as Italy – where the value of textiles apparel exports are three to four times that of the UK (2011).

Previous studies¹¹³ have shown that the answer does not appear to be due to any shortcomings on delivery performance (e.g. how long in advance orders must be placed, and whether orders are delivered on time) if anything UK mills were shown to offer much quicker and more reliable delivery than the Italian mills.

Part of the reason is to do with unit costs. For a given quality of product, Italians for example, produce woollen and worsted fabric at a lower cost than their UK competitors by: exploiting scale economies, through collaboration between firms and controlling the entire supply process onshore; and by placing significant investment in production engineering; working closely with local machinery suppliers.

Places like Prato (despite the pressures to lower input prices and labour costs) have succeeded in building strong local networks, collaborative work and alliances between entrepreneurs, centres of innovation and designer/artisans – whose respective skills complement each other. The entrepreneurs spot opportunities, arrange materials and capital and bear risk; they tap into a pool highly specialised and competitive small-scale manufacturers who supply at low prices, whilst also experimenting with materials and equipment.

These factors have secured the success of the textiles sector in Prato. Italian textile companies have focussed upon ensuring the skills needed for the unique finishes and state-of-the-art features that come at the end of the fabric and apparel production chain.

Looking at the impacts of subsidies and state aid is a difficult exercise. Studies express a preference to focus upon supply side factors such as innovation, capital investment and skills, rather than trade subsidies. State Aid also needs to be viewed and compared as part of each country's total tax and subsidy system to draw any comparison.

The most useful support that an industry might hope to receive from its government is vocational training. Such training, provided in technical secondary schools, lies at the heart of the thriving textile and clothing clusters in Italy. The schools in Prato's region (Tuscany) alone provided more school leavers qualified to enter the industry each year than the total number of apprenticeship/vocational qualifications (NVQs Level 2 and 3) awarded in the UK.

GERMAN TEXTILES PERFORMANCE

In the last few decades the German textile and clothing industry has – like the UK undergone intensive structural changes, been dominated by falling domestic production, transfer of production to foreign lower-wage economies, continuing stiff competition; and a shift of focus in home production towards higher-quality, technical textiles.

Output of the textile and clothing industry in Germany fell by nearly 70%, in real terms, between 1991 and 2010. The clothing sector, which suffered an 85% decline, performed considerably worse than the textile fabric industry (down 50%). Structural factors were primarily responsible for this decline in production. The sector had begun to shift production plants abroad at a very early stage, well before unification.

At an early stage, the German textile and clothing industry had already recognised that innovation should be able to make a significant contribution to the development of new growth potential, moderate cost pressures and enable production plants in Germany to be operated successfully in the long-term.

Germany is focussing upon a continued strategy of internationalisation that will contribute to the success of German manufacturers of textiles and clothing.

Target markets include enormous unsatisfied demand in the emergent economies in Asia and Latin America, populations there are growing and German (and European) brands are very popular. Foreign demand for German technical textiles is forecast to increase, however shortages in both craft and technician posts are evident.

The firms that have tackled the structural change head on, have done so by supporting greater development of export markets and internationalisation; and focussing on innovative – technical based products (e.g. sportswear, workwear, high performance outerwear, and strong brands), which have led to the development of new customer groups and key markets around the world.

113. DTI (2003) A comparative study of the British and Italian textile and clothing industries



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