skillset
The Sector Skills Council for Creative Media

Strategic Skills Assessment for the Fashion and Textiles Sector in the UK

February 2010

Alliance
Sector Skills Councils

Contents

1. Introduction to the Strategic Skills Assessment

The key role of Skillset as the Sector Skills Council for the Fashion and Textiles industry is to assess the industry's skills needs and work with industry and Government to respond to those needs. Within this context, the UK Commission for Employment and Skills (UKCES) charged Skillfast UK, the Sector Skills Council for fashion and textiles at the time (until March 2010), to carry out a Strategic Skills Assessment (SSA) of the UK fashion and textiles sector. This will now be carried out on an annual basis for the UK and each of the home nations by Skillset.

The report incorporates four key elements including:

1) What Drives Skills Demand

The report will look at current and recent performance, and the competitive position of the sector and key sub-sectors; the economic structure and condition of the sector; the factors driving this performance and position; and the skills implications.

2) Current Skills Needs

Leading on from the drivers of change, the assessment includes a robust analysis of current and expected skill needs in the sector and recruitment issues. This section details the character of skills needs, and differentiate across the full spectrum of skills.

3) Anticipating What Lies Ahead

As part of the assessment, Skillfast-UK is invited to offer a strategic insight, building on the current drivers of skills demand and skills needs, examining possible/likely future trends in the sector and anticipating the associated skills needs these will bring.

4) Geography

The assessment requires Skillfast-UK to pay particular attention to geographical composition of the sector and highlighting where specific skills issues are particularly manifest. This analysis allows for the correct interpretation of higher level skills information presented in the skills needs analysis.

2. Executive Summary

Sector footprint and demographics

The Skillfast-UK sector footprint employs 340,000 people within 80,000 businesses.

Gross value added in the sector is £11.5 billion with gross value added per head standing at almost £35,000

Of the sub-sector boards, the fashion and textiles elements of the footprint proportionally accounts for the largest number of businesses, employment and gross value added.

In terms of demographics, the majority of the workforce work within process, plant and machine operatives and elementary occupations. 52% of the workforce is female and 14% are from a BME background.

18% of the fashion and textiles workforce are self-employed, with a further 25% working on a part-time basis. Worryingly, 44% of the sectors workforce are aged over 45 with 21% over 55, many of whom hold key occupations and hard to replace skills.

Looking at qualification levels, 43% are qualified at below N/SVQ level 2 whilst 16% hold an N/SVQ level 4 or above. This compares with 22% and 34% respectively for the wider UK workforce.

Current sector performance

In recent years the rate of business VAT de-registrations has begun to ease, although there has been a 21% reduction in the net stock of VAT registered businesses since 2001. Net registrations though are continuing to increase.

Business areas that have seen the biggest fall in registrations have been within manufacturing and pre-manufacturing areas of the sector. Manufacture of made-up articles, finishing and the wholesale and servicing parts of the footprint have all seen stability and/or steady growth levels.

In relation to this pattern exhibited, total GVA for the sector has fallen by 24% between 1998 and 2007 along with declining employment levels. However, pre-recession both had recently stabilised. At the same time GVA per head has increased from little over £22,000 to over £35,000 signifying a movement to higher value production in the sector.

Whilst the value of imports in textiles, apparel and footwear have been increasing, exports in apparel and footwear have seen significant growth and represent a future direction of high value British produced goods in the sector.

Key drivers of current sector performance and skills demand

The structure of the fashion and textiles sector has been impacted more than any other sector by the onset of globalisation. Globalisation, enabled by the dismantling of trade barriers, along with lower communication and transport costs, has seen lower value added manufacturing outsourced to low-cost nations and the Consumer Price Index for clothing decouple itself from the all item index.

This structural change has seen a transformation in the way sector firms operate, presenting opportunities and looking towards niche manufacturing, balanced supply sourcing or outsourcing operations in order to gain competitiveness within the global market place.

Key drivers of skills demand in this context are:

- the growth of fast fashion and technical markets
- the British style
- adaptation to changing technology
- the impact of migration
- the image of the sector
- the sustainability agenda

The skills implications of the above drivers include;

- a reliance on design creativity, allied to strong technical and commercial awareness
- successful branding and marketing skills
- the development of new technologies
- the ability to compete in premium and niche markets on a global level by maintaining craft skills
- maintaining the current trajectory of business start-ups by ensuring owner-managers have the correct skills available
- ensuring UK firms have the ability to manage overseas supply chains and understand the product environment
- the maximisation of production efficiencies enabling firms to reduce costs through multi-skilling
- attracting a greater number of graduates into the sector (this is a key problem where strong leadership is needed in times of rapid change)
- due to the long-term decline in apprenticeships and other development mechanisms, along with the negative image of the sector, the ageing workforce is going to be a key problem

Impact of the recession

Indicators from all available sources show how productivity and employment in the sector have been impacted by the recession with key employment indicators down. However, research conducted by Skillfast-UK in January 2009 showed issues identified as current skill drivers remained prevalent and relevant.

Current skills needs

National datasets show vacancy rates and hard-to-fill vacancy rates within the sector are similar to the picture at an all sector level although their impact is more measureable.

However, skill shortage vacancies were more prevalent than reported at an all sector level. Both national datasets and the Skillfast-UK employer survey confirmed that these shortages were predominantly in skilled trades and operative occupations.

These skills shortages include sewn products operations, textiles process operations and laundry and dry-cleaning roles at operative level, garment alteration and repair, pattern cutting and grading, and hand-craft garment making at a skilled trades level, and design and textiles technology roles within higher level technical skills.

Employers indicated that the commercial and technical skills of graduate designers were an issue for their businesses. Given this occupations prominence in the future health of the sector, this situation needs monitoring closely.

Skills gaps, although less prevalent than skills shortages, and below national all sector levels, are still high within the sector. Indicating the highly specialised nature of many jobs within the sector, employers reported technical and practical skills as being the greatest reason for skills gaps.

Again, both national datasets and Skillfast-UK's own employer survey found gaps in a range of occupations, predominantly in operative and elementary positions, but also sizable shortages in managers, administrative and sales occupations.

Future skills priorities included the recruitment and retention of able young people, improving sales and marketing skills, numeracy and literacy, and other basic skills, although skills needs diversify depending on the sector represented. For instance, domestic facing sectors are concerned with recruitment and retention issues, whereas sectors that rely on generating export sales identify sales and marketing skills as their big priority

Scenario planning

Working Futures III data predicts a continued decline in workforce numbers, albeit at a far slower rate than previously seen in the past decade. However, there will be positive net requirements for the sector to replace retirements.

It is envisaged that there will be a gross increase in the need for managers and senior officials, and professional occupations, whilst transport and machine operatives and elementary occupations will continue to decline, signifying the continued restructuring forecast to occur.

Skillfast-UK's own bespoke scenario planning offers an insight into the patterns that will affect the sector, with continued emphasis on customer service, commercialisation of new technologies, strong craft skills, overseas sourcing and supply chain management seen as the drivers of sector behaviour and skills needs.

More recent scenario planning on a European level has shown there may be three directions in which the fashion and textiles sector could go down by 2020. The three scenarios present different influences at play on the sector and with it the skills mix required by employers.

Geography

The North West of England is the largest employing nation/region, with a particular emphasis on textile production. In terms of specific sub-sectors, the East Midlands is the largest area for the leather and footwear sub-sector, whilst London for apparel and sewn products.

Skills issues also differ between nation and region with London and the North West reporting the highest incidence of skills shortages, whilst the West Midlands report the highest proportion of skills shortage vacancies.

In terms of skills deficiencies by occupation, the North West and Yorkshire and Humber report needs within textiles process roles, whilst sampling, pattern cutting and grading are priorities in the East Midlands and London. Laundry operations were identified in the South East as a priority area.

There are also specific differences within the nations. Scotland's Lowlands and Highlands, whilst reporting similar skills shortages and gaps within occupations, have very different processes in which these occupations operate.

Priorities

Taking into account the evidence presented, Skillfast-UK has identified a number of issues for action. These include:

- the supply of technical skills at operative and craft level
- graduate level technical skills and commercial awareness
- presenting a realistic picture of the sector
- international trade and the supply chain
- management and leadership skills
- information on sector jobs and careers
- literacy and numeracy

3. Introduction to the Skillfast-UK footprint

Skillfast-UK is the Sector Skills Council for fashion and textiles. The sector footprint covers the apparel, footwear and textiles supply chains, from the processing of raw materials, to product manufacture, to the after-sales servicing of products.

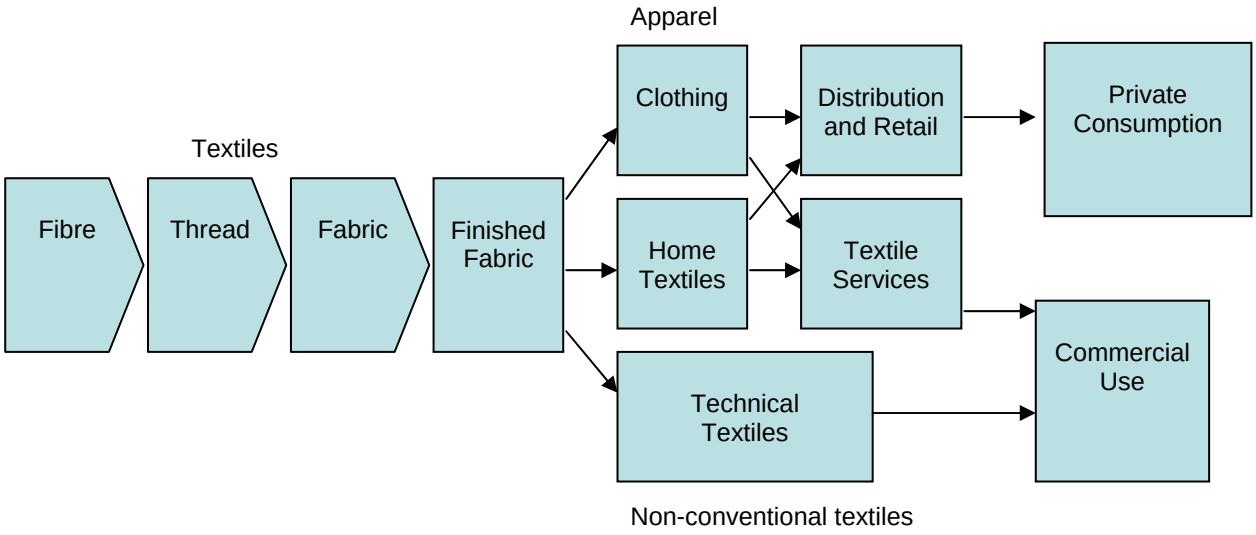
Within Skillfast-UK's remit are companies that undertake the following processes and activities, most of which occur within the UK fashion and textiles supply chain (see Figure 1).

- Materials production and processing, including processing of raw fibres, spinning and weaving, tanning of leather, finishing of textiles, manufacture of knitted and crocheted fabrics, production/processing of manmade fibres, production of non-wovens
- Product design (textiles, clothing, fashion design)
- Manufacture of made-up articles, including household textiles, carpets, apparel, knitwear, luggage, footwear and leather goods
- Trading in apparel, footwear and textile items, including sourcing, logistics, distribution, branding and marketing
- Servicing of apparel, footwear and textile items, including fitting of carpets, laundries, dry cleaning, textile rental and clothing and shoe repair

Companies within the footprint serve the following end-use markets:

- Carpets
- Home furnishings (e.g. curtains and upholstery fabrics, as well as "technical" components such as furniture platform cloths)
- Household textiles (e.g. bed linen, table linen, as well as "technical" components such as pillow tickings)
- Technical textiles for non-consumer applications (e.g. automotive, medical, industrial textiles)
- Technical consumer goods (e.g. tents, sleeping bags, rucksacks) and performance outdoor-wear
- Footwear (including repair services)
- Leather and leather-goods (including leather repair)
- Retail clothing
- Knitwear and hosiery
- Corporate clothing, work-wear and protective clothing (including support services such as laundering)

Figure 1: The fashion and textiles supply chain



Source: EMCC 2004, p.1 in EMCC 2008

Skillfast-UK's footprint is represented by six strategic sector boards, each of which represents a specific part of the Skillfast-UK footprint. These boards are:

- Apparel and sewn products
- Design
- Footwear and leather
- Laundry and dry cleaning
- Manmade fibres and technical textiles
- Textiles

4. Current Stock of Businesses and Employment

The Skillfast-UK sector footprint covers a wide range of sectors, each of which that has performed differently in recent years and that have been subjected to different drivers. This section therefore covers:

- current stock of businesses and employment
- sector demographics
- recent sector performance
- the role of globalisation
- key drivers of demand
- productivity within the sector the assessment of the implications for skills arising out of these key drivers.

4.1 Businesses and employment

A recent sector re-sizing activity commissioned by Skillfast-UK has confirmed the UK fashion and textiles footprint incorporates 337,500 employees and almost 80,000 companies involved in a vast array of activities.

Given the large number of micro and niche businesses active within the sector that national statistics are unable to pick up such as sole traders and partnerships with no employment, the resizing-activity has been able to take account of these firms. Table 1 reveals that micro-businesses account for 72% of firms although only 20% of employment within the sector and confirms the predominantly niche make up of the sector.

The full overview of the sector indicates that the manufacturing component of the sector account for 50% of employment within the footprint. Textile manufacture accounts for a third of all sector employment whilst the wholesale elements account for a further 20%.

Due to the resizing exercise, it has also been possible to account for Technical Textiles within the footprint, an important and growing facet of the sector involving nearly 500 firms and 5,500 people.

Table 1: Businesses and employment

		Micro Businesses		Businesses with Employment		Total	
UKSIC	**SIC description**	**Firms**	**Emp**	**Firms**	**Emp**	**Firms**	**Emp**
15113	Fellmongery	10	20	30	880	30	900
17	Textile manufacture	14,360	16,400	4,160	82,670	18,520	99,060
18	Clothes manufacture	9,670	11,830	3,260	40,930	12,930	52,760
19	Leather manufacture	290	320	610	14,470	890	14,790
2124*	Wallpaper manufacture			10	230	10	230
24422*	Non-medicaments manufacture			10	240	10	240
247	Manmade fibre manufacture	440	460	20	2,510	450	2,970
3310*	Medical equipment manufacture	10	10	40	1,460	60	1,470
4543*	Floor/wall covering	6,100	6,470	310	950	6,410	7,420
5111*	Agents raw materials	620	810	370	3,110	990	3,920
5116	Agents textiles/clothing/leather	1,060	1,420	1,720	13,490	2,780	14,910
5124	Wholesale hides/leather	80	90	160	980	230	1,070
5141	Wholesale textiles	1,750	2,270	2,040	13,720	3,780	15,990
5142	Wholesale clothing/footwear	3,000	3,780	5,000	45,240	8,000	49,030
51479*	Wholesale other household goods	590	770	470	3,760	1,070	4,530
5156*	Wholesale intermediate products	30	30	40	470	70	500
5271	Repair shoes/leather	1,950	2,200	360	1,910	2,310	4,110
5274*	Other repair	4,690	5,230	1,160	4,920	5,580	10,150
71409*	Rent personal/house hold goods	330	460	260	1,950	590	2,410
74872*	Speciality design	1,630	1,970	320	1,800	1,950	3,770
9301	Wash/dry clean	10,390	12,180	2,330	35,100	12,720	47,280
	Grand Total	**57,000**	**66,730**	**22,640**	**270,770**	**79,660**	**337,500**
TechT	Technical textiles	250	300	220	5,110	470	5,410

Source: tbr 2008 n.b Figures in the table are rounded to the nearest 10 so may not sum.

4.2 Gross Value Added

Using the resizing exercise as a base, it is possible to see that the sector contributes £11.5 billion to the UK economy in Gross Value Added (GVA). Further investigation of these figures illustrates the contribution of the manufacturing sub-sectors to the UK fashion and textiles sector with £6 billion coming from this source. Wholesaling activities account for another £3 billion and outlines the value and importance of these intermediate services.

In terms of GVA per head, the greatest returns are made within the manmade fibre manufacture and wholesaling sectors. Speciality design also commands high GVA per head, indicating its importance to overall sector performance. Lower GVA per head figures are reported within the washing and dry-cleaning, wall paper manufacturing and floor/wall covering sub-sectors indicating the relative high labour intensity of these sectors.

What is of note is that clothing manufacture is now higher value than textiles manufacture, a relationship that was not traditionally the case.

Table 2: Skillfast-UK sector GVA estimates

SIC	Description	GVA/Emp	Employment	Gross Value Added
15113	Fellmongery	£29,320	900	£26,474,720
17	Textile manufacture	£31,060	99,060	£3,077,293,140
18	Clothes manufacture	£34,740	52,760	£1,832,888,100
19	Leather manufacture	£32,130	14,790	£475,397,320
2124	Wallpaper manufacture	£21,500	230	£4,948,830
24422	Non-medicaments manufacture	*	240	*
247	Manmade fibre manufacture	£52,390	2,970	£155,502,530
3310	Medical equipment manufacture	£33,160	1,470	£48,882,100
4543	Floor/wall covering	£13,380	7,420	£99,307,230
5111	Agents raw materials	£36,390	3,920	£142,699,160
5116	Agents textiles/clothing/leather	£41,050	14,910	£611,908,710
5124	Wholesale hides/leather	£45,410	1,070	£48,403,380
5141	Wholesale textiles	£41,710	15,990	£666,766,770
5142	Wholesale clothing/footwear	£43,860	49,030	£2,150,273,650
51479	Wholesale other household goods	£40,080	4,530	£181,657,450
5156	Wholesale intermediate products	£50,410	500	£25,059,620
5271	Repair shoes/leather	£18,280	4,110	£75,141,730
5274	Other repair	£18,700	10,150	£189,844,150
71409	Rent personal/household goods	£21,850	2,410	£52,581,260
74872	Speciality design	£40,080	3,770	£151,163,680
9301	Wash/dry clean	£22,880	47,280	£1,081,466,730
Total		**£34,220**	**337,500**	**£11,549,476,840**
TechT	Technical Textiles	£27,470	5,410	£148,672,000

Source: tbr 2008 n.b Figures in the table are rounded to the nearest 10 so may not sum. GVA estimates in this table are based on records that have a financial sample. This in turn allows for the creation of GVA per employee estimates to be made

Segmenting the Skillfast-UK footprint by sub-sector

The sector resizing activity has allowed Skillfast-UK to establish estimates for how each of the Skillfast-UK sub-sectors contribute to the overall footprint.

The fashion (apparel and sewn products) sub-sector can be seen to account for 37% of enterprises and 38% of employment. However, fashion accounts for 43% of sector GVA indicating the premium placed on the products produced by this sub-sector.

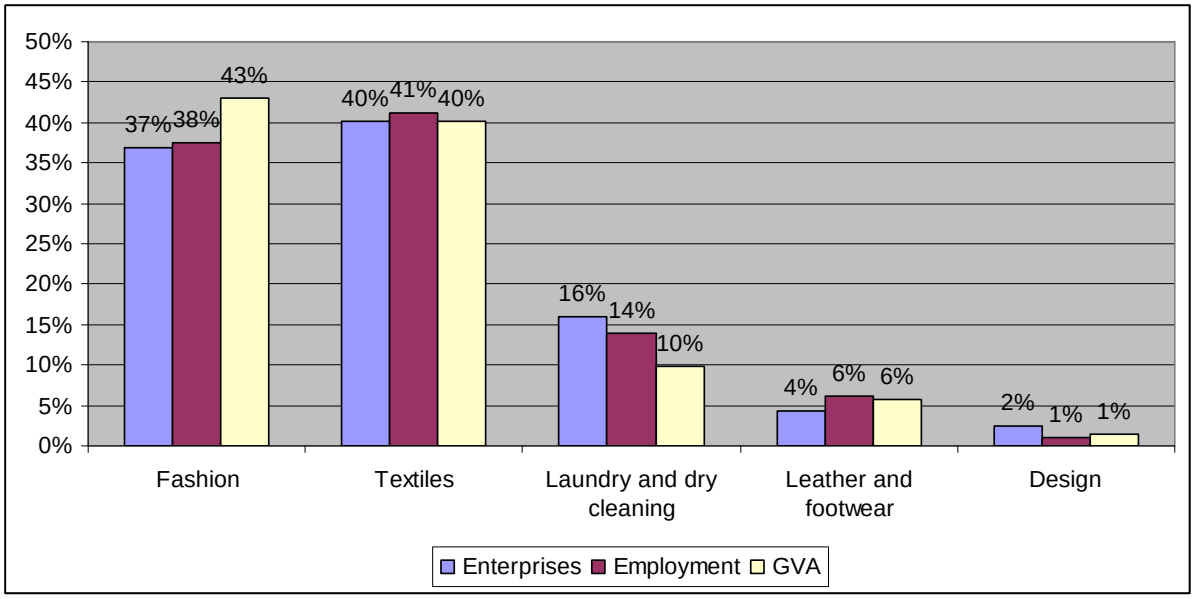
Footwear and leather, and laundry and dry-cleaning are also key employment areas. It is interesting to note that in laundry and dry-cleaning, the proportion of enterprises and employment are greater than its GVA contribution to the sector due to the nature of the work.

Unfortunately, as Technical Textiles are end user products resulting from the processes of other SIC defined industries, it is not possible to appropriate its value within this analysis

although individual GVA figures in Table 2 show the sector is worth £150 million to the sector.

Illustrating the large proportion of niche, sole trader enterprises that exist within the design sector, the numbers of businesses is greater than both its employment and GVA proportions.

Figure 2: Sub-sector enterprises, employment and GVA estimates



Source: tbr 2008

4.3 Comparisons with the wider UK economy

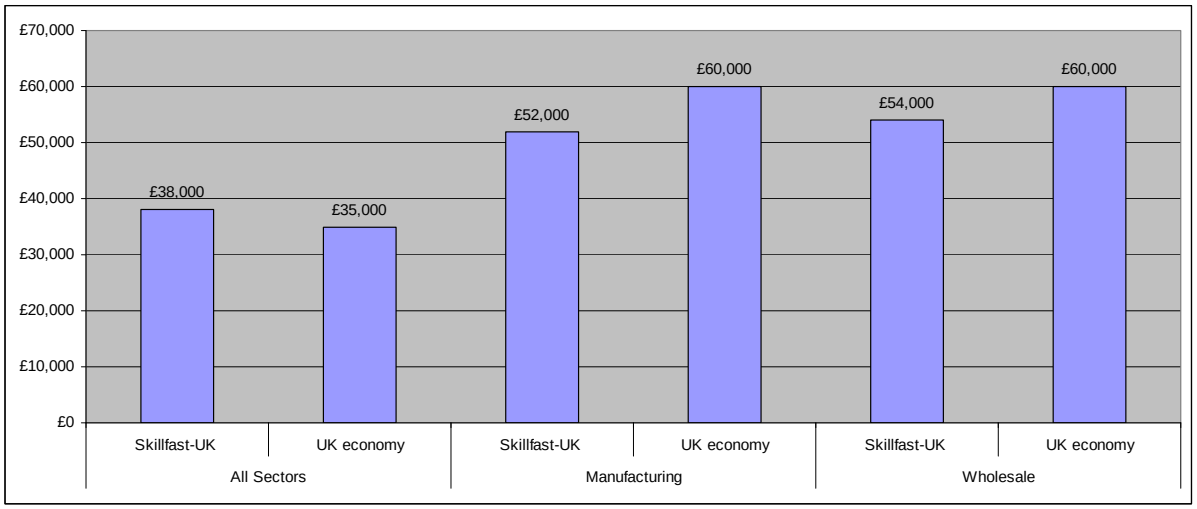
In order to place the UK fashion and textiles sector within the context of the wider UK economy, it is necessary to use the latest figures from the Annual Business Inquiry (ABI)[1]. From these figures, it is possible to recognise that productivity in the sector, measured in terms GVA per employee is around £38,000, a figure that is above the average for the wider UK economy of £35,000.

Breaking the sector down into its key component parts reveals that the productivity of the manufacturing component of the sector at £52,000 is below the average for wider manufacturing of £60,000. Similarly, wholesale GVA in fashion and textiles at £54,000, is around 90% of the overall average for wholesale.

These figures indicate that whilst the value of the sector expressed in GVA per head is above the national average, goods produced by companies within the Skillfast-UK footprint compared to other manufacturing and wholesaling functions are slightly lower in value.

[1] Please be advised that due to the nature of the ABI recording only businesses with employment, these figures exclude the self-employed workforce.

Figure 3: Skillfast-UK sector GVA per head vs UK economy



Source: ABI 2007

4.4 UK manufacturing employment within a European context

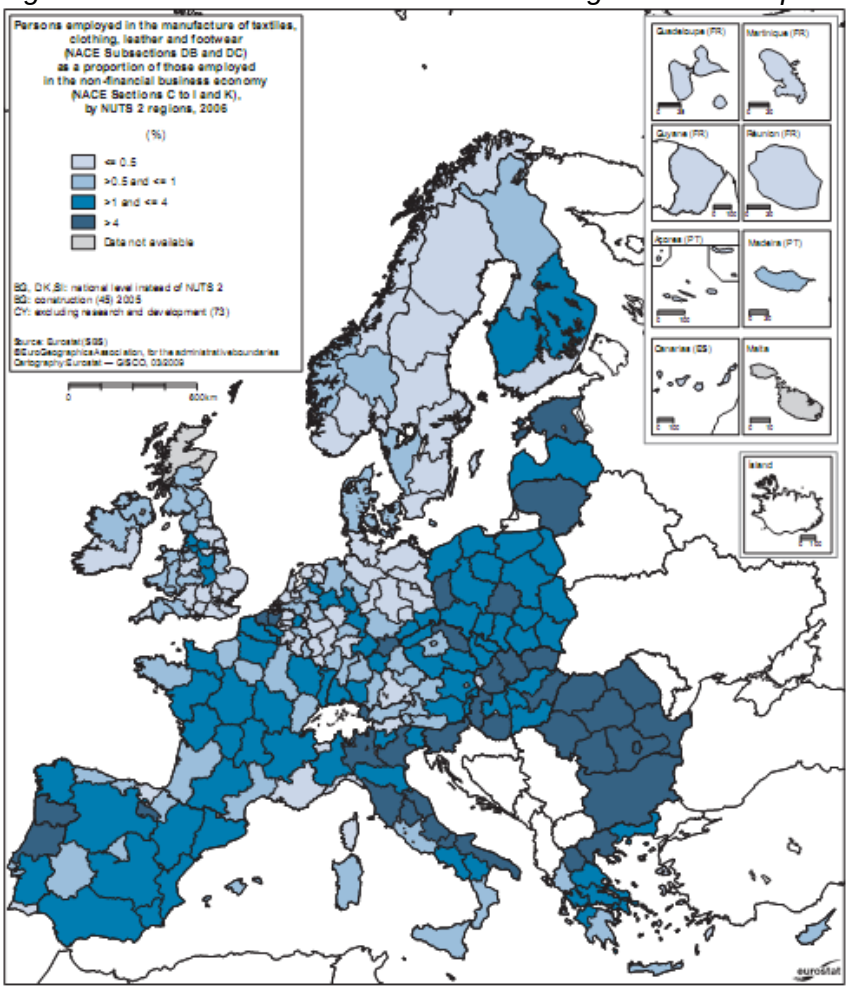
Employment within a European context shows employment per person within the manufacturing elements of the UK fashion and textiles sector is at a lower level than seen in many other European countries.

However, the map does indicate there remain pockets of higher proportional employment within the East Midlands, Yorkshire, London and the North West English regions.

What is clearly demonstrated is the extent to which textiles, clothing, leather and footwear manufacturing is concentrated within the Central and Eastern states of Europe where lower production costs and skilled workforces make these nations an attractive proposition for production centres.

Of the western European nations, Italy, with the combination of an interdependent supply chain and global demand for Italian produced goods, and Portugal which was originally a beneficiary of outsourcing in the early 1980's, remain a proportionally high employer within fashion and textile manufacture.

Figure 4: UK fashion and textile manufacturing within a European context



Source: Eurostat Business Review 2009

4.6 Sector demographics

The Skillfast-UK footprint has a number of characteristics that distinguish itself from the wider UK economy and are important facets in determining the future skills needs in the sector.

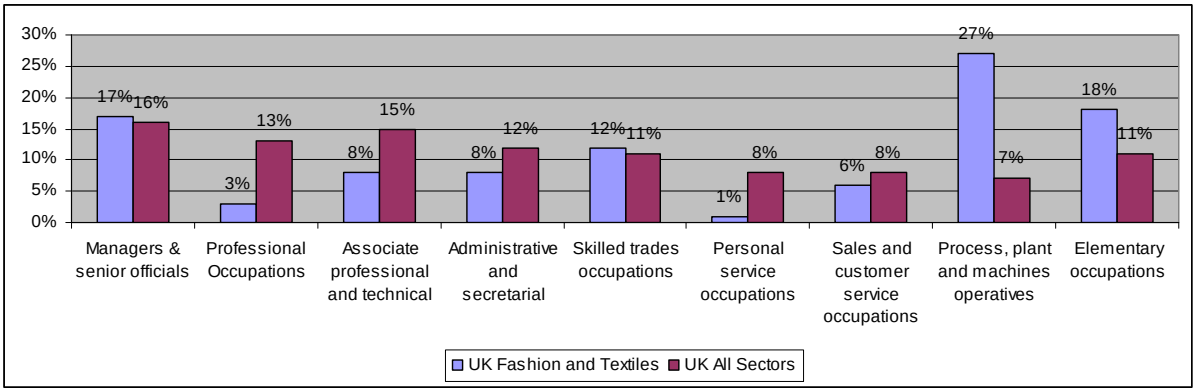
Occupational make-up

Compared to the wider economy, employment in the sector is heavily concentrated in lower skilled occupations (operatives and elementary occupations) together with managerial positions and skilled manual trades. On the other hand, the sector is under-represented in professional, associate professional and administrative occupations when compared to employment the wider economy.

Whilst operative level jobs are declining as an occupational grouping, they still account for over a quarter of all employment and represent the continuing importance that these jobs to the sector.

How these major occupation groupings translate into fashion and textiles occupations are represented in Table 3.

Figure 5: Occupational make-up of the sector



Source: APS 2008[2] (based on SIC 17-19, 2470, 5271 & 9301)

Table 3: Key occupations within the Skillfast-UK footprint

Occupational group	Occupation	Key job titles
Managers & senior officials	1121 Production, works & maintenance managers	Production manager, technical manager
Professional Occupations	2122 Mechanical engineers	Engineer
Associate professional and technical	3111 Laboratory technicians	Textile technologist, dyeing technician
	3422 Product clothing & related designers	Textile/clothing designer, garment technologist
	3542 Sales representatives	Technical sales, sales executive
	3543 Marketing associate professionals	Marketing executive
Skilled trades occupations	5223 Metal working production and maintenance fitters	Tufting engineer, loom technician, sewing machine mechanic
	5411 Weavers and knitters	Weaver, knitter
	5413 Leather and related trades	Shoe maker, saddler, clicker, shoe repairer
	5414 Tailors and dressmakers	Tailor, kilt-maker
Process, plant and machines operatives	8113 Textile process operatives	Scourer, spinner, tufter, twister, warper
	8114 Chemical and related process operatives	Leather worker, dye-house operative
	8136 Clothing cutters	Pattern cutter
	8137 Sewing machinists	Body linker, collar linker, mender, repair hand, sewing machinist, seamer
	8139 Assemblers and routine operatives nec.	Machinist – footwear/leather-goods
Elementary occupations	9234 Launderers, dry cleaners, pressers	Dry cleaner, garment finisher, laundry operative, presser

Source: Skillfast-UK (2005)

[2] Please see (ONS 2009a) for the detailed reference for this dataset

Female employment

Female employment within the UK fashion and textiles sector currently stands at 52% of the workforce. A detailed examination reveals that females are under-represented in higher level management and technical roles but are over-represented in those operative roles that are most vulnerable to the ongoing restructuring occurring within the Skillfast-UK sector.

BME employment

The sector has a significant black and ethnic minority component within its workforce. 14% of the sector workers are drawn from an ethnic minority group compared with an average for the wider employed workforce of 9%. Asian / Asian British are the largest ethnic group in the sector, accounting for nine per cent of employment.

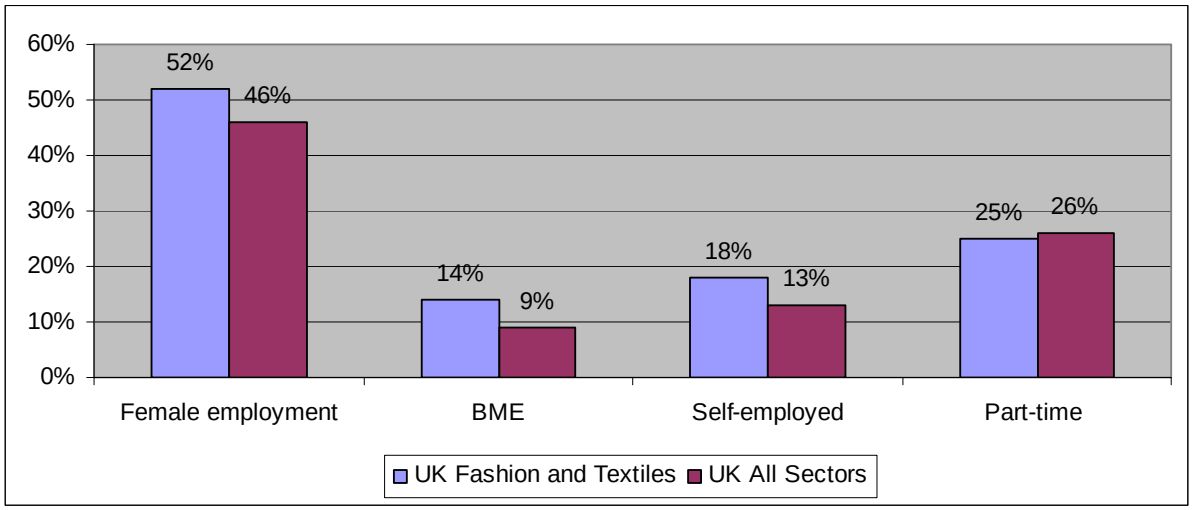
Self-employment

Reflecting the high level of micro businesses and niche activities that are prominent in the UK fashion and textiles sector, self-employment is a key characteristic. Self-employed working accounts for 18% of total employment compared with only 13% in the wider economy.

Part-time working

A quarter of the Skillfast-UK footprint works on a part-time basis representing a flexibility in working patterns within the sector. This is in line with the figure for the wider UK economy.

Figure 6: Key sector demographic indicators



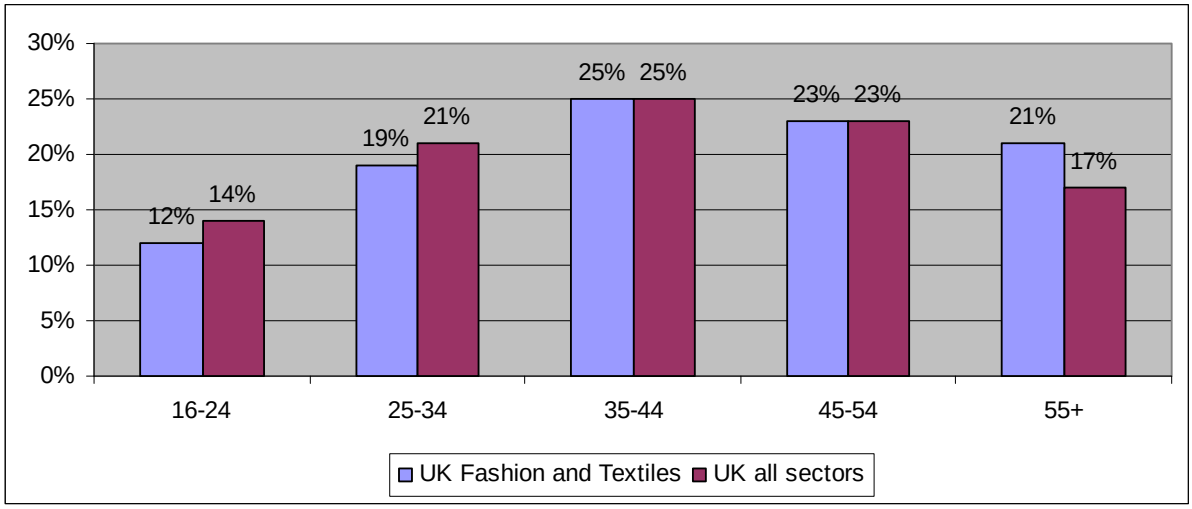
Source: APS 2008 (based on SIC 17-19, 2470, 5271 & 9301)

Age bands

Evidence from the Annual Population Survey (APS) indicates that the sector has an ageing workforce compared to wider employment within the sector. 44% of those employed are aged 45 years or over, compared with 40% of those employed in the wider economy. However, over a fifth of all employees are over 55 years of age compared to 17% for all sectors.

This is a key issue for the UK fashion and textiles sector as many older workers hold key management and technical positions. As they retire their replacements will require extensive training and development over a prolonged period.

Figure 7: Sector age bands



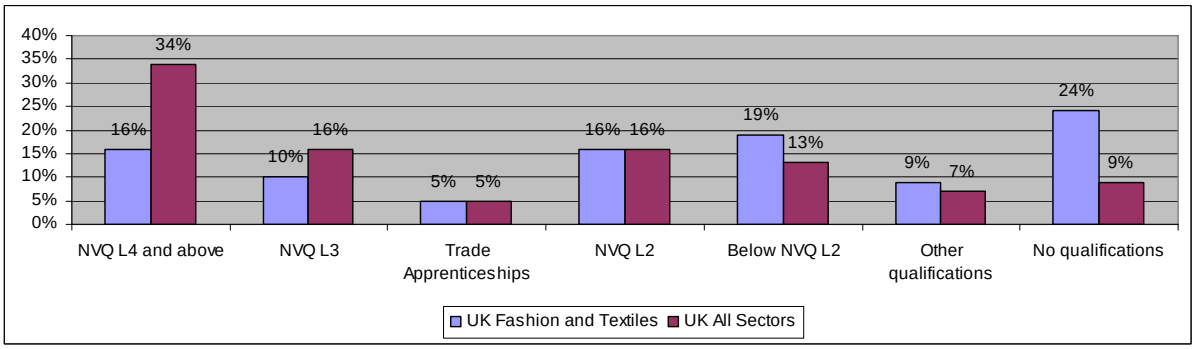
Source: APS 2008 (based on SIC 17-19, 2470, 5271 & 9301)

4.7 Qualification composition

Compared to the economy more widely, the UK fashion and textiles sector workforce is poorly-qualified in terms of formal certification, demonstrating the low barriers to entry for employees within the sector.

43% of the workforce are either qualified to below N/SVQ level 2 or hold no qualifications at all, compared with 22% of the wider national workforce. Moreover, only 16% are qualified to degree level and above, compared with a national average of 34%. N/SVQ level 3 and equivalent qualifications are also lacking in the sector compared to the UK average.

Figure 8: Sector qualification composition



Source: APS 2008 (based on SIC 17-19, 2470, 5271 & 9301)

5. Current Sector Performance

5.1 Business formation

The structural changes in the UK fashion and textiles sector are reflected by the business VAT registration and de-registration data for the past ten years.

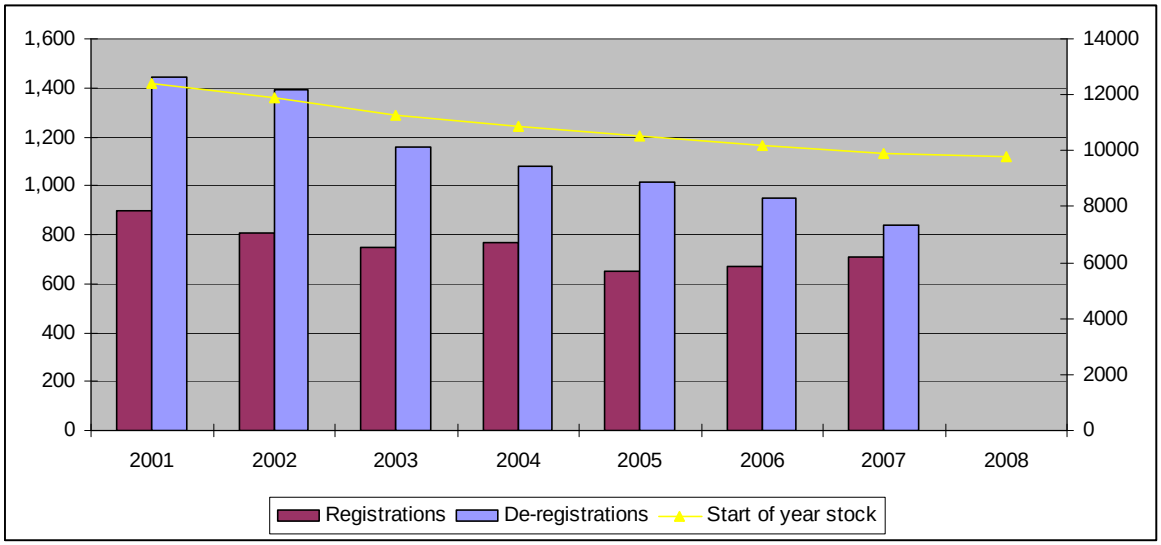
The data shows that for the manufacturing elements of the sector, as represented in Figure 9, there has been a steady decline in business stock levels with annual de-registrations consistently proving greater than registrations. This led to a 21% reduction in the number of businesses registered for VAT within the sector between 2001 and 2008 as the sector underwent restructuring.

Whilst UK manufacturing as a whole has followed similar patterns, the fall has been less pronounced with a 7% reduction in stock experienced in the same period.

However, the fall in stock levels is currently becoming less pronounced year by year with annual de-registrations continuing to decline as manufacturers vulnerable to global outsourcing, ease on an annual basis.

The data also shows that after 2004 (on the 1st January 2005, the Agreement on Textiles and Clothing (ATC) was terminated that further liberated global markets and exposed the UK fashion and textiles sector to increased competition from non-EU suppliers) there has been a net increase in business registrations of 9% whilst de-registrations have become less pronounced.

Figure 9: Sector manufacturing enterprises registering and de-registering for VAT



Source: BERR (now BIS). (Note based on SIC's 17-19, 24.7 only)

5.2 Stock of VAT registered businesses by sub-sector

Table 4 provides a snapshot of the sector, highlighting in detail the stock levels of the various manufacturing sub-sectors within the Skillfast-UK footprint in the period 2001-2008.

As reported above, VAT registered businesses involved in the manufacture of made-up textile articles and the finishing of textiles are the two sub-sectors that have seen substantial positive business growth in the in this period and offer a guide to the sectors future specialisation.

At the other end of the scale, large aggregate falls have been reported in business numbers for textile weaving, manufacturing of knitted and crocheted fabrics, and the manufacture of working apparel and accessories as the sector outsources these activities and concentrates on higher value activities at the design and final stages and higher value areas of the supply chain. However, the decline in falls in stocks from 2005 for many of these businesses has been less pronounced suggesting equilibrium is being reached.

It is worth noting that these figures only give a partial account of business formation due to the large number of micro-businesses within the sector that may not be liable for VAT and therefore not reported within this analysis.

In addition, business numbers for the wholesale and servicing parts of the sector cannot be adequately disaggregated to a sufficient level to permit an assessment of their performance against this measure. However, there is little doubt that these areas have been performing well when analysing the three digit SIC groupings these companies are associated with.

Wholesale of household goods where the wholesale of textiles, clothing and leather all sit, saw a marginal decline of 1% during this period and other service activities where laundry and dry-cleaning belongs saw a 1% increase in business stocks in the corresponding period.

Table 4: Start of year business stock by 3 digit sub-sector 2001-2008

SIC	SIC Definition	2001	2005	2008	+/- 2001-2008
174	Manufacture of made-up textile articles, except apparel	2,010	2,150	2,180	**8%**
173	Finishing of textiles	660	600	705	**7%**
192	Manufacture of luggage, handbags and the like, saddlery and harness	450	415	405	**-10%**
175	Manufacture of other textiles	1,355	1,215	1,085	**-20%**
247	Manufacture of man-made fibres	25	20	20	**-20%**
182	Manufacture of working apparel and accessories	5,570	4,435	3,995	**-28%**
181	Manufacture of leather clothes	135	110	90	**-33%**
176	Manufacture of knitted and crocheted fabrics	205	160	130	**-37%**
172	Textile weaving	440	335	275	**-38%**
183	Dressing and dyeing of fur; manufacture of articles of fur	25	15	15	**-40%**
177	Manufacture of knitted and crocheted articles	630	430	365	**-42%**
191	Tanning and dressing of leather	155	105	90	**-42%**
193	Manufacture of footwear	420	295	240	**-43%**
171	Preparation and spinning of textile fibres	345	265	190	**-45%**
	Total UK Fashion and Textiles Manufacture	**12,425**	**10,550**	**9,785**	**-21%**
	Total UK Manufacturing	**161,150**	**154,125**	**150,535**	**-7%**

Source: BERR 2009 (now BIS) (note based on SIC's 17-19, 24.7 only)

5.3 Gross Value Added within the sector

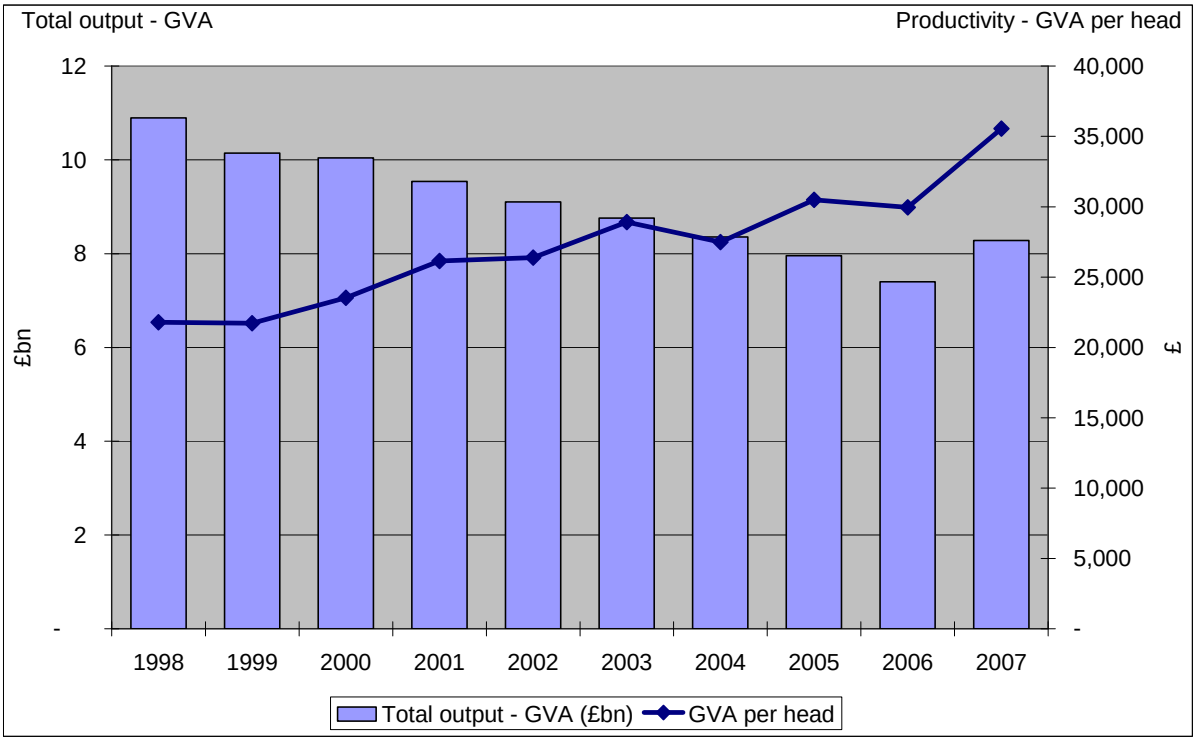
The last decade has seen a marked downward trend in the total output of the UK fashion and textiles sector. According to ABI data illustrated in Figure 10, GVA for the UK fashion and textiles sector fell by 24% between 1998 and 2007.

As illustrated in the VAT registration and de-registration data, the main driver of this trend has been the contraction of the sector's manufacturing activity as production operations, and with it employment, have been transferred offshore. In contrast, as companies have grasped the opportunities afforded by globalisation to concentrate on higher value added activities such as within the wholesale and servicing elements of the sector have seen output growth.

The most recent ABI data showed some stabilisation of the sector, with total GVA growing by 12% between 2006 and 2007 with manufacturing and wholesale activities both contributing to this increase. However, the onset of recession since then seems to have stymied this positive trend.

Indicating how the UK fashion and textiles sector has transformed itself into a higher value sector, there have significant improvements in labour productivity measured in terms of GVA per employee.

Figure 10: Total output GVA & GVA per head

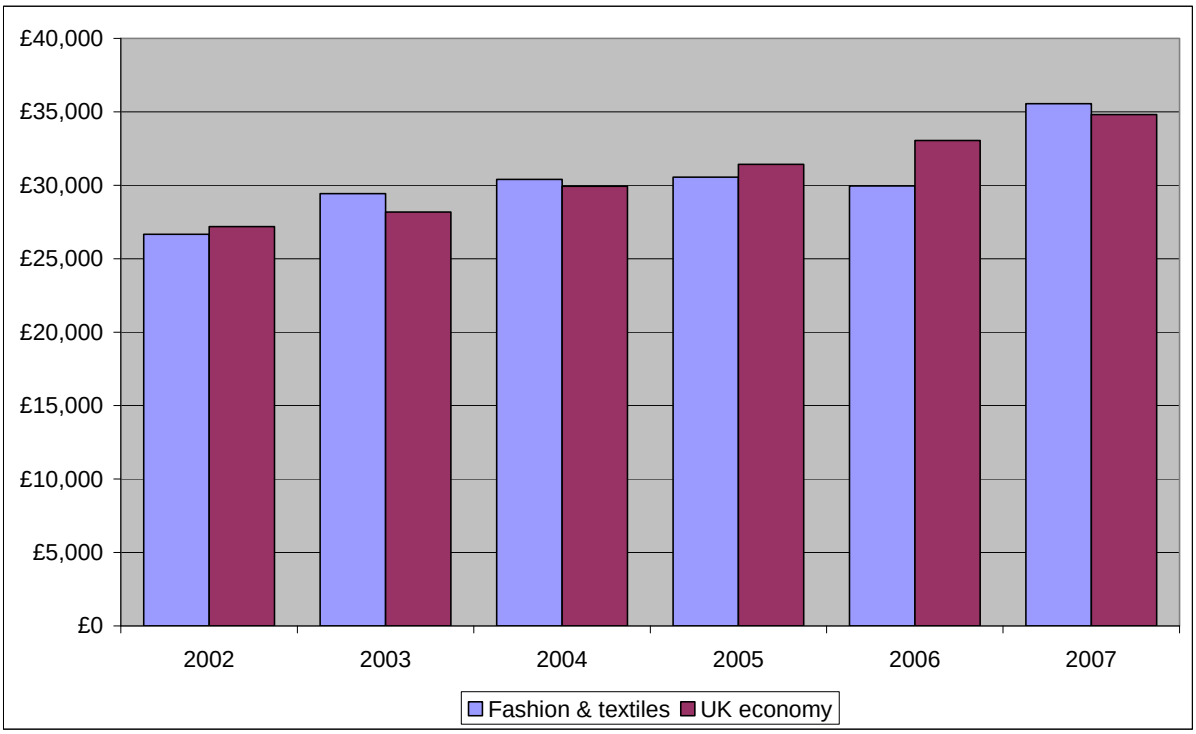


Source: ABI (please note. The method of collecting ABI data changed between 2005 and 2006 for which the employment estimates were made. Therefore, the figures are not strictly comparable between these years.)

5.4 GVA per head compared to the UK economy 2002-2007

Reinforcing this assessment of the sectors direction towards higher value production, in 2002 the sector's productivity was below the average for the wider UK economy. By 2007 it had increased to 102% of the average for the whole economy.

Figure 11: GVA per head compared to the wider UK economy



Source: ABI

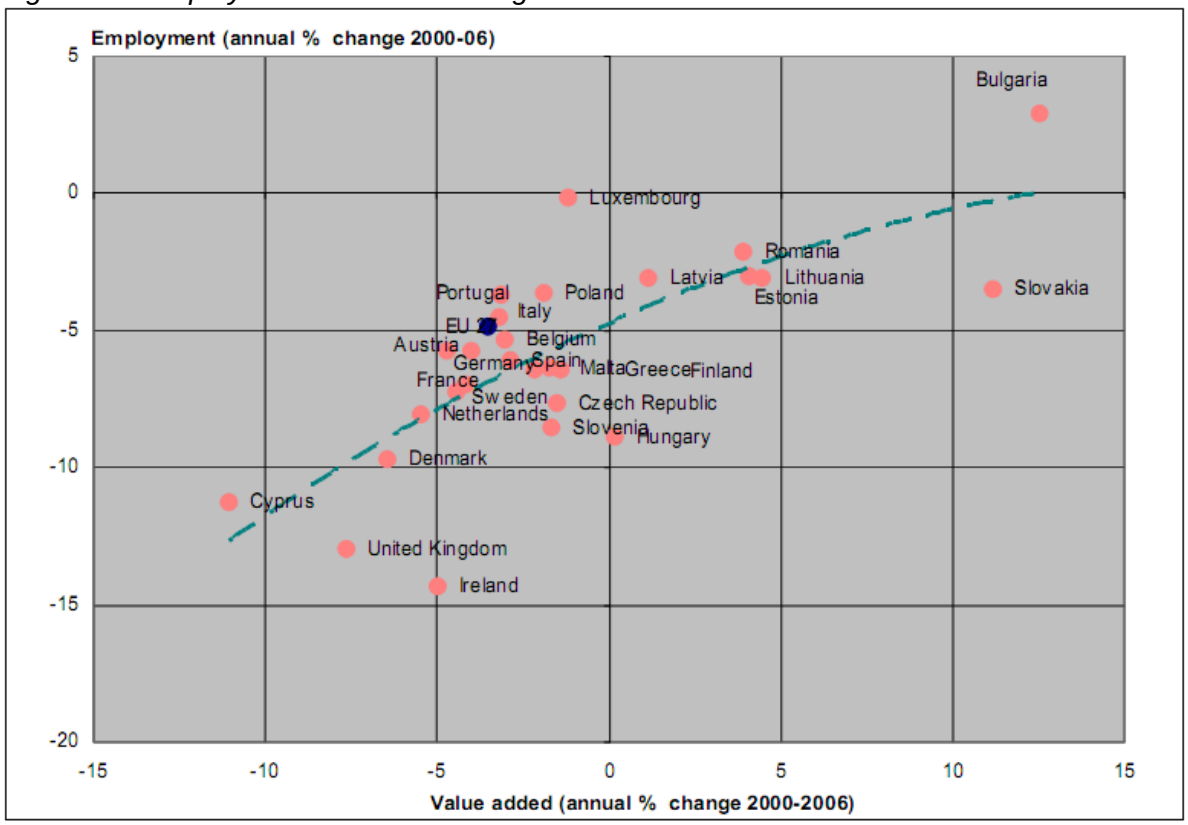
5.5 GVA and employment comparisons with other European nations

Comparing this performance at a European level, the United Kingdom can be seen to have faired badly in GVA and employment terms. Along with Denmark, Cyprus and Ireland, the UK fashion and textiles sector experienced the largest decline in employment and value added between 2000 and 2006 of all European nations.

However, highlighting how the European continent as a whole has struggled to retain its manufacturing base, the least falls during this period were made by low-cost countries that had just joined or were from outside of the European Union at the time and helps illustrate the picture presented by the map in Figure 4. These countries increased GVA and saw less falls in their manufacturing employment and they have been able to retain their competitive low cost advantage over their neighbours.

Yet, as Allwood et al (2006) have noted, this advantage may be eroded once Bulgaria joins the EU (Bulgaria was admitted on the 1st January 2007) and the imposition of EU rules on employment and trade may have increase costs as has happened in Hungary and Poland in this interim period.

Figure 12: Employment and GVA changes within the UK fashion and textiles manufacturing



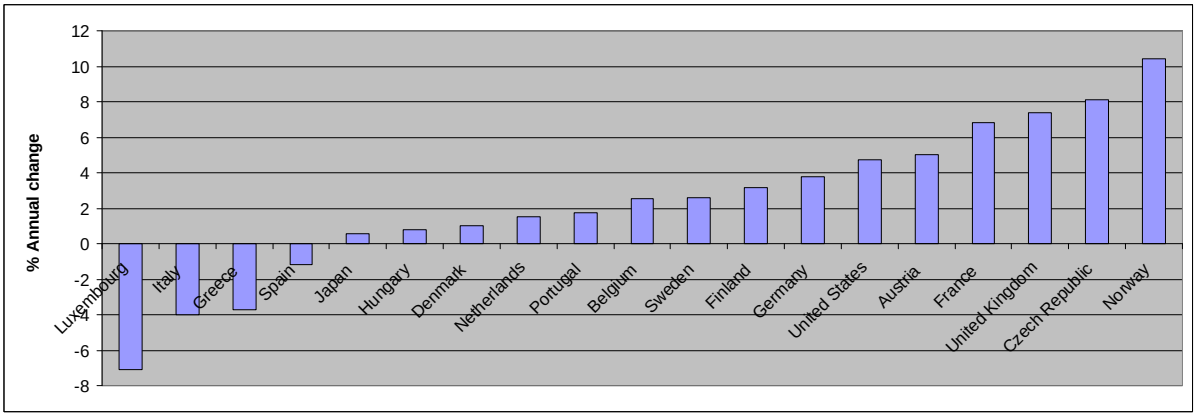
Source: Vogler-Ludwig K and Valente A C (2008)

5.6 GVA per head per annum of the manufacturing element compared to global countries

Signifying how the UK fashion and textiles manufacturing elements have compared on a global level, it is telling how the UK has significantly increased its GVA per head per annum within the manufacturing sub-sector as companies pursue a policy of outsourcing of low value, wage sensitive manufacture whilst retaining and developing niche and high-value production.

Using these figures with reference to the map in Figure 4, European countries that have a high concentration of production per head of population have seen in some cases sizable, falls in GVA per head.

Figure 13: Skillfast-UK manufacturing sector GVA per head vs World Nations 2000-2005

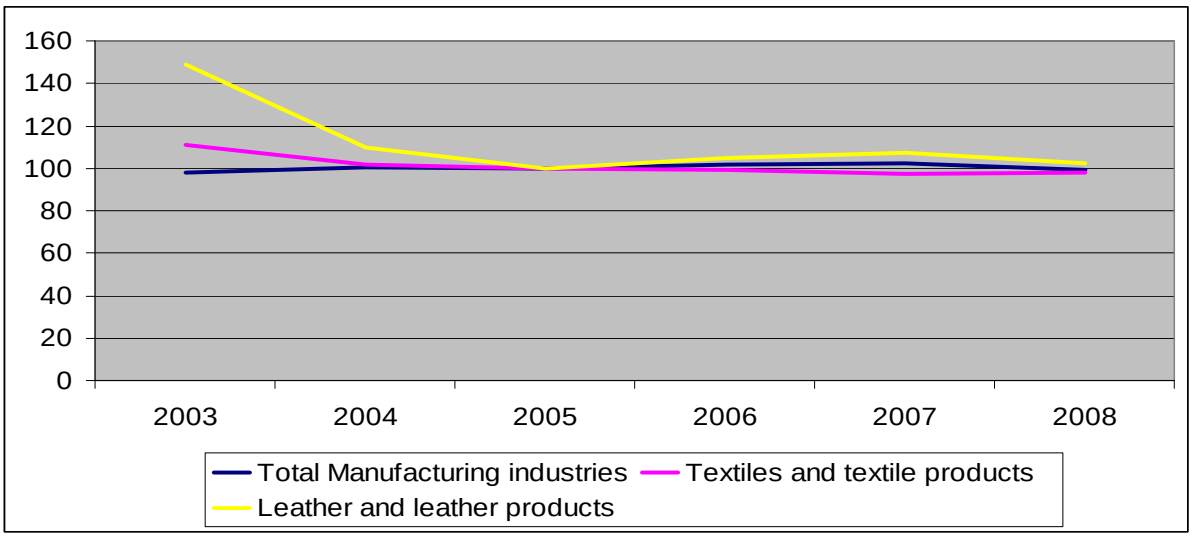


Source: OECD (based on SIC17-19)

5.7 Output of the fashion and textiles productive industries

Figure 14 indicates that of the manufacturing industries, manufacture of leather and leather products has seen the largest decline in output. However, this fall in output looks to have troughed by 2005 and possibly indicates that firm's most vulnerable to global outsourcing and competition from overseas had been removed from the UK economy.

Figure 14: Output of the fashion and textiles productive industries 2005 = 100

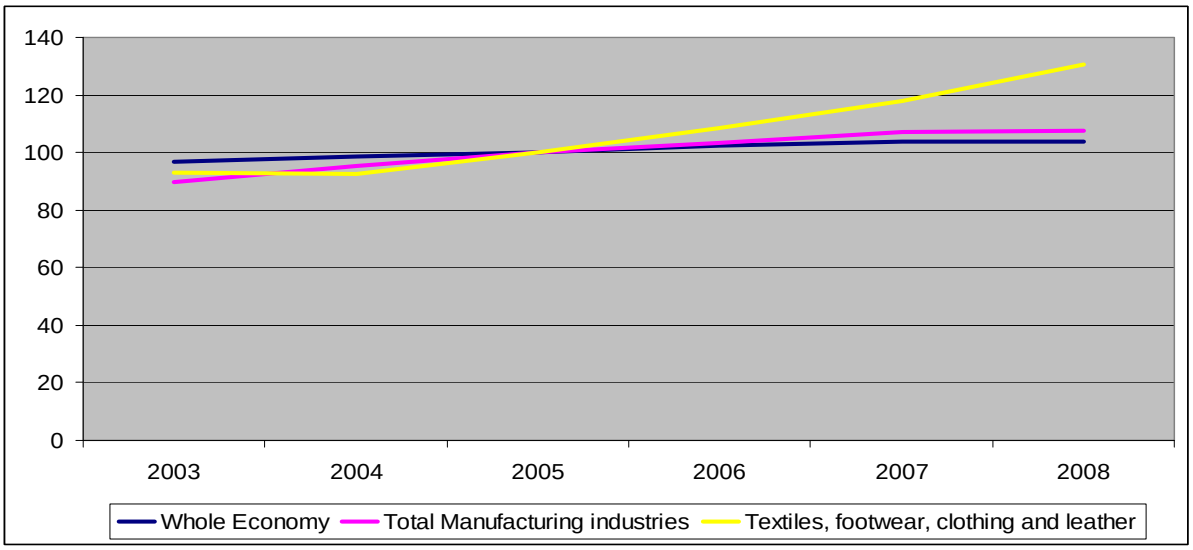


Source: ONS (2009b)

5.8 Output per filled job within the fashion and textiles productive industries

How the removal of tasks and functions where labour costs are sensitive to the final product are presented in Figure 15. This shows how the performance of output per filled job in the fashion and textiles sectors manufacturing base has exceeded both the performance of the total manufacturing industries and the wider UK economy as the sector moves to higher value production.

Figure 15: Output per filled job 2005 = 100



Source: ONS (2009b)

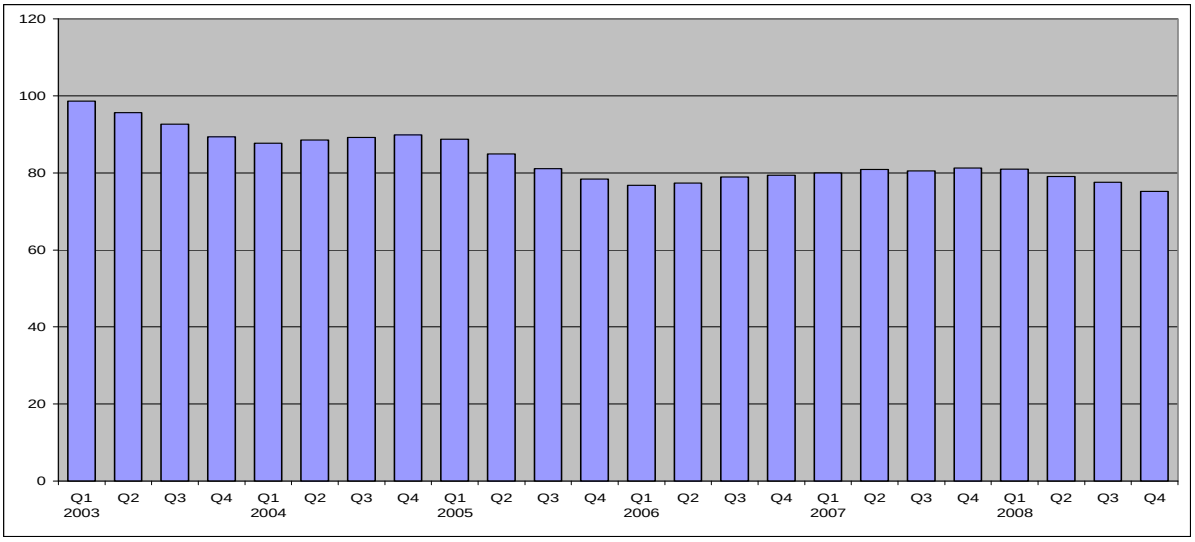
5.9 Sectoral employment

Labour Force Survey (LFS) data shows employment within the sector declined by 26% between 2003 and 2006 prior to modest growth of 2% during 2007. Skilled trades and process plant and machine operative roles were worst affected by the contraction in jobs with both groups contracting by around 50%. At the same time there was growth in employment, albeit modest in absolute terms, at the professional and associate professional/technical level.

What this figure shows is that whilst much of 2005 had seen continuing declines in employment numbers, 2007 as represented in the full year ABI data had stabilised implying the sector had begun to find a natural employment level following the large employment losses experienced previously.

Yet the pressures on the sector caused by the recession have meant that by quarter 4 of 2008 the impact of the recession was being clearly felt, with employment down by 12% compared with the corresponding quarter of 2007.

Figure 16: Skillfast-UK employment levels 2003-2007 (000's)



Source: Skillfast-UK estimates based on the LFS (using SIC 17-19, 2470, 5271 & 9301) and ABI (using SIC 5116, 5124, 5141 & 5142)

5.10 Comparative advantage of the sector and growth of the export market

Overall there has been continued decline of the comparative advantage of UK fashion and textiles products in world markets, reflected in the faster growth of imports compared with exports for sector products. This is another consequence of the impact of the low-cost competition that has seen the UK become a greater net importer of fashion and textiles products since 1995 and illustrated in Table 5.

Within this context, export success is increasingly critical to the sectors performance. Whilst the negative trade balance for fashion and textile goods has continued to increase due to expanding demand for imports, Table 4 demonstrates how the value of UK exports has also grown, despite a blip in 2005 due to a fall in textiles, to grow by 20%.

Both apparel and footwear/leather products have seen a slight improvement in their comparative advantage since 2004, as exports in both these areas have grown. Since 2003 the value of apparel exports has increased by over a quarter and footwear increasing by almost a third, signifying an increased demand for UK designed and manufactured fashion items.

However, the textiles and manmade fibre export market is still experiencing sharp declines in its competitive position. This follows a period of stability in the early 2000's and continues to look vulnerable from a manufacturing perspective.

In contrast textile exports have seen a slight decline whilst manmade fibre export sales have declined significantly by a quarter since 2003. However, manmade fibres have also interestingly seen a decline in import value during this period.

Table 5: UK export and import growth £ million BOP basis seasonally adjusted

	2003	2004	2005	2006	2007	2008	03-08 % change
Exports							
Textiles	2,949	2,960	2,776	2,789	2,735	2,794	-5%
Apparel	2,333	2,350	2,378	2,575	2,772	2,970	27%
Footwear	833	832	875	938	1,001	1,081	30%
Man-made Fibres	697	651	577	591	591	499	-28%
Totals	**6,115**	**6,142**	**6,029**	**6,302**	**7,099**	**7,344**	**20%**
Imports							
Textiles	5,384	5,495	5,376	5,685	5,847	6,257	16%
Apparel	8,552	8,906	9,325	9,799	10,144	10,773	26%
Footwear	3,293	3,425	3,589	3,817	3,913	4,330	31%
Man-made Fibres	460	423	389	372	372	393	-15%
Totals	**17,689**	**18,249**	**18,679**	**19,673**	**20,276**	**21,753**	**23%**
Trade Balance	**-11,574**	**-12,107**	**-12,650**	**-13,371**	**-13,177**	**-14,409**	**24%**

Source: ONS (2009c)

UK producers' success in this regard is reflected in their ability to secure a 'quality premium' in world markets in all significant product categories: this is reflected in the fact that unit export prices are higher than import prices for equivalent products, according to data from HM Revenue and Customs.

Since 2000 some product areas have increased the size of the premium they can command, most notably footwear and knitted garments. However, others, such as carpets and technical fabrics, have seen a narrowing of the gap as imports increased their market share within higher value segments in the UK market.

6. The Role of Globalisation in Shaping the Sector

To fully understand the dynamics that have shaped the structural change within the UK fashion and textiles sector, it is important to contextualise these changes within the impact of globalisation.

Globalisation of the supply chain has driven structural change in the UK and Western European fashion and textiles sector at a far greater rate than experienced by most other sectors of the economy.

Coupled with price deflation in the UK market, this has continued to lead to pressure on margins and reduced profitability for the sectors manufacturing firms, whilst creating opportunities for UK companies to reduce their manufacturing cost base through outsourcing.

Global outsourcing is not a new phenomenon for the fashion and textiles sector, a sector that has traditionally been sensitive to global political and economic changes yet recent academic thinking is beginning to place these changes within two distinct phases in an attempt to understand the current phenomena.

Bottini et al, (2007) note that the first phase of globalisation and outsourcing of production was initially driven by the clustering of production, enabled by the fall in transportation costs on the basis of specialisation in the production of completed goods.

However, a new second phase has been identified, characterised by the increasing separation of various production stages and a trade in tasks that has occurred in the past 20 years (Baldwin, 2006 in Bottini et al, 2007) and one which UK fashion and textiles firms have actively been taking advantage of and been particularly adept at.

As Bottini, et al (2007 p.7) recognise, *"this change has been driven by the ability of firms to take advantage of the mobility of capital in the pursuit of efficiency savings as political, economic and technological drivers have combined. Material off-shoring, predominantly in labour-intensive industries such as consumer electronics, textiles and apparels and footwear and leather goods was an early key characteristic of this movement."*

Within this context the outsourcing experienced by the textiles and fashion sector has been made possible by two key drivers.

Firstly, the liberalisation of trade policy, enabled by legislative drivers such as the phasing out in 2005 of the ATC that had protected developed countries from low cost competition from low production cost countries. The abolition of this legislation was key to opening up manufacturing opportunities for low cost countries to supply existing markets whilst also improving access to labour markets for companies to off-shore (although anti-dumping legislation remains in place).

Secondly, the continued sophistication of communication technology has allowed the managing of processes taking place overseas. Coupled with a fall in logistics costs to supply end markets, this has enabled companies to outsource and control the supply chain with far less disruption that would previously have been the case.

Summarising the significance of these changes, research by Clutier et al (2007) attempts to place the UK's position within the global context. The significance of Table 6 is that it offers a clear steer of high cost European producers such as the UK towards high value, innovative

and niche production areas and reinforces the findings of the Skillfast-UK SWOT analysis conducted with employers in the UK (Skillfast-UK 2005) which highlighted strengths and opportunities within the areas highlighted as positives for high cost producers within this analysis.

Table 6: Competitive analysis of the UK as a high cost producer in global TLC networks

Competitive factors	EU High Cost (inc the UK)	EU Medium Cost	Euromed Non-EU	Turkey	Asia
Labour costs	---	-/+	+	=	++
Qualification of labour	++	+	=	+	+
Labour availability	-	=	+	+	++
Management skills	++	+	=	+	+
Design/fashion	+++	+	-	=	-
Communication skills	++	=	=	+	--
Innovation	++	+	-	=	=
Market sensitivity	+++	+	=	+	--
Reliability/quality	++	+	=	+	=
Reactivity/flexibility	++	+	=	+	--
Local market base	+++	+	=	++	++
Access to raw materials	++	+	--	++	+++
Local trimmings/components	++	+	--	++	+++
Equipment	+	+	=	+	-/+
R&D	+++	++	--	=	+
Institutions/fairs	+++	-	-	-	+++
IT	+++	++	+	+	---/+++
Financial health/profitability	-	-	=	++	++
Access to capital	-	-	=	++	+++
National infrastructures	+++	++	=	=	-
Energy costs	-	+	=	=	-
Low administrative burden	+++	+++/---	--	--	--
Low regulations	---	--	=	=	+++

Source : Clutier et al 2007 p.22

+++ major competitive advantage; --- major weakness; +++/--- indicates where large discrepancies in countries within a region exist.

6.1 Price structure of goods within the sector

Demonstrating the trend towards the transfer of manufacturing capacity – and jobs – offshore, research conducted by Allwood et al (2006), and illustrated in Table 7, shows how the value in the supply chain lays within the higher value wholesale and retail operations by highlighting the price structures of a number of products and where they are produced as different phases of manufacture.

Table 7: Price structure of goods paid by UK consumers

T-Shirt		Blouse		Carpet	
Retail UK	£7.00	Retail UK	£22.00	Retail UK	£30.00
Wholesale UK	£2.65	Wholesale UK	£7.00	Wholesale UK	£18.00
Knitted T-shirt China	£1.96	Woven blouse India	£3.21	Manufactured carpet UK	£10.35
Knitted fabric China	£1.08	Woven Fabric India	£1.55	Carpet pile	£9.37
Cotton yarn USA	£0.55	Viscose yarn India	£0.70	Secondary backing	£0.83
				Primary backing	£0.83

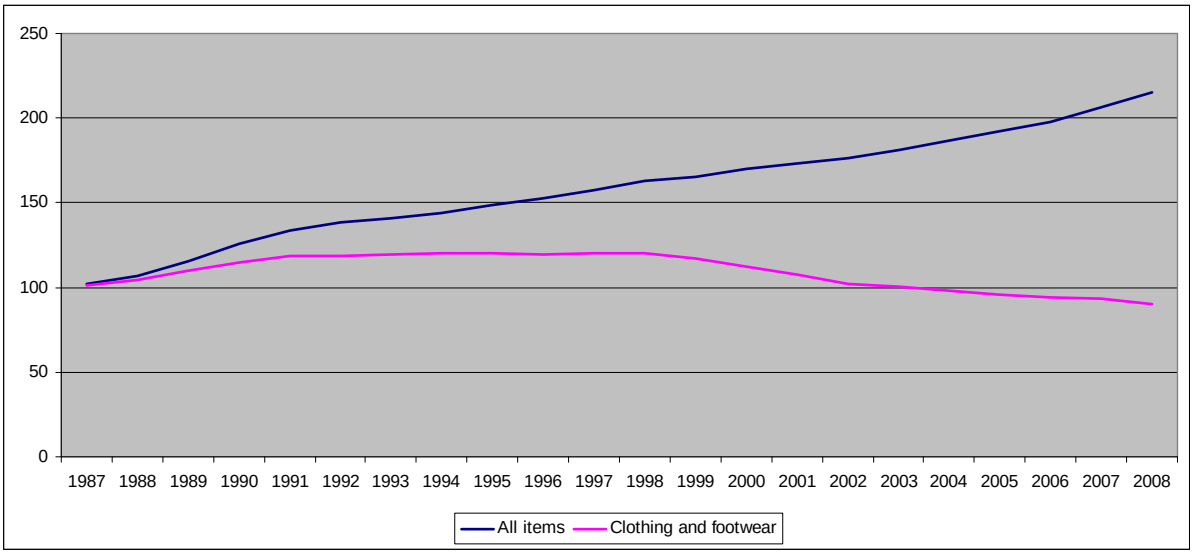
Source: Allwood et al 2006

In this analysis, Allwood et al (2006) recognise that, *"despite the exit of manufacturing in clothing and textiles from the UK, the sector continues to be highly valuable, as the biggest profits in the sector are at the end of the supply chain – in retail and branding. The cost and price structure of the sector globally is now characterised by there being potential for high profit from innovation, marketing and retailing but low profit from sourcing, production, assembly, finishing, packaging and distribution."*

6.2 Consumer Price Index for Clothing

This pressure on costs has seen the consumer price index for clothing and footwear uncouple itself from other consumer items as low cost imports have now become normal. As Figure 17 demonstrates, whilst the price of goods within the wider economy have more than doubled since 1987, clothing and footwear have remained at roughly the same level.

Figure 17: CPI for clothing and footwear 1987=100



Source: ONS (2009b)

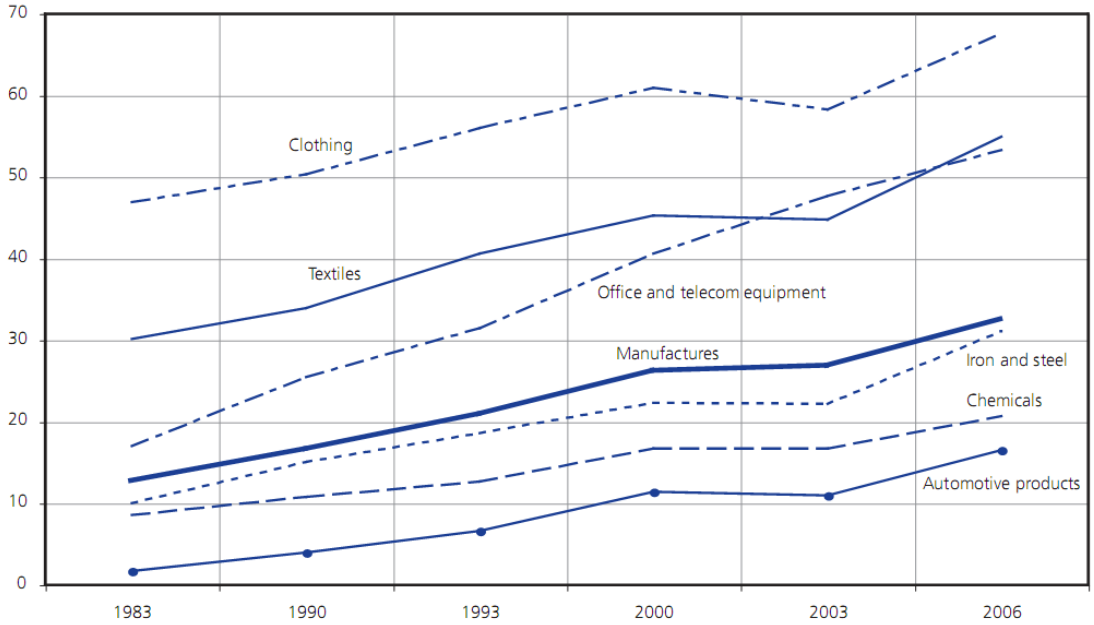
6.3 Developing countries percentage share of manufacturing of clothing and textiles

The impact of outsourcing is indicated by figures from the World Trade Organisation (WTO, 2008) and illustrated in Figure 18. Their annual report shows how these changes have facilitated the rise of China as a low waged textile and clothing manufacturing nation, increasing its export base in textiles by 19% and clothing by 16% within an eight year period. This though must also be seen in the context of taking fashion and textile production from other Asian countries who have seen falls in production and that the value of European

textiles and clothing manufacture has increased in the same period. However, it must be noted this value is related to the role of Central and Eastern European countries as manufacturing nations who themselves enjoy competitive wage advantages.

This situation and movement of lower cost manufacturing may not be significantly altered by the recent fall in the value of sterling and consequent upward pressure on the cost of imported goods. Indeed, this factor may well be offset by the continuing process of trade liberalisation.

Figure 18: Developing countries percentage share of manufacturing of clothing and textiles

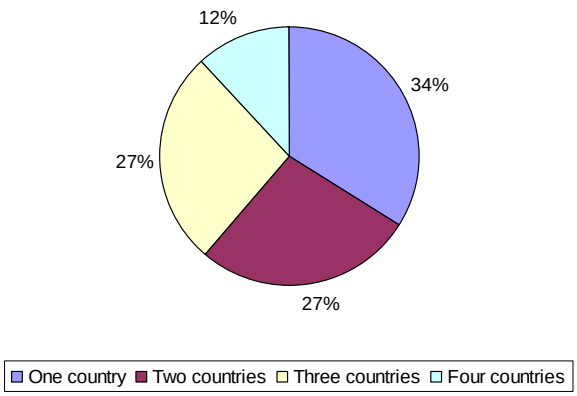


Source: WTO World Trade Report 2008 (p.25)

6.4 Sourcing of products

How such changes have impacted on firm behaviour, a recent research report commissioned by NESTA (Karra, N 2008) found that of the 51 fashion companies sampled, many were using a range of countries within their supply chains to create their products as reflected in Figure 19.

Figure 19: Companies involved in the production supply chain for designer fashion



Source: Karra, N 2008 based on 51 fashion companies

6.5 The fashion and textile sector's current position and ability to improve market conditions

Within this backdrop, a scenario planning exercise commissioned by Skillfast-UK in 2005 identified the key sub-sectors within the UK fashion and textiles footprint that were most at risk from these changes, and were identified as lower value cost sensitive production.

Pre-recession, although areas such as dyeing and finishing within high value production, heritage crafts and bespoke product development had not been impacted as much as predicted, the Table below has largely offered a correct assessment of the previous five years, as borne out by both the business registration/de-registration and GVA per head figures.

Table 8: The fashion and textile sector's current position and ability to improve market conditions

		Ability to improve market position		
		Low	**Medium**	**High**
Current Market Position	**Strong**		• Branded outdoor performance clothing • Technical textiles, finished products	
	Average	• Carpets • Wool system fabrics • Fabrics - Linen, silk, etc • Apparel lace • Merchant converting • Knitted fabrics • Wool/early processing	• Branded fashion; bespoke products • Home furnishings • Technical textiles fabrics • Speciality leathers • Importing and wholesaling • Corporate wear • Work wear and protective clothing • Leather-goods	• Designer apparel • Speciality MMF • Smart garments
	Poor	• Chain store own-label • Household textiles • Regular MMF • Yarn spinning • Cotton system woven fabrics • Commodity leather • Dyeing and finishing • Printing • Technical consumer goods		

Source: David Rigby Associates 2005

6.6 Movement towards a new typography

These forces have at present seen a movement towards a new typography for the UK fashion and textiles sector and are illustrated in research undertaken by David Tyler (2003).

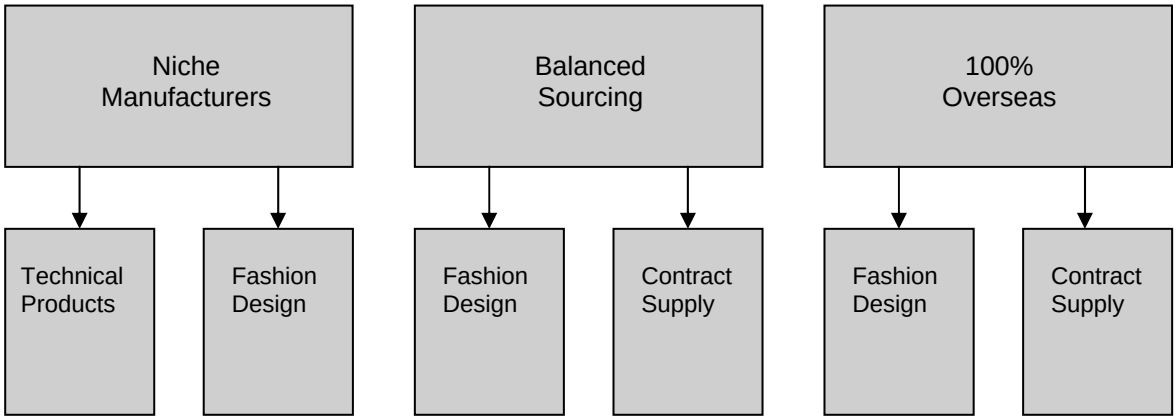
Tyler recognises there are three different strategies firms are currently following to maximise their competitive position within the fashion and textiles sector. These are:

Niche manufacturers – these businesses serve markets requiring small batch sizes of products commanding a higher margin. They rely on the development of technical products or a high level of design innovation to command a market.

Balanced sourcing suppliers – these businesses have a UK manufacturing base for sampling and a small batch production for a quicker response. Larger orders are sub-contracted to low cost countries. These businesses rely on a combination of design innovation and contract supply skills.

100% overseas suppliers – these companies have moved completely out of UK manufacturing, although they may retain a facility for sampling. As with balanced sourced suppliers, the key priorities for these firms are to ensure their designs are responsive to consumer demand and place a great deal of emphasis on managing, in some instances, large complex and multi-staged supply chains.

Figure 20: The new manufacturing typology



Source: Tyler 2003

Reflecting on how these forces have acted in practice, in a memorandum investigating the impact of Globalisation on the manufacturing industries, Burberry, in evidence submitted to the Welsh Affairs Committee following the closure of their Treorchy factory (Parliament UK, 2007) noted,

"The Treorchy experience is an obvious example where Wales has found it very challenging to compete against some other economies in manufacturing operations. Our own experience demonstrates that whilst globalisation can significantly impact upon lower value-added production in the UK, it has allowed global companies such as Burberry to grow our business around the world and has resulted in higher-skill, higher value-added jobs in the UK in design and marketing of our higher value garments.

Globalisation has meant that to remain internationally competitive, it is important to operate at the most appropriate and efficient locations. A combination of relatively high standard of education and lower wage levels present in Central and Eastern Europe will pose a challenge to lower value manufacturing operations in Wales and the rest of the UK."

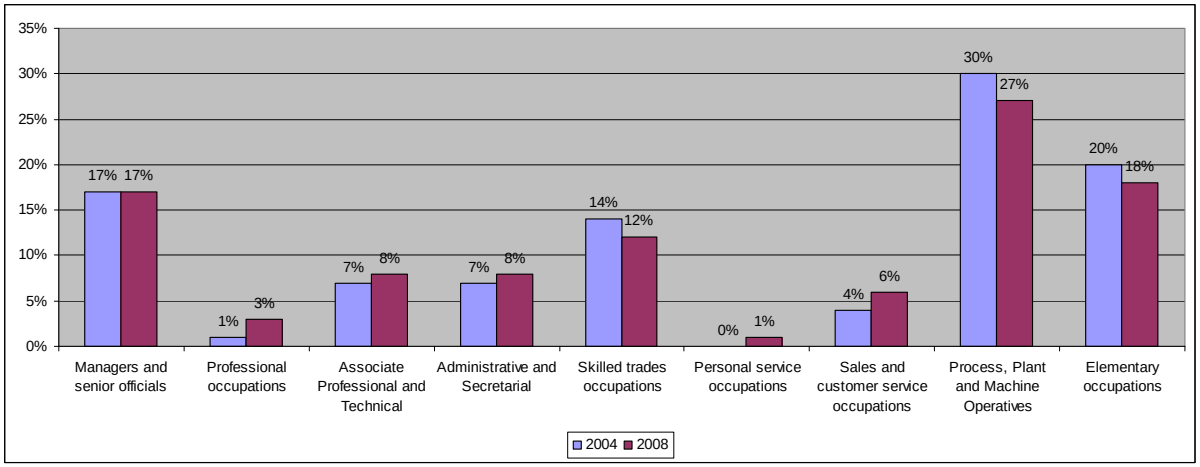
6.7 Changes to occupational composition

What these strategies have meant for the UK in terms of the composition of the fashion and textiles sector can be demonstrated by looking at the major occupational groups and qualifications held by people within the sector.

Taking into account the decrease in workforce numbers in recent years, what Figure 21 shows is that there has been a continued proportional decline in operative and elementary level occupations relative to this movement. Whereas in 2004 these occupational groups made up 50% of the workforce, by 2008 they had decreased to 44%.

Conversely, the figures show there has been a proportional increase in the number of managers and senior officials, associate professional and technical, administrative and sales and customer service occupations. All of these changes in workforce composition reflect the way fashion and textile companies within the sector are now utilising skills their resources in following the strategies underlined by Tyler's new typography.

Figure 21: Occupational make-up of the sector 2004 vs 2008 in the UK



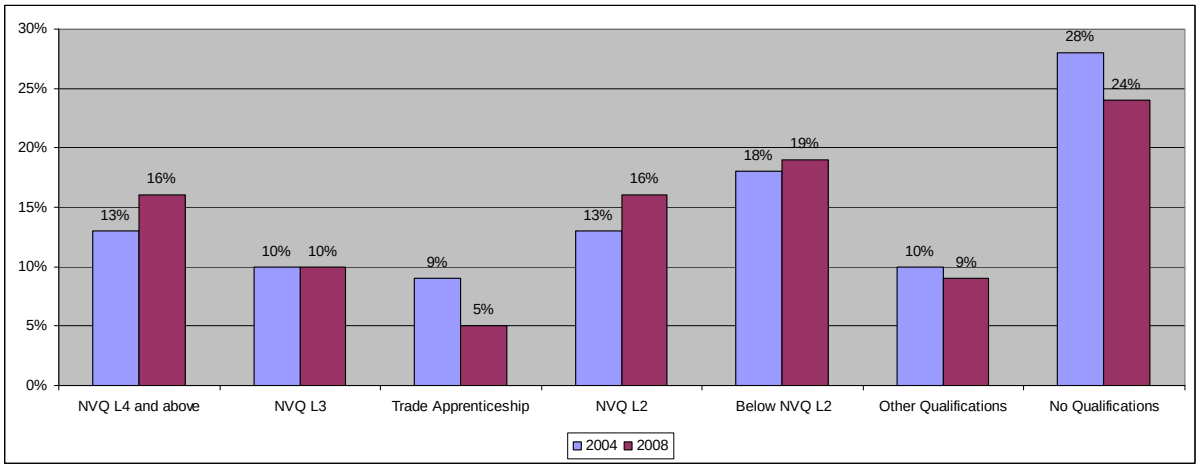
Source: APS 2004[3] & 2008 (based on SIC 17-19, 2470, 5271 & 9301)

6.8 Changes to qualification composition

This changing composition of the sector is also reflected in the qualification levels of employees within the sector. As low skilled jobs are lost, this has seen a large decline in the number of people without qualifications within the sector. In the same period, this contraction of low skilled jobs has seen an increasing proportion of workers in the sector qualified to N/SVQ level 4 as a direct result of sector restructuring and changing compositions to the skills mix required by companies in the sector.

[3] Please see (ONS 2008) for the detailed reference for this dataset

Figure 22: Qualification level by proportion 2004 vs 2008 in the UK



Source: APS 2004 & 2008 (based on SIC 17-19, 2470, 5271 & 9301)

Hitherto, high level technical functions such as design, product development, production management and quality control have typically been retained in the UK by suppliers or retailers. However, as the capability of overseas producers improves there is a threat that these functions will also be transferred and must be monitored with care.

7. Drivers of Skill Demand

Given the backdrop of the economic climate and the impact of globalisation on sector performance, the key drivers of change identified by Skillfast-UK that impact on the level and mix of skills demand within the sector are:[4]

7.1 Adaption to consumer tastes and end-user requirements

In recent years both the UK fashion and textiles sector has had to constantly adapt to rapidly changing consumer tastes and end-user requirements in order to remain competitive.

In consumer markets this has been characterised by "fast fashion", whilst in technical markets customers in end-user industries such as aerospace and automotive are continually looking for improvements in the performance of products and materials whilst performance apparel has become increasingly important. These two strands are explained in further detail below:

Fast fashion

The rise of fast fashion to satisfy changing consumer tastes has put increasing pressures on companies to supply their retail markets quickly and cheaply. This has meant firms have had to think carefully on how best and most quickly they can satisfy the needs of the end user. This process has also greatly impacted the role of the design function to ensure products are suited to the fashions developed that season.

[4] This analysis draws mainly on Skillfast-UK (2005), *Skills Needs Assessment for apparel, footwear, textiles and related businesses*, including more recent sectoral developments

Within this context, two strategies have been followed by producers. The first is by retaining the design elements of their operations but outsourcing high cost labour operations to lower production cost countries. This puts the emphasis on using quicker and more efficient supply chains to get products to market with increased profitability.

The second trend is whilst there have been visible movements of production outsourcing to countries such as China, India and Pakistan facilitated by the end of quota agreements, there has been a counter to this through the rise of localised production driven by manufacturers and retailers needs to chase fashion trends and get products out to market as quickly as possible. (Allwood et al 2006, p.60)

On a European level, this is best demonstrated by the example of the Spanish company Zara whose success is quoted, *"on being based on speed, flexibility and innovation. Manufacturing in Portugal and Spain adds a cost to the premium of their products; due to the higher labour rates. But this localised production allows Zara to respond to consumer trends more rapidly than competitors whilst also avoiding expensive discounting of end-of-season clothing stocks. Having production closer to the point of retail, and organised in many small units, allows flexibility and responsiveness, without incurring charges for air-freight as would be required from Asia."* (Hau Lee, 2006 in Allwood et al 2006)

Technical markets

The UK has experienced a large growth in technical textiles facilitated by demand from other end user sectors as, aerospace/space, composite textiles, industrial biotechnology, nanotechnology and other cross-cutting sub-sectors are rapidly becoming growth industries for UK manufacturers. A recent DTI report put the contribution of technical textiles to the UK economy at £1.5 billion. (DTI 2007).

Traditional textiles and apparel manufacturers have spotted opportunities diversifying away from their traditional consumer markets to lead the market in innovative production. This change has seen firms in this area as described by Vogler-Ludwig and Valente (2008) as *"transforming into a provider of technical solutions rather than consumer textiles. (sic: Companies) have detected a wide range of technical applications of textiles in construction, medical technologies, electronics, and others, which allow it to enter new markets or substitute existing technical solutions with textiles".*

Similarly, UK manufacturers are increasingly involved in producing world leading products for the performance apparel/smart garment market.

The document 'UK Technical Textiles: A Strategy for Growth (2004-2009)', recognises that technical textiles companies cater for a wide range of high performance end-use markets, including construction, civil engineering, industrial applications, automotive/aerospace, medical applications and technical and high performance garments and employed by establishments falling into the following categories within a supply chain, although some bridge multiple categories:

- research and technology development
- technical yarn spinners
- technical fabric weavers
- technical fabric knitters
- manufacturers of non-woven's
- coaters and finishers

The report illustrates the vast range of markets that the technical textiles and performance apparel sectors service and is re-presented overleaf in Table 8.

This movement into the technical textiles and performance clothing markets is important as traditionally there has been a relationship between the technical textile and garment manufacture sectors. However, the DTI (2007) indicates how this relationship was one firms were looking to break.

The research highlighted how firms involved in the technical textile market were following one of or a combination of a number of four key strategies, all of which have repercussions for the skills mix of the sector. (DTI 2007 p.7)

i. a decision to pull-out of volume markets and concentrate on niche products, often through the development of new products
ii. linked to this is the move out of the garment sector entirely
iii. the pursuit of increased manufacturing volume but with manufacturing carried out in India and the Far East
iv. improving efficiency of existing production through taking cost out of the business

Table 9: Technical textiles end user markets

Sector	Products	Key Drivers
Automotive and Aerospace	• 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 (MRGs) ie hoses and belts • Various composites	• 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 Textiles	• Aerospace components (tails, wings, fuselages propellers) • Boat and scull hulls • Bicycle frames and racing car bodies • Fishing rods, storage tanks, and baseball bats • The new Boeing 787 structure, including the wings and fuselage is composed largely of composites.	• Develop product development and service capabilities to assist users with individual design • Application and technical troubleshooting issues • Provide QR manufacturing and distribution capabilities to cope with a wide variety of individual customer specifications and supply requirements • Supply and service increasingly global markets
Industrial Biotechnology	• Medical textiles, including all those textile materials used in health and hygiene applications • Incontinence pads, and diapers • Artificial veins • Prosthesis etc • Breathable, temperature-regulating materials • Lightweight shock-proof materials • Water and dirt repellent materials	• High crude oil prices • End consumer 'pull' for green biotech products • Bio-based based materials v crude oil based materials • Concerns about greenhouse gas emissions • Scientific progress, ie advancements in synthetic biology
Nanotechnology	• Nano-sized whiskers protrude from the fabrics, allowing any spill to be easily wisped away without damage to the fabric. • Antimicrobial and anti-mosquito protection into a vast array of products. • Leather degreasing • Textile dewatering • Applications of nanotechnology in textile production • Electronic textiles	• Less-invasive procedures and pressures for medical conditions, all point to nanotechnology as offering a new approach in healthcare materials • World textile and clothing overview • Macro and micro value chain of the textiles industry • Overview of the market potential for nanotechnology in textiles • Nanotechnology in the textile-related categories of; technical/non-

	• Fibre modification • Textile pressure and strain sensors, used in clothing that can measure heart rate and respiratory rates, and to detect movement in buildings and structures • Electrically conductive textile materials, used in health monitoring garments, utilised by the military for inconspicuous communication tools, and for fashion items i.e. Ipod jackets or mp3 players integrated into snowboarding gear	woven/industrial textiles, high-performance textiles, multifunctional textiles and Smart/intelligent textiles
Others, eg cross cutting performance clothing, work-wear and technical textiles	• High visibility clothing (for joggers etc) that incorporates reflective materials • Protective clothing is another related area that includes garments which offer a higher level of protection than offered by standard work wear garments	• Growth of sporting and outdoor pursuits demanding performance apparel

Source: Adopted from UK Technical Textiles: A Strategy for Growth (2004-2009)

7.2 The British style

There is a distinctive "British style" which is recognised in world markets which adds generally to the attraction of UK branded goods in segments such as formal outerwear, cashmere knitwear, men's shoes and worsted suiting fabrics. This style typically relies on a high level of product quality from UK manufacturers. The British style can be seen to being driven by both domestic and overseas market demands.

For instance, recent reports have shown a number of Scottish designer brands such as Peter Scott, Todd and Duncan, and Johnston's of Elgin have seen increased demand for their luxury cashmere in European markets (Twist, Dec 2009), whilst case studies available from the British Chamber of Commerce (BCC 2009) highlight how fashion and textiles firms have successfully found niche production and export markets globally.

The burgeoning middle classes of consumers in developing countries are illustrated by Clutier et al (2007) who recognise,

"in the luxury segments, selling to affluent consumers in China, or India, who themselves are highly competitive (textile and apparel) producing countries, does not necessarily draw production there, as these consumers are generally attached to the European notion and particular lifestyle favour accompanying it, and as high margins and fragmented volumes help keep production in areas with costly but highly technical or creative labour." (Clutier et al 2007 p.76)

This key area of the demand for a British style is best reflected though figures provided by the Department for Culture, Media and Sport (DCMS) showing sizable growth for the designer fashion sector within the UK and illustrated in Table 10.

DCMS report that between 1997 and 2006, GVA for designer fashion grew from £280m to £450m, businesses from 1,400 to 2,800 and employment from 80,700 to 130,700 as firms have been increasingly successful in finding a successful niche in the market, both in domestic and export markets based on high quality British styled goods.

Table 10: Designer fashion sector growth

Year	GVA at current prices £ millions	Creative employment GB	No. Businesses
1997	280	80,700	1,400
1998	270	88,800	1,300
1999	300	93,500	1,300
2000	360	98,500	1,300
2001	320	103,000	1,300
2002	320	115,000	1,300
2003	330	113,200	1,300
2004	380	110,400	1,400
2005	430	115,500	1,400
2006	450	118,700	1,500
2007		130,700	1,500
2008			2,800

Source: DCMS 2009

7.3 Adaption to changing technology

The competitiveness of the sector partly relies on the ability of companies to harness continually emerging technologies in a whole host of areas including computer-aided design, materials technologies, processing technologies and lifecycle management.

The 2005 UK Fashion and Textiles Sector Needs Agreement (Skillfast-UK 2005) notes how the application of technology has major implications for the sector's skills requirements. For instance, key applications recognised that the sector had become reliant on and include:

- computer aided design and computer controlled machinery
- production and resource planning
- labour saving textile production technologies such as 3D knitting
- supply chain management and industrial sales (including the use of EDI by larger manufacturers and traders to manage relationships with retail customers)
- virtual networking and collaboration in the areas of production development, engineering and design
- the development of innovative materials such as new generation of non-woven fabrics, new fibres and technical textiles.

Online retailing

In addition, there has been a definite trend within the fashion and textiles sector to utilise direct on-line sales and e-commerce with fashion and textiles firm increasingly selling their goods independently from source.

Manufacturers who are forgoing traditional partnerships with retailers and are now seeing this trend for on-line fashion and textiles as a key driver for their businesses. Industry magazine Drapers in publishing their expert forecasts for 2010, quoted amongst others, the outgoing New Look Chief Executive Officer, Phil Wrigley, who emphasised how from a retail perspective e-commerce will drive businesses in the sector.
"We'll see the continued success of value and online retailers. That trend will continue and consolidation will continue as people come under pressure on their profits. Retailers will also continue to go global and extend their reach. The consumer's desire for differentiation and to

be in control will continue and online has accelerated that proposition. Online opens up most of these choices without having to move from the desk and chair. Customers will be looking for retailers whose products and services are absolutely for them." (Drapers 9th Jan 2010)

7.4 Migration

The fashion and textiles sector has been greatly affected by the significant influx into the UK of migrant labour (much of it skilled), particularly from Poland following its accession to the EU in 2004. This has led to improved access to skilled labour and reduced labour costs for the sector.

Figures recorded by the Home Office through their Accession Monitoring publications are insufficiently defined to offer a quantifiable figure on employment levels within the UK fashion and textiles sector. However, the Annual Population survey puts the figure at around 10% and anecdotal evidence from employers suggest that large levels of migrant labour have been invaluable for firms to remain competitive ensuring they have the skills available to make their businesses work.

Whilst employers were able to take advantage of this boon in skilled labour and were looking for help with culturally helping the workforce, with the recent recession and the loss of many migrant workers back to their home nations, a key challenge for the sector will be ensuring there are enough skilled people within the UK that can ensure the sector can continue to compete and innovate.

This shift in priorities has been confirmed by the recent Skillfast-UK employer survey that highlights whilst the recruitment and training of Eastern European workers is not a priority, skills shortages in important areas of their businesses persist.

7.5 Image of the sector

The painful period of transition experienced by much of the sector has had a negative effect on perceptions of career opportunities among potential entrants.

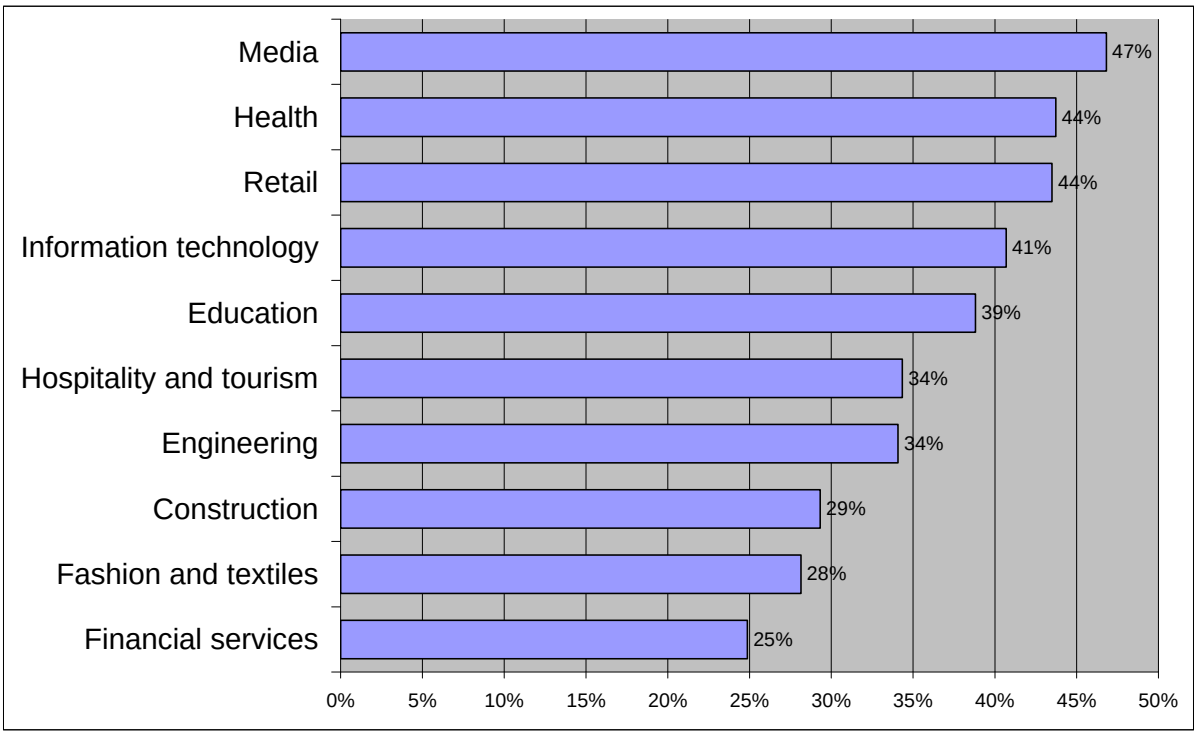
This issue has important implications for future labour supply to the sector, in view of the ageing workforce as pointed to in the demographics of the sector, and replacement demand requirements that will be highlighted in Section Three of this report.

A recent survey of 14-19 year olds conducted by Skillfast-UK (Skillfast-UK 2009c) found that fashion and textiles was ranked ninth out of a selection of ten industry sectors in terms of its attractiveness as a career option.

Whilst sectors that enjoy either a high profile or visible career routes such as media, health and retail were the top ranking sectors, barely a quarter of all respondents considered the UK fashion and textiles sector an attractive one to work in.

These figures also mask a substantial gender gap that the survey revealed with 42% of females but only 15% of males perceiving the sector as one they would like to work in.

Figure 23: Attractiveness of the sector

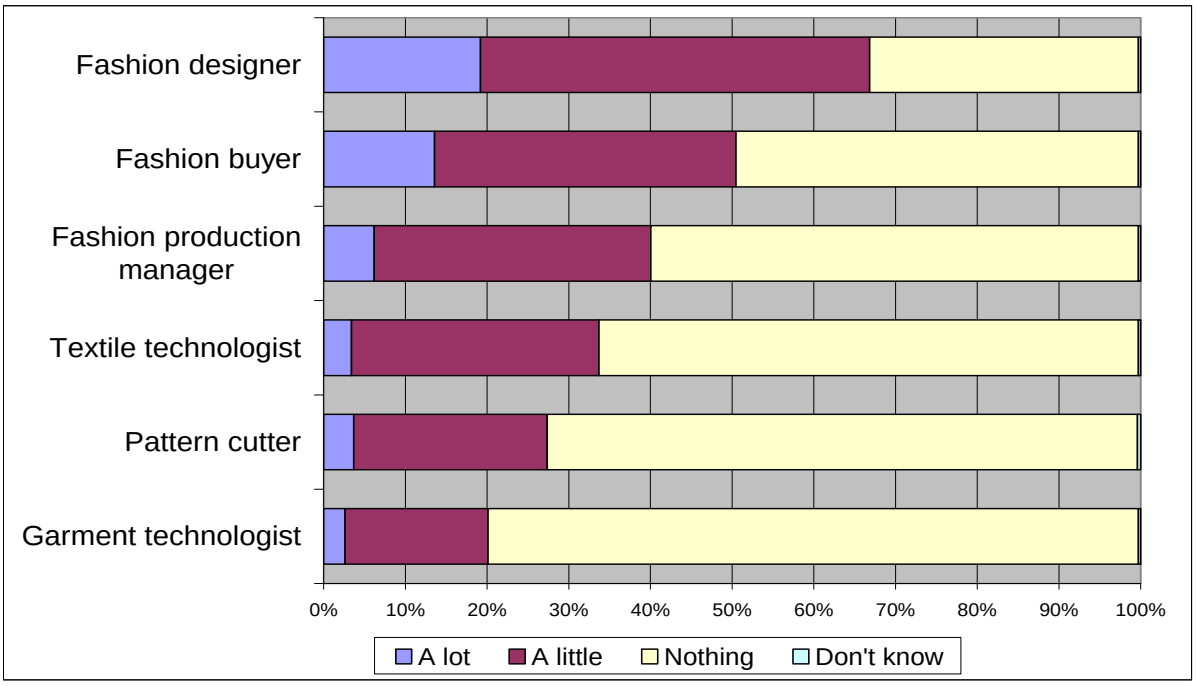


Source: Skillfast-UK sample base 765 14-19 year olds across the UK

A key finding of this research was that the perception of the sector is affected greatly by the awareness of job roles available within the sector. The respondents were aware of the roles of fashion designers and buyers with over half claiming to know something about their function.

Key occupations that are expected to contribute to the continued success and future strength of the sector all suffer from a lack of awareness as to what these roles entail. Occupations such as fashion production managers that are responsible for ensuring the quality of production across the supply chains, and the technical occupations that are currently shaping the future direction of the sector are areas that are not well understood.

Figure 24: Awareness of job roles in the sector

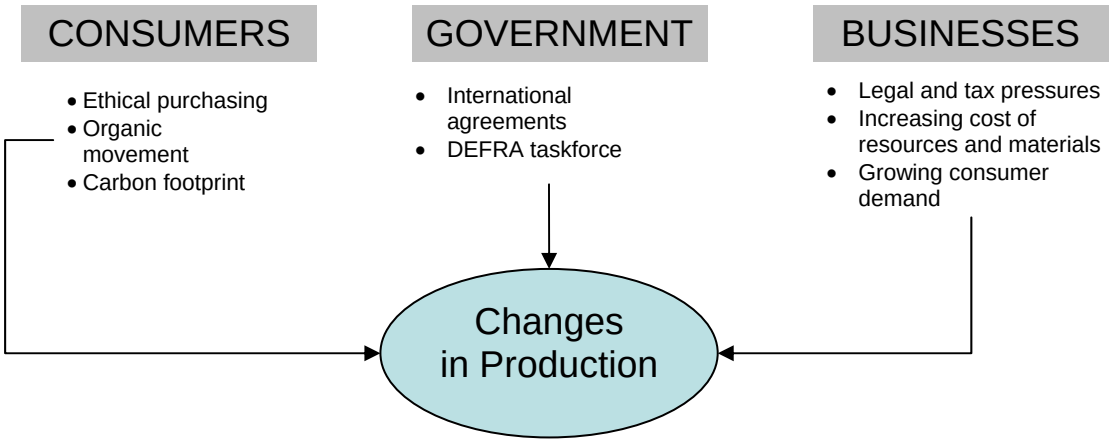


Source: Skillfast-UK sample base 765 14-19 year olds across the UK

7.6 The sustainability agenda

The one major skills driver that has increased in prominence since the publication of the Skillfast-UK SNA in 2005 has been the importance of the sustainability agenda shaping company behaviour, highlighted by the diagram below:

Figure 25: Drivers of the sustainability agenda



Allwood et al (2006) identified four areas where major environmental issues associated with the sector are and listed as impacting both the sector and firm behaviour. These include:

- energy use in laundry, production of primary materials especially manmade fibres and in yarn manufacturing of natural fibres
- use of toxic chemicals which may harm human health and the environment – in particular the conventional cotton production
- release of the chemicals in water waste – especially in wet pre-treatment, dyeing, finishing and laundry – which may harm water based life
- solid waste arising from yarn manufacturing of natural fibres, making up and disposal of products at the end of their life

Skillfast-UK's sustainability research

Recent research conducted by Skillfast-UK (2009b) has highlighted four main drivers on company behaviour in the fashion and textiles sector to modify their behaviour and how the skills needs of firms were being changed by the legislation. This is described through how the offerings of professional bodies, trade associations and providers were being adopted to allow firms to meet their objectives including:

- Legal regulations
- Taxes
- Consumer demand
- Preparation for expected increases in energy and resource prices

The drivers the report identified are as follows and explained below:

Legal regulations

In September 2009, the Department for Environment, Food and Rural Affairs (DEFRA) published a Sustainable Clothing Action Plan (DEFRA, 2009) which has attracted a large number of retailers and manufacturers, and encouraged companies such as Marks and Spencer to publish a 100 step sustainability plan for its textiles and clothing business.

EU legislation (EU, 2007) such as the Regulation, Evaluation, Authorisation and Restriction of Chemicals (REACH), which came into force in 2007 and involves EU member nations ensuring all manufacturers and importers of chemicals must identify and manage risks linked to the substances they manufacture and market. This impacts the UK fashion and textiles sector as a downstream user of chemicals.

Other EU legislation such as the Integrated Pollution Prevention and Control (IPPC) that entails plants for the pre-treatment (operations such as washing, bleaching, mercerisation) or dyeing of fibres or textiles where the treatment capacity exceeds ten tonnes per day are subject to the IPPC Directive, and are required to obtain an authorisation (environmental permit) to operate.

The EU biocides directive and Emissions Trading system are also pieces of legalisation that may impact areas of the sector.

Consumer demand

The Skillfast-UK research found that companies were keen to deliberately use the sustainability agenda as a marketing tool to differentiate their business, and stimulate consumer demand for sustainable products. Indeed, membership of organisations that differentiate their products as being sustainably produced such as the Soil Association were key drivers of behaviour.

Increasing consumer demand for ethically produced fashion and textiles products was also identified as a key driver behind firm behaviour.

Preparation for expected increases in energy and resource prices

Many firms had been successful in greatly reducing costs within their business through the introduction of cost saving measures that also impacted on sustainability.

Many firms within the Skillfast-UK study had invested in various technological solutions and working practices to ensure they could either minimise waste by optimising production techniques or supply chain activity that allowed them to reduce the running costs of their businesses. These included the better management and monitoring of their supply chains and the investment in new technology to computer control processes to minimise the wastage of chemicals and water.

8. Skills Implications

In summary, the operation of these drivers in the context of the global forces that surround the sector, points to a strategy of differentiation being the optimal one for the sector rather than one of cost leadership. In view of this, there are a number of key factors for success which have important implications for human resources in the sector that straddle a number of these drivers.

8.1 Design creativity

Many firms in the sector rely on creative design to add value to products build brands and secure a competitive advantage in world markets. To realise this creativity design excellence needs to be allied to strong technical skills/knowledge and commercial awareness.

8.2 Branding and marketing

Successful UK companies differentiate their offer from that of low-cost competitors through the development of strong brands. This calls for specialist skills, as does the requirement to identify and exploit new product and geographic markets in order to remain one step ahead of competitors.

Comparative research (Owen, 2003) looking at parts of the UK and Italian sectors at a micro level also places a significant emphasis on the importance of skills in areas such as design, marketing and garment construction to the overall superior competitiveness of the sector in Italy.

8.3 New product development and commercialisation of new technologies

To develop the products needed to compete in technical markets identified in Table 5, firms in the sector need access to specialist technologists, such as textile technologists, as well as graduates across a wide range of STEM disciplines, including chemistry and engineering.

New product development also typically entails process development, creating a need for upskilling at technician and operator level to facilitate these changes.

8.4 Ability to compete in premium and niche markets on a global level

The UK's competitive advantage in this area typically relies on low cost, small scale manufacturing of high added value and difficult to make products. Success in this area depends, in turn, on specialised craft skills such as tailoring and shoemaking. These skills are typically "tacit": they cannot be easily documented and must be passed on through hands-on experience over a considerable period of time.

8.5 New business start-ups

As seen in the increasing rate of businesses in the sector registering for VAT, the emergence and growth of niche markets has led to a high start-up rate of businesses seeking to meet this new demand, adding to an already large micro business population in the sector. Owner-managers require a combination of business/management skills and technical knowledge.

8.6 Overseas sourcing

UK firms' focus is increasingly on the management of overseas supply chains. This function requires direct experience and understanding of the production environment, together with knowledge of materials/product technology.

8.7 Cost reduction

There are some capital-intensive elements of the sector where scope lies to maximise productive efficiencies and reduce unit labour costs - an issue that is especially pertinent in the current financial climate. This creates a need for upskilling and multi-skilling, particularly at operator level.

8.8 Management and leadership

The sector performs poorly in terms of attracting its fair share of graduates into management positions and many managers lack wider experience and formal management knowledge having been promoted from within the company. This is borne out by the increasing movement in the sector towards higher level skills yet the proportion of graduates entering the sector remains low. This is a key problem when strong leadership is required in a time of rapid change and when there is a need to maximise the contribution of workers.

8.9 Ageing workforce

As noted in the sector demographics, over a fifth of the workforce are aged over 55 and a high proportion of workers in key technical roles are nearing retirement. The requisite technical skills are in short supply as a result of a long-term decline in apprenticeships and other development mechanisms. Moreover, the negative image of the sector restricts employers in their efforts to bring in new recruits to fill core technical roles.

9. Impact of the Recession

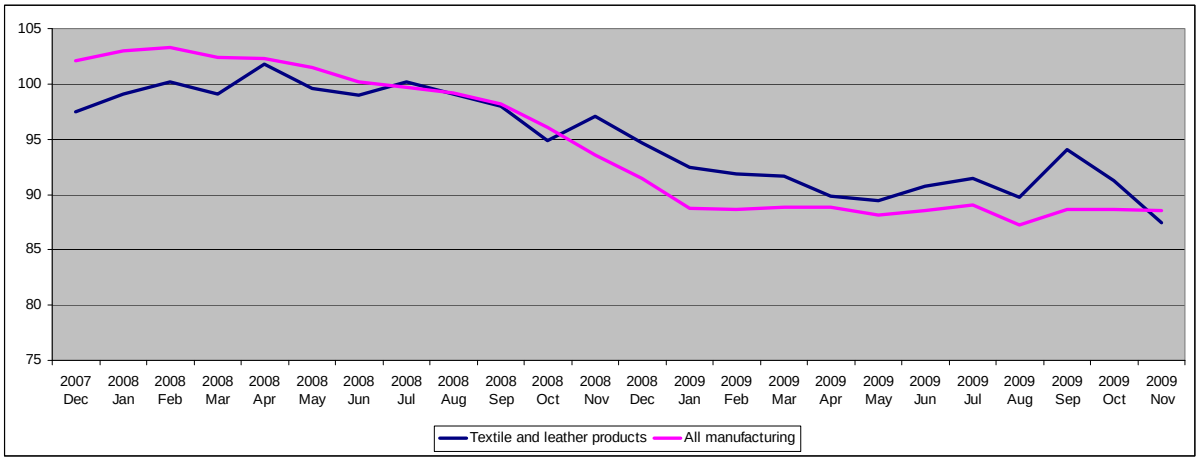
The impact of the recession has been especially hard on the UK economy and the fashion and textiles sector in general and the assessment must be read in these terms.

To help understand the impact, a number of key measures can be used to understand the impacts that have occurred on the sector.

9.1 Productivity

The Index of Productivity has shown a large decline for the textiles and leather manufacturing sub-sector in line with the overall national economy. The Index also shows the changes in fashion and textiles have been rather more volatile that experienced in the manufacturing segment more widely. This is characterised by the level of decline experienced to November 2009 and the latest dip seen within sector production.

Figure 26: UK Index of Productivity 2005=100



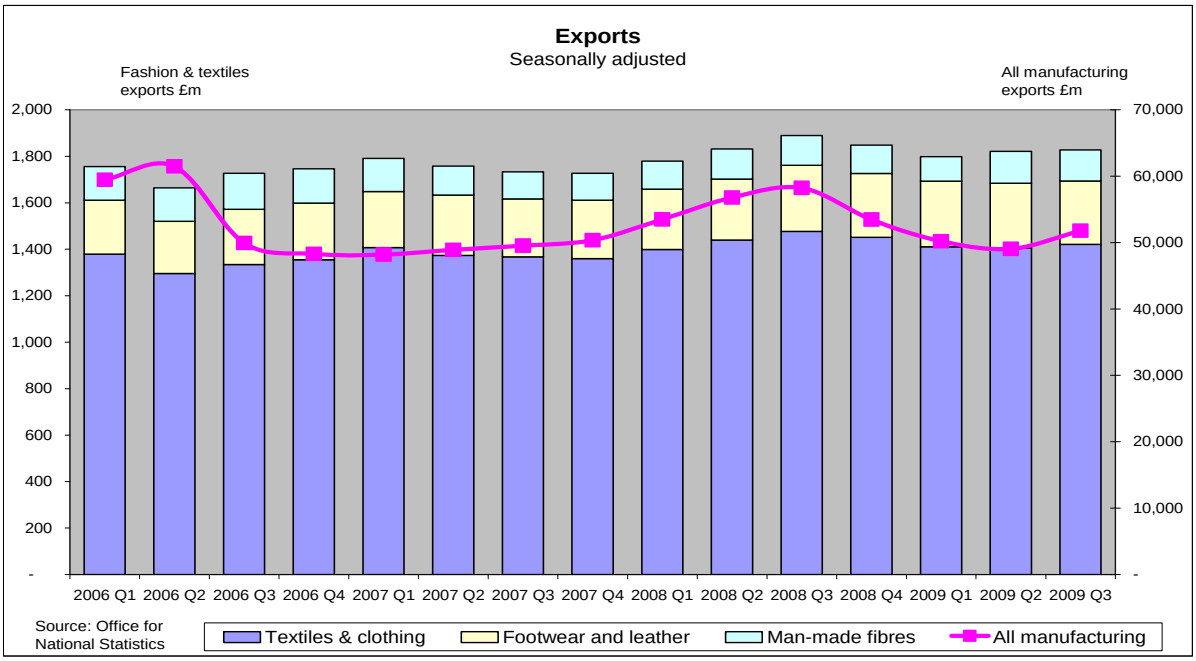
Source: ONS Index of Productivity time series data

9.2 Value of Exports

As can be seen from Figure 27, the export market has been able to weather a lot of the recessionary pressures that it has encountered, indicating the strength of the British style in overseas markets. Whilst there has been a downturn in export sales from the 3rd quarter of 2008, recently exports had begun to show positive growth again.

However, much of this may relate to the recent falls in the value of Stirling during this period that has made exports even more attractive to overseas markets.

Figure 27: Monthly performance of the export market

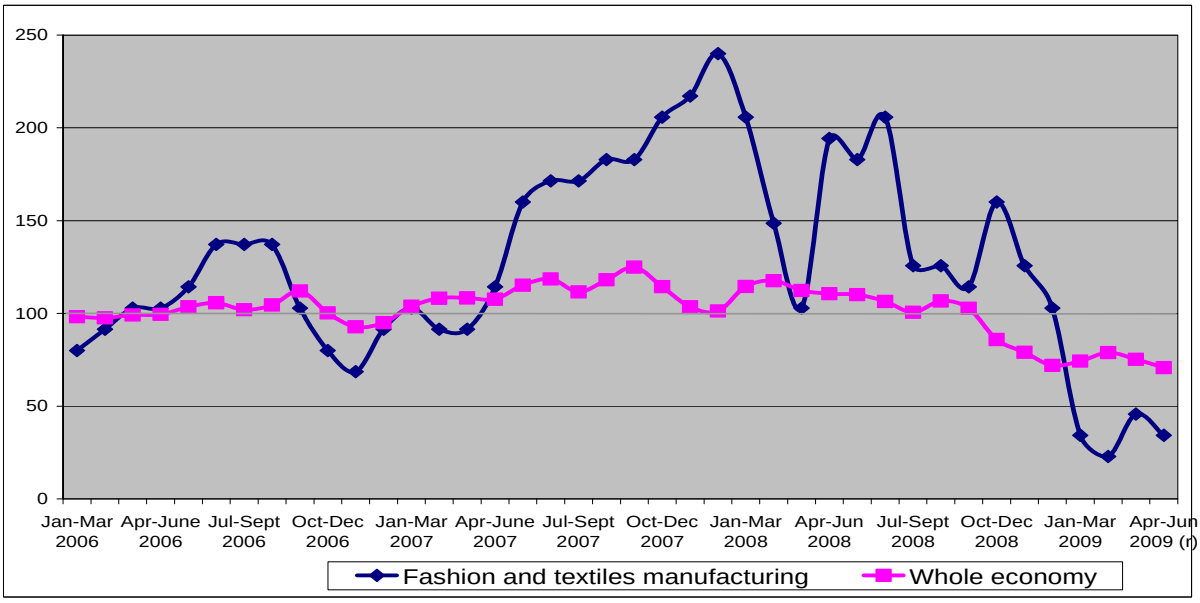


Source: ONS (2009c)

9.3 ONS vacancy rates survey

The current recession has had a huge impact on demand for labour in the sector and across the wider economy. For example, the latest provisional data from the ONS Vacancy Survey for the manufacturing component of the sector shows a steep decline in the number of vacancies to the second quarter of 2009. The figure for January 2009 to March 2009 is 83% lower than for the same period of 2008, when vacancies were at their peak. The equivalent figure for the wider economy is a fall of 35%.

Figure 28: ONS vacancy rates survey

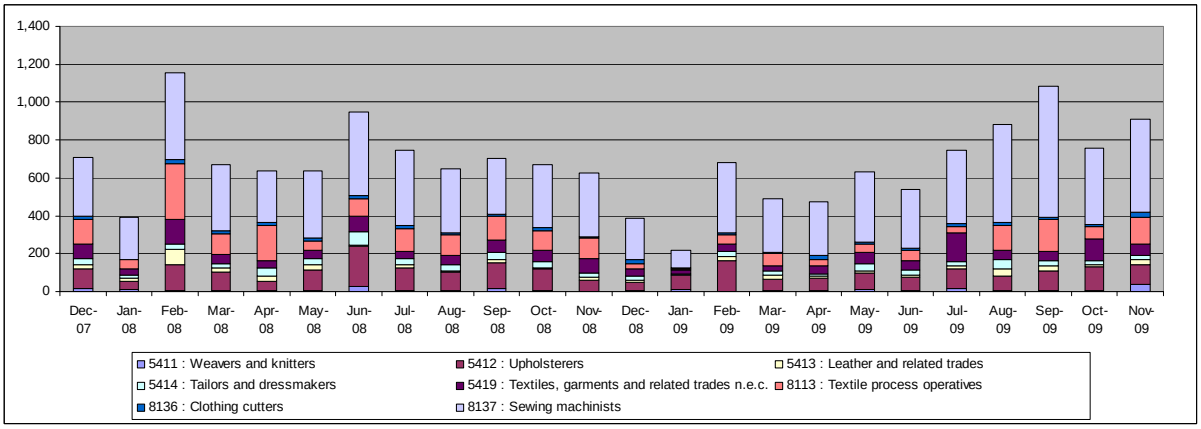


Source: ONS

9.4 Vacancies notified by Job Centre+

A key indicator in this regard is vacancies notified to the sector by Job Centre+. Although not all jobs are advertised through this avenue, it acts as an important barometer of the job market. The latest figures indicate that whilst there was a dramatic slump in vacancies during 2008, by the beginning of 2009 it is possible see a small increase in demand for jobs. November 2009's monthly total was far higher than experienced in November 2008.

Figure 29: NOMIS vacancy rates for key fashion and textile positions

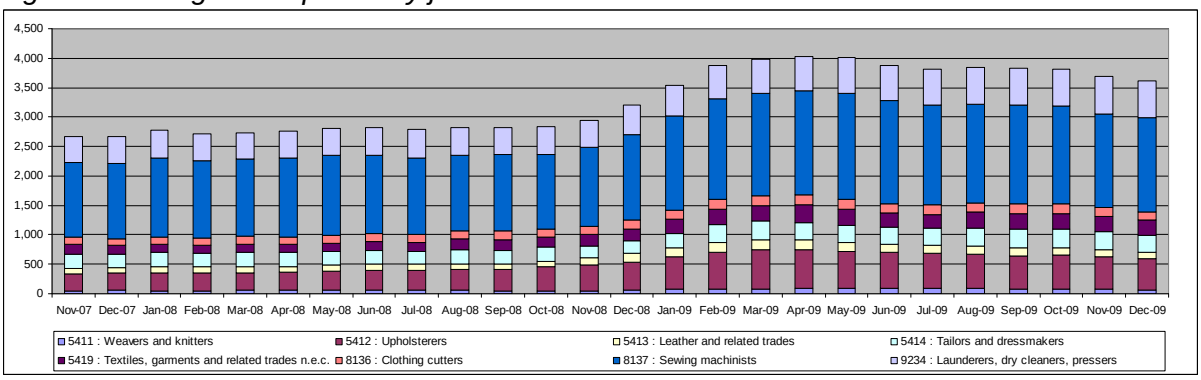


Source: NOMIS: figures represented are vacancies for each month

9.5 Claimant count by sought occupation

The claimant count by sought occupation is of particular interest. This count shows how the end of 2008 and beginning of 2009 saw a sharp increase in people signing on looking for fashion and textiles related work within the UK. Again though, and in unison with the productivity figures, claimant sought occupations peaked in early 2009 and by the end of the year they have remained persistently high. Using these figures, it was people looking for sewing machinist and laundry/dry cleaning roles who have been particularly badly affected by the recession. This indicates set-backs in both manufacturing and service sub-sector activity as consumer discretionary spending is reduced.

Figure 30: Sought occupation by job role in the UK



Source: DWP via NOMIS

9.6 Skillfast-UK consultation with employers

The recession has meant companies still see a need to upgrade skills but may not be in a position to invest in the short to medium term. Our recent consultations with sector employers (Skillfast-UK, 2009a) indicate that the skills needs previously identified persist but that the balance of priority relative to other business issues has shifted in the light of economic circumstances.

- There are still shortages of skilled people to fill technical roles at operative / craft level, e.g. sewing machinists and tailors that are consistent with the figures drawn from the vacancy report.

- Companies still face the problem of an ageing workforce and a need to bring in capable recruits – this will be critical in the medium term and needs to be addressed now.

- Management and leadership skills are a priority in terms of managing the workforce and developing the people skills needed to engage with suppliers and customers in a difficult environment.

- For those companies undertaking investment there will be a need to upskill the workforce, e.g. new technology in laundry will create demand for technicians at the expense of shop floor operatives.

- Companies acknowledge that without skills investment they may not be able to respond adequately to the upturn when it comes and some companies report that a shortage of skilled people threatens their ability to maintain or grow a manufacturing base in the UK. This is a concern since the fall of sterling has strengthened the business case for manufacturing on-shore.

10. Current Skills Needs

The following section examines the level and nature of skills needs in the sector, focusing specifically on recruitment problems and shortfalls in the skills and knowledge of existing members of the sector workforce as their employers seek to meet new challenges arising out of the marketplace, emerging technologies and other factors.

It has been shown that the occupational structure of the sector workforce is very different to that of the broader economy. This factor strongly influences the character of skills needs in fashion and textiles.

It should be noted that much of the data relating to skills deficiencies originate from before the recession and the sharp change in labour market conditions seen since then must be factored into any assessment of the current situation. Nonetheless, consultation with the sector in recent months indicates that the profile of skills issues has retained the pattern set out below.

Due to the differences in the composition of reporting skills reports within the home nations own commissioned datasets, individual issues will be explored in more detail in the individual country reports where direct comparability does not allow.

This section, therefore, explores in detail the following specific topics:

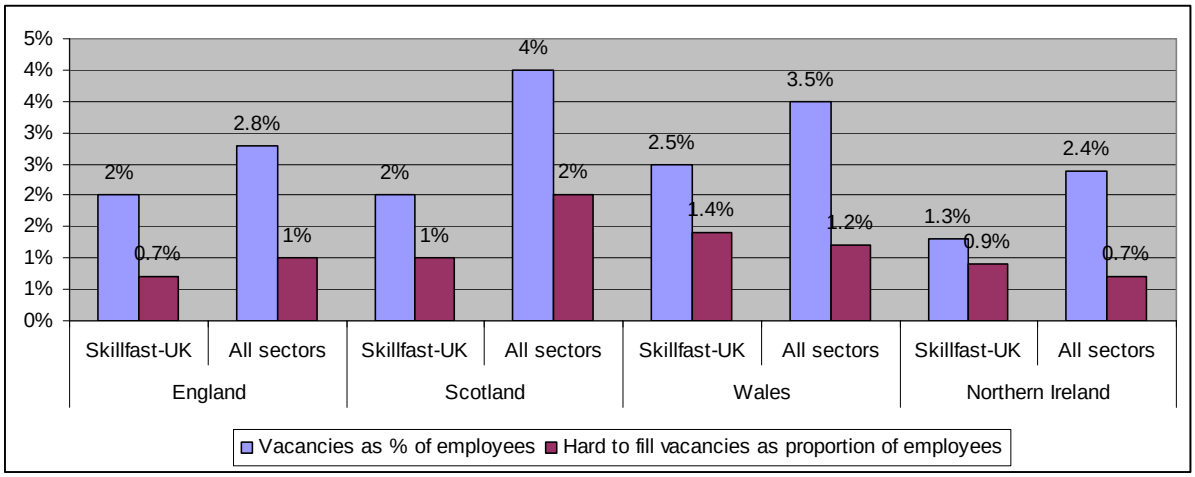
- vacancies
- skill shortages
- skills gaps
- skills priorities based on support from the training system
- higher educational skills needs

10.1 Vacancies

Vacancies as a proportion of employees in the UK fashion and textiles sector are slightly lower than reported at a national basis in each of the respective home nations with Wales at 2.5% reporting the highest levels and Northern Ireland at 1.3% the lowest.

In terms of hard-to-fill vacancies as a proportion of employees, all of the UK fashion and textiles nations report similar levels of hard-to-fill vacancies per employee at each individual nation all-sector level.

Figure 31: Vacancies and hard-to-fill vacancies as a proportion of employees



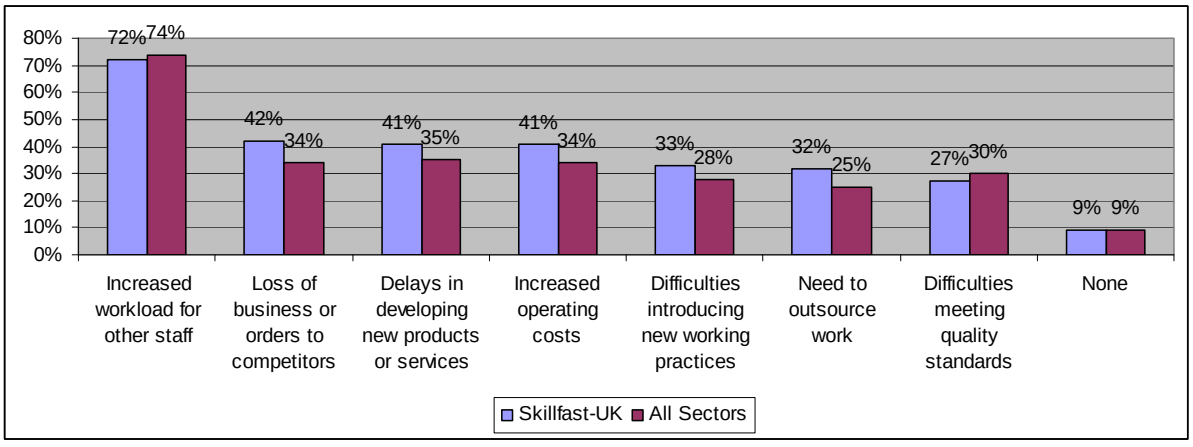
Source: NESS 2007, SESS 2006, FSW 2005, NISMS 2008

10.1.1 Impact of hard-to-fill vacancies

The existence of these hard-to-fill vacancies impacts the fashion and textiles sector far greater than reported in other sectors. Where evidence exists within the English National Employers Skills Survey (NESS 2007) report, three quarters of employers state these lead to increased workload for their staff which is in line with the pattern at an all sector level. Two-fifths of employers report that these hard-to-fill vacancies impact in a loss of business or orders to competitors, delays in developing new products or services, and increased operating costs, all above the all sector picture.

These issues highlight how the lack of suitable candidates for jobs is profoundly impacting the performance and competitiveness of the sector. This question will become even more pertinent as the ageing demographic in need of replacement in the medium term along with the negative image of the sector will create additional pressure.

Figure 32: Impact of hard-to-fill vacancies



Source: NESS 2007

10.2 Skills shortages

Skills shortages are defined as those vacancies that are proving hard-to-fill because of a shortage of candidates with the required skills, qualifications or experience.

National survey data indicate that the incidence (proportion of establishments reporting shortages) and density (shortages expressed as a proportion of the workforce) of skills shortage vacancies are both low in absolute terms, and in line with the average with estimates for the wider economy.

In England, the total number of skills shortage vacancies is equivalent to 0.5% of the workforce. However, it should be noted that the sector has a low rate of labour turnover and it is perhaps more meaningful to look at skills shortages as a proportion of total vacancies, which is somewhat higher in the sector at 25% compared with a whole economy average of 21%.

In Scotland, the density of skills shortages in the sector at 0.2% of the workforce is around half that for England and also half the average of the wider Scottish economy.

In Northern Ireland too, the density of shortages is much lower than the whole economy average. However, in Wales, skills shortage density was 1% which was double the rate reported nationally. Both Wales and Northern Ireland though reported high levels of skill shortage vacancies as a % of all vacancies when compared to England.

Table 11: Skill shortage vacancies as a % of employees and all vacancies

	Skillfast-UK England	**Skillfast-UK Scotland**	**Skillfast-UK Wales**	**Skillfast-UK N.Ireland**
Skills shortages vacancies as % of employees	0.5%	0.2%	1%	0.4%
Skills shortages as % of all vacancies	25%	*%	39%	47%

Source: NESS 2007, SESS 2006, FSW 2005, NISMS 2008 *not available

10.2.1 Hard-to-fill vacancies and skill shortage vacancies as a proportion of vacancies

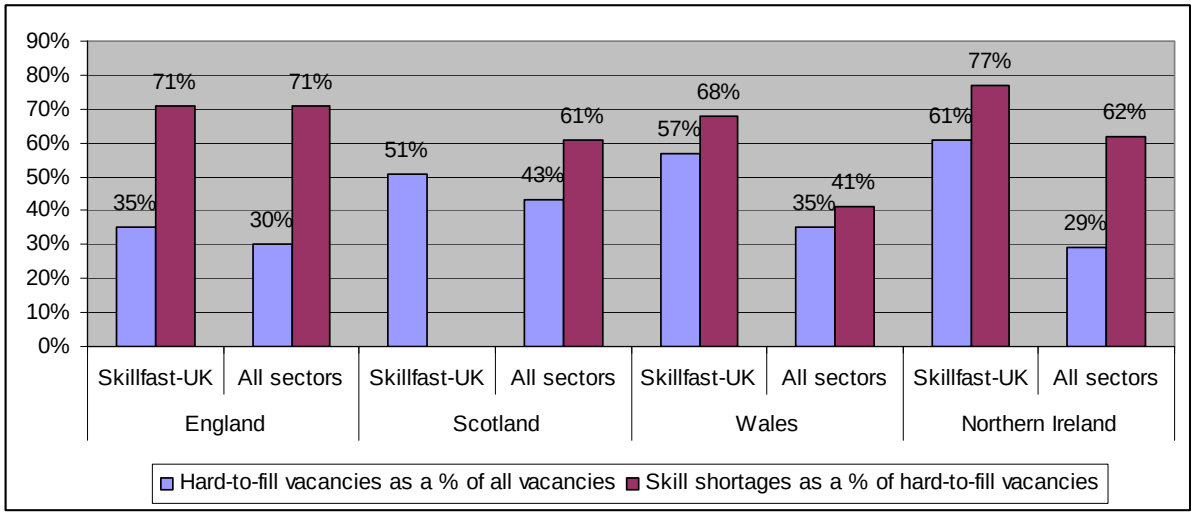
Despite vacancies and hard-to-fill vacancies as a proportion of employees being similar to what have been reported at an all sector nation level, the UK fashion and textiles sector reports higher levels of hard-to-fill and skill shortage vacancies than experienced at their respective all sector level. This in many ways reflects the highly specialised skills employers in the sector require to fill positions within the sector.

In terms of hard-to-fill vacancies as a proportion of vacancies, each of the nations report high levels, with Northern Ireland in particular reporting 61% of all vacancies being hard-to-fill which is double what is reported at an all sector level. Wales and Scotland too experiences high level of hard-to-fill vacancy rates with over half of vacancies being due to this.

This is particularly telling, especially as both Northern Ireland and Scotland have a smaller wholesaling base than England. Their respective sectors rely more on craft and operative level skills that applicants may not have and therefore not be attracted to the work.

Looking at skill-shortage vacancies as a proportion of hard-to-fill vacancies, again given the specific skills many jobs within the sector require, employers within the Skillfast-UK footprint compare badly to the respective national picture and again emphasises the specific skills required within the sector that applicants are not equipped with.

Figure 33: Hard-to-fill and skill shortage vacancies as a proportion of vacancies



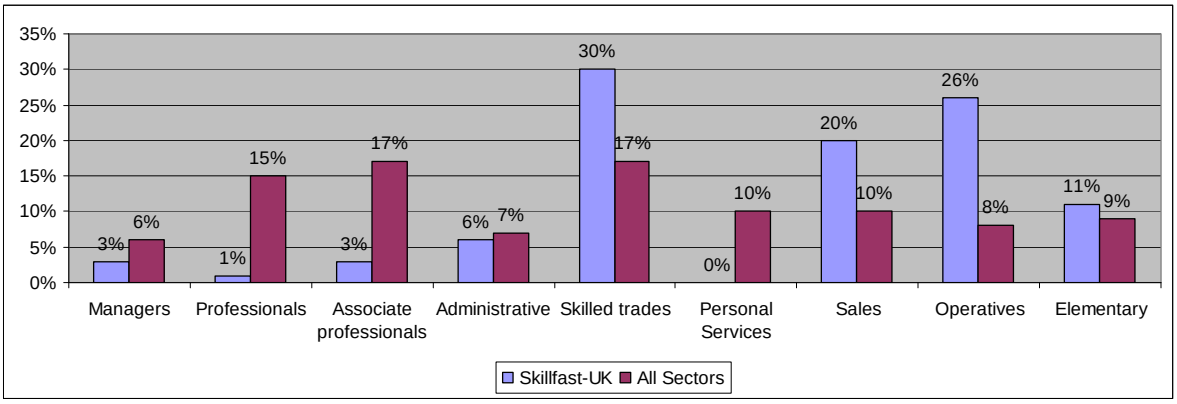
Source: NESS 2007, SESS 2006, FSW 2005, NISMS 2008 *(n.b Scotland skill shortages as a % of hard-to-fill vacancies n/a)*

10.2.2 Skills shortages by occupation

The occupational profile of skills shortages in England is dominated by skilled trades and operative level jobs. The density of skills shortages is also highest by far in skilled trade's roles. Both of these categories contain a strong weighting of roles that require sector-specific technical skills.

Skilled trades within the sector that require specific skills include occupations such as carpet fitters, weavers and knitters, leather and related trades, tailors and dress makers, whilst operatives include sewing machinists, textile process operatives, chemical and related process operatives, and clothing cutters.

Figure 34: Profile of skill shortage vacancies by occupation



Source: NESS 2007

10.2.3 Skill shortages from the Skillfast-UK employer survey

The 2008 Skillfast-UK employer survey asked about the specific technical areas for which skilled candidates are in short supply and adds depth to the picture presented by the NESS analysis.

59% of respondents to the survey reported skills shortages when looking to recruit. This study identified shortages at associate professional level as well as for skilled trades and operative level jobs. In absolute terms the following occupations were subject to a large level of skills shortages.

Table 12: Absolute number of skills shortages by occupation

Level of skills	Occupation
Operative level	Sewn products operations
	Textile process operations
	Laundry and dry-cleaning operations
Skills trades	Garment alteration and repair
	Pattern cutting and grading
	Hand-craft garment making
Higher level technical skills	Designers
	Textiles technologists

Source: Skillfast-UK survey of employers 2008

Each of these areas of occupation has a significant level of employment coupled with a significant incidence of reported shortages. However, there are also niche areas which, although they employ relatively few people, are characterised by a very high incidence of shortages. The footwear and leather sub-sector is an example of this, with leather technology, footwear technology, footwear manufacturing operations and shoe repair ranked highest across the whole of the fashion and textiles sector in terms of the incidence of technical shortages.

The overriding message is that employers are currently unable to attract candidates of a specific calibre to these job roles. With an ageing workforce, further retirements and an increasing demand for replacement staff forecast, employers within the sector will be in need of skilled staff as a matter of urgency.

Table 13: Skills shortages for candidates by specific job role

Role	Sector Coverage	Estimated number of businesses employing people in this role (UK)	Estimated number of people employed in role (UK)	% who said there is a shortage of skilled candidates (base includes "don't knows")
***Leather technology roles	Footwear & leather	454	1,640	78
***Footwear technology	Footwear & leather	366	1,060	76
***Footwear manufacturing operations	Footwear & leather	215	1,055	74
***Leather process operations	Footwear & leather	148	1,001	69
***Shoe repair roles	Footwear & leather	1,729	3,457	69
***Leather-goods manufacturing operations	Footwear & leather	337	2,163	67
Tailoring / handcraft garment making	Apparel & SP, Design	3,017	6,570	67
Pattern cutting and grading	Apparel & SP, Design	3,804	7,604	63
Garment alteration and repair	Apparel & SP, laundry & dry-cleaning	6,768	11,051	62
Sewn product operations	Apparel & SP, Design	9,309	43,007	60
Sampling	Apparel & SP, Design	2,903	7,727	55
Dry-cleaning operation	Laundry & dry-cleaning	4,693	12,372	54
Textile / fabric technology	Apparel & SP, Design, Textiles	2,787	24,016	54
Textile process operations	Textiles	895	17,910	54
Garment technology	Apparel & SP, Design	1826	4,363	52
Laundry / dry-cleaning maintenance engineering	Laundry & dry-cleaning	928	1,950	49
Production management	All subsectors	6,606	15,563	49
Design	Textiles, Apparel & SP, Footwear & leather, Design	9,036	19,545	47
Laundry operations	Laundry & dry-cleaning	3974	18,584	32
Supply chain management	All subsectors	5,862	16,056	31
% yes for at least one role				**59**

Source: Skillfast-UK survey of employers 2008 (weighted base) Note: individuals may have been allocated to more than one category as part of the survey process, reflecting multi-skilling of some roles. ***detonates small sample numbers so figures are for indicative purposes

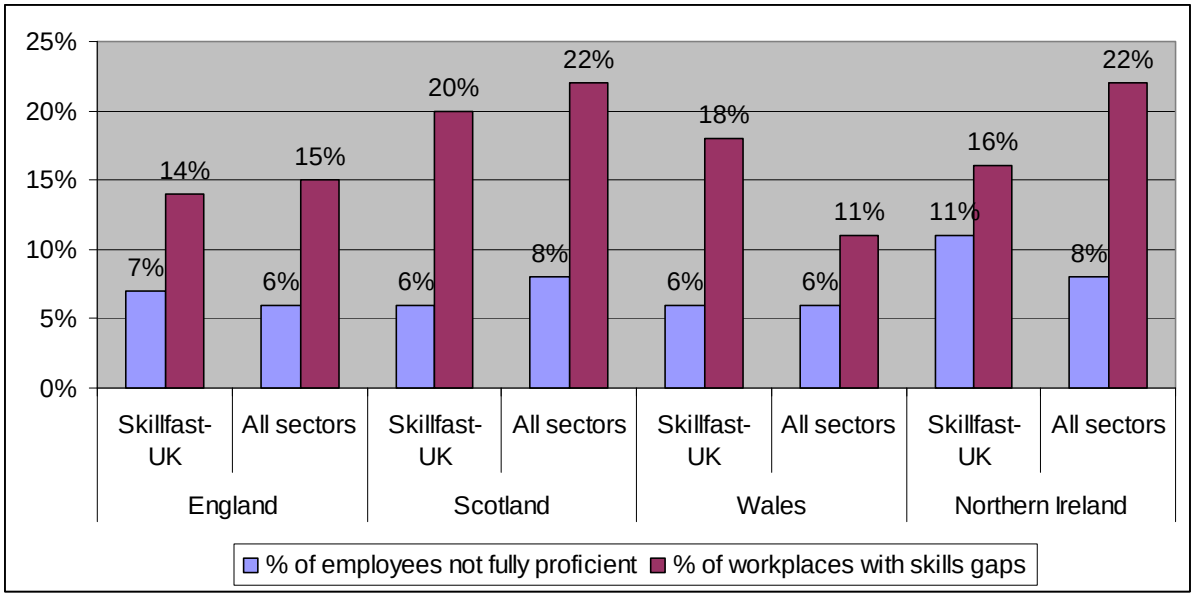
10.3 Skills gaps

Skills gaps exist where employers consider that employees are not fully proficient at their job. Using national datasets, it can be seen that employers in the UK fashion and textiles sector report similar proportions of employees that are not fully proficient than at all sector level.

However, UK fashion and textiles companies report they have a higher prevalence than shortages, according to national skills surveys. In England, 14% of sector establishments report at least one skills gap, in Scotland 20%, Wales 11%, and in Northern Ireland 9%.

The available data indicates that the density of skills gaps (proportion of staff reported as having gaps) is similar to the national average at 7% in England and 8% in Northern Ireland. As with shortages, the level of skills gaps has generally been downwards across the four nations in recent years, although there was a slight increase in England in 2007 compared with 2005, according to the NESS.

Figure 35: Employees not proficient and skills gaps

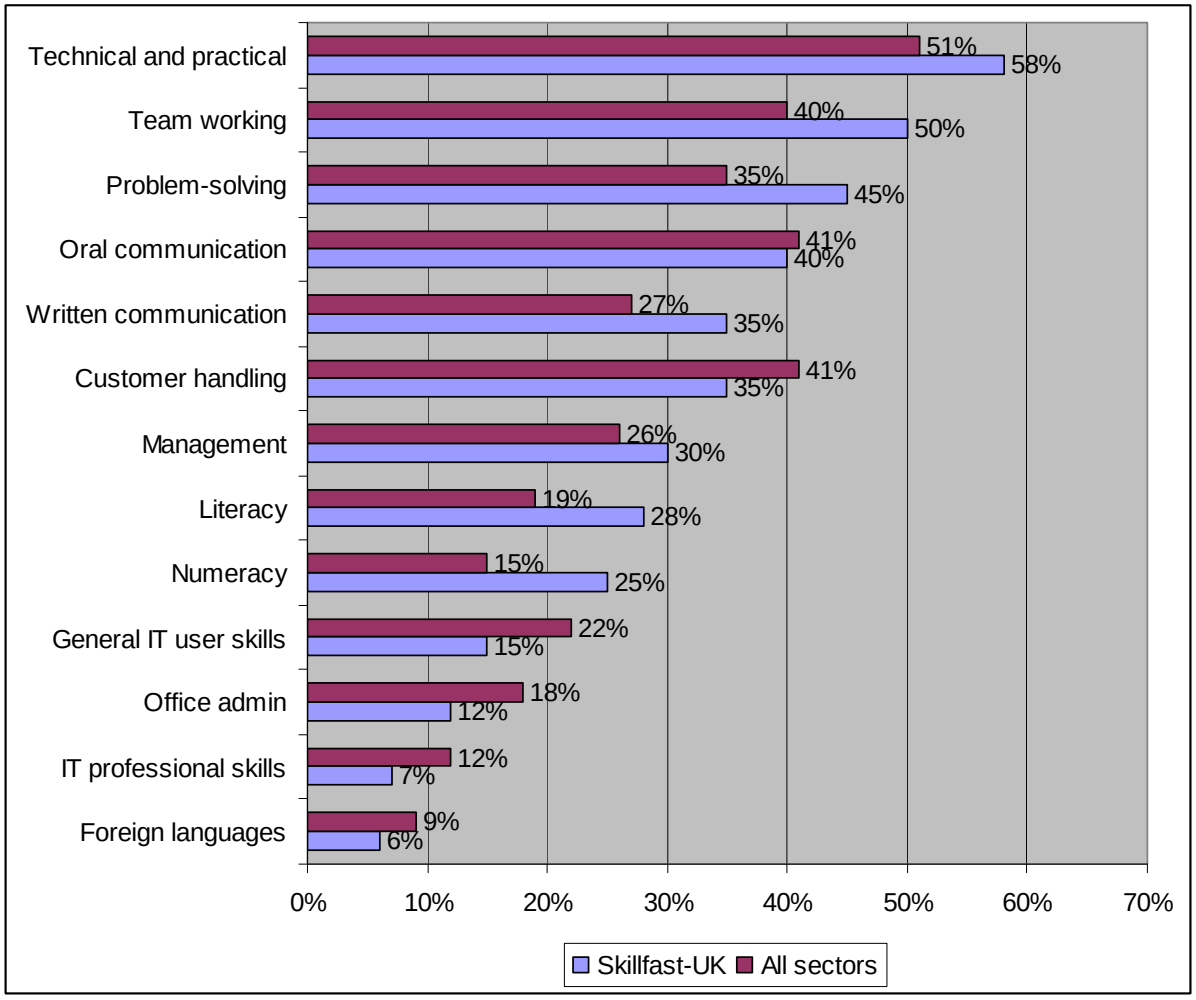


Source: NESS 2007, SESS 2006, FSW 2005, NISMS 2008 *(% employee not proficient n/a for Wales)*

10.3.1 Nature of skills gaps

With regard to the nature of skills gaps in the sector, and again using NESS 2007 as a proxy, the leading causes are deficiencies of technical/practical skills and of team working skills. It is probable that the need to improve team working skills at least partly reflects the emphasis placed on multi-skilling within sector workplaces and the interdependency of processes within the workplace in many cases.

Figure 36: Nature of skills gaps



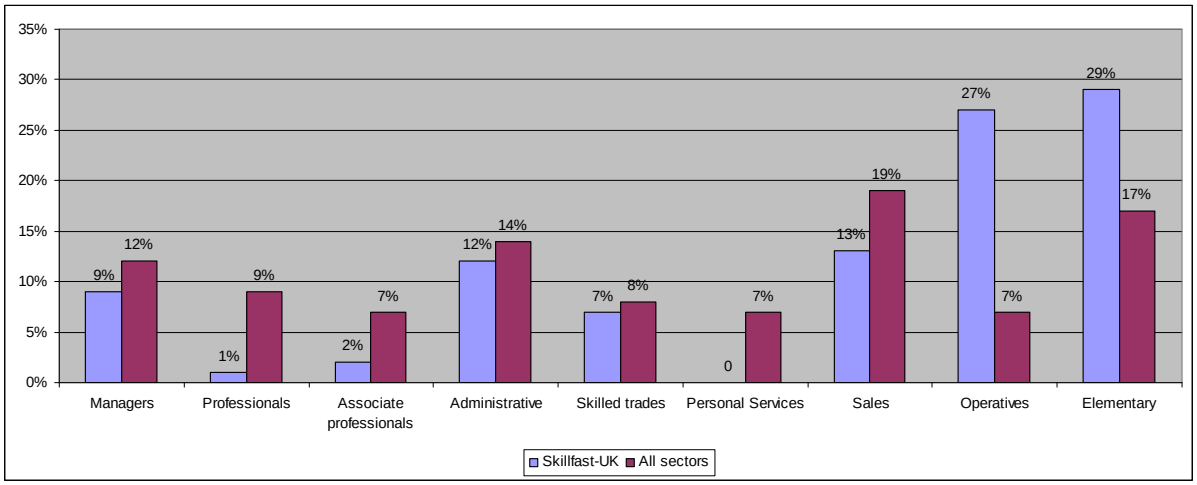
Source: NESS 2007

10.3.2 Proportion of skills gaps by occupation

Data on the occupational profile of skills gaps is available for England and Wales. In England, they indicate employers report the largest proportion of skills gaps are within the operative and elementary elements of the sector, which together account for more than half of the total gaps reported.

However, these figures for England are in sharp contrast to the figures for Wales where data also exists. The data here shows associate professionals are the predominant skills gaps area.

Figure 37: Proportion of reported skills gaps by occupation



Source: NESS 2007

10.3.3 Skills gaps reported via the Skillfast-UK employer survey

Skillfast-UK's own survey supports this picture, with 16% of employers recognising a skills gap within their workforce. In this respect, textile process operatives and sewing operatives formed the most prevalent technical skills gap areas.

Table 14: Absolute numbers of skills gaps

Level of skills	**Occupation**
Operative level	Sewn products operations
	Textile process operations
	Dry-cleaning operations
Skills trades	Sampling
	Textile and fabric technicians
	Garment alterations
Higher level technical skills	Designers
	Production management
	Supply chain management

Source: Skillfast-UK survey of employers 2008 (weighted base)

In addition, niche areas of employment such as footwear and leather report high proportions of occupational skills gaps within their workforces.

Table 15: Skills gaps reported by job role reported in the UK

Role	Coverage	Estimated number of businesses employing people in this role (UK)	Estimated number of people employed in role (UK)	% who said existing staff need to improve / broaden skills (base includes "don't knows")
Textile process operations	Textiles	895	17,910	28
***Leather-goods manufacturing operations	Footwear & leather	337	2,163	27
***Leather technology roles	Footwear & leather	454	1,640	23
Design	Textiles, Apparel & SP, Footwear & leather, Design	9,036	19,545	17
Laundry / dry-cleaning maintenance engineering	Laundry & dry-cleaning	928	1,950	17
Pattern cutting and grading	Apparel & SP, Design	3,804	7,604	17
Production management	All subsectors	6,606	15,563	17
***Footwear manufacturing operations	Footwear & leather	215	1,055	16
Sampling	Apparel & SP, Design	2,903	7,727	15
Supply chain management	All subsectors	5,862	16,056	15
Textile / fabric technology	Apparel & SP, Design, Textiles	2,787	24,016	15
Tailoring / handcraft garment making	Apparel & SP, Design	3,017	6,570	14
Dry-cleaning operation	Laundry & dry-cleaning	4,693	12,372	13
***Footwear technology	Footwear & leather	366	1,060	12
Garment technology	Apparel & SP, Design	1826	4,363	12
Sewn product operations	Apparel & SP, Design	9,309	43,007	10
Laundry operations	Laundry & dry-cleaning	3974	18,584	9
***Leather process operations	Footwear & leather	148	1,001	8
Garment alteration and repair	Apparel & SP, laundry & dry-cleaning	6,768	11,051	6
***Shoe repair roles	Footwear & leather	1,729	3,457	4
% yes for at least one role				**16**

Source: Skillfast-UK survey of employers 2008 (weighted base) Note: individuals may have been allocated to more than one category as part of the survey process, reflecting multi-skilling of some roles. ***detonates small sample numbers so figures are for indicative purposes

10.4 Skills priorities for the education and training supply system by sub-sector

Turning to "generic" skills and skills priorities identified by employers from the training supply, the key areas identified by businesses in the sector from the Skillfast-UK employer survey show a number of variations existing between the sub-sectors and acts as a useful indicator for future actions needed to ensure the supply of people their businesses need.

With the increasing reliance on competing in a global market it is noted how the sub-sectors most exposed to these external pressures, namely within the apparel and sewn products, design and textiles sub-sectors all place the greatest emphasis on improving sales and marketing skills, including the need for international trading. In contrast, domestic facing services such as laundry and dry cleaning have little need for these skills and instead report issues around recruiting and retaining able young people into these roles.

A common theme reported by companies in all five of the Skillfast-UK strategic areas was the need for better recruitment and retention of young people and improving management and leadership skills that they were keen for the education system to deliver.

Reasserting the skills implications for the sector regarding STEM related skills, attracting graduates with the required sector-specific skills and knowledge is a particular concern for certain parts of the sector. On the technical side, 23% of textiles and design businesses say that "attracting science and technology graduates who can help to develop new products and processes" is important or very important.

Moreover, Skillfast-UK's survey indicates that 48% of establishments across the UK indicate that improving numeracy, literacy and other basic skills is important or very important to their business illustrating that whilst lower skilled occupations have seen a decline in importance in terms of industry composition, there still remains a real need to tackle this issues as identified by employers.

Table 16: Skills priorities by sub-sector (% saying important or very important)

	Total	Apparel & Sewn Products	Design	Footwear & Leather	Laundry & Dry Cleaning	Textiles
Recruiting and retaining able young people to replace workers who are nearing retirement	48%	45%	41%	51%	52%	58%
Improving sales and marketing skills, including the skills needed for international trading	48%	51%	58%	41%	40%	65%
Improving numeracy literacy and other basic skills	48%	45%	41%	51%	52%	58%
Improving management leadership and supervisory skills	47%	43%	54%	44%	53%	61%
Improving the quality of in-house training, eg through development of in-house coaches	42%	38%	47%	44%	51%	47%
Finding colleges and or training providers that can deliver relevant training in technical skills	39%	38%	54%	42%	32%	51%
Finding graduates with the right practical and commercial skills and knowledge	27%	30%	52%	24%	16%	34%
Implementing new productivity techniques such as lean manufacturing approaches	24%	25%	29%	17%	21%	37%
Attracting science and technology graduates who can help to develop new products and processes	16%	15%	23%	12%	14%	23%
Bringing in and training migrant workers from Eastern Europe and elsewhere	11%	9%	10%	10%	17%	11%

Source: Skillfast-UK survey of employers 2008 weighted base

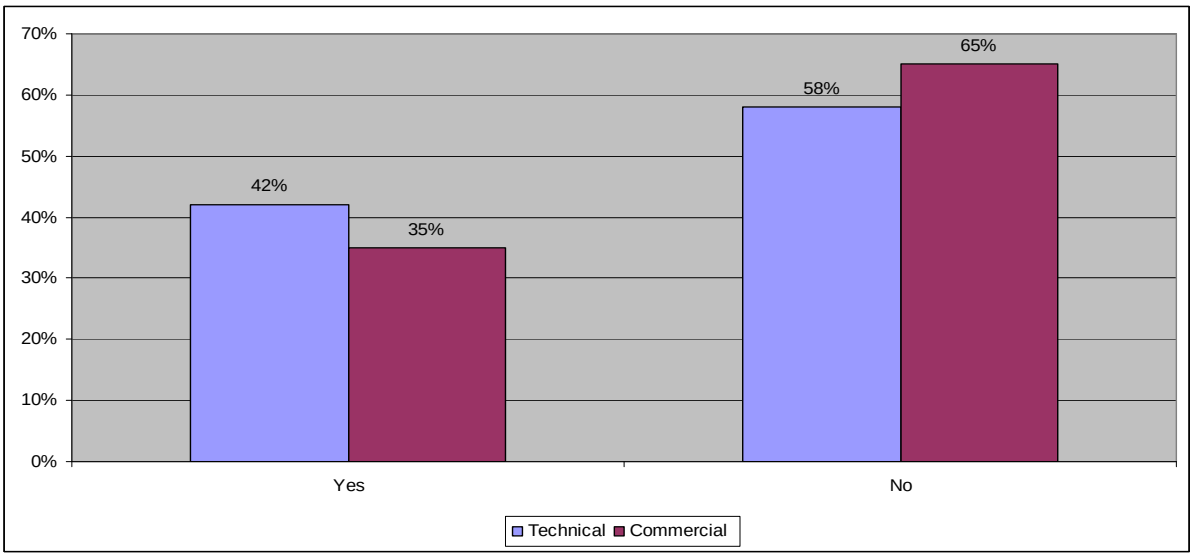
10.4.1 Higher educational skills in the design sector

36% of employers who participated in the Skillfast-UK survey cited they employed a designer within their organisation. With design being an important facet of the sector and a key and growing area that is vital to the well being of the UK fashion and textiles sector, a number of results from the Skillfast-UK survey raised a variety of issues.

Firstly, with regard to fashion, Table 16 shows that 52% of design businesses say that "finding graduates with the right practical and commercial skills and knowledge" is an important priority.

Moreover, among those sector businesses that employ designers, 58% say that recent design graduates lack the necessary technical skills for a job in the sector, whilst 65% lack the required commercial awareness.

Figure 38: Do you believe that recent graduates have the right level of technical skills needed for design jobs within your business?



Source: Skillfast-UK survey of employers 2008 (based on employing designers and excludes don't knows)

11. Scenario planning

As noted, there are a wide number of forces and drivers at play on the UK fashion and textiles sector. How these forces and drivers will shape the sector's future is a point of much conjecture and many interesting scenario plans and analysis that exist to illustrate this point. This is especially true for the UK fashion and textiles sector as it has exhibited such sensitivity and structural change in the recent past to globalisation.

With the recent slowing down of loss of employment numbers within manufacturing after the patterns of the mid 2000's, and the growing sustainability issues, it is important to take stock of where the sector has come from, and to offer a reader into the various scenarios as to where these recent market trends may lead.

This section therefore draws on the following scenario plans and modelling frameworks, each of which offers a relevance to the current and potential direction of the UK fashion and textiles sector:

- Working Futures III (2007)
- Skillfast-UK's bespoke scenario planning to 2015 (2005)
- Economix's European three scenario plan (2008)

11.1 Working Futures III

Working Futures III is a forecasting scenario series produced by the Warwick Institute for Employment Research and Cambridge Econometrics. This research uses existing survey work on employment trends across the sectors to give a view of employment estimates.

Data from the latest Working Futures III study for the UK fashion and textiles sector highlights the following broad level data as outlined in the Table below:

Table 17: UK employment forecasts

						2007 - 2017		
Employment Levels (000s)	**1987**	**1997**	**2007**	**2012[5]**	**2017**	**Net Change**	**Replacement Demand**	**Total Required**
Skillfast–UK Footprint	770	543	272	246	228	-44	94	50
UK All Sector Employment	26,642	28,227	31,234	32,200	33,184	1,949	11,501	13,451

Source: Working Futures III (2008)

Key highlights from the Working Futures III data for UK fashion and textiles sector are:

Overall sector picture

Working Futures III forecasts a continuing contraction in workforce numbers with employment by 2017 continuing to fall, albeit at a slower rate than previously seen, as sub-

[5] The projections in this study were forecast before the recession impacted the economy and employment levels. For this reason the longer term 2017 figures must be used to give a clearer indication of future trends.

sectors particularly at risk to globalisation and trade liberalisation, will have been off-shored and out-sourced.

Despite this continued decline in the gross number employed, the sector will experience positive net recruitment requirements. This is due to the large number of people forecast to leave the sector through retirement and the need to fill these emerging vacancies. In all, taking 2007 figures as a base, well over a third of the workforce will require replacement by 2017.

Compared to all sector employment within the UK, the UK fashion and textiles sector is forecast to see a greater drop in net workforce numbers. This indicates that the sector's still has a number of structural issues that will need to be worked through before finding its optimum employment level.

However, in contrast to the pattern forecast to be exhibited in the fashion and textiles sector, the UK at an all sector level is expected to increase its gross employment needs to 2017 by 4%. This highlights how whilst overall employment in the UK will continue to rise, it has been forecast there will be little additional domestic demand for Skillfast-UK sectors stemming from the extra working population. This demonstrates the continued reliance on the export markets to stimulate demand.

Structural changes to occupational make-up

Table 18 below highlights Working Futures III predictions on sectoral changes by occupation up to 2017 and has profound implications for the UK fashion and textiles sector.

Table 18: Structural changes in the Skillfast-UK workforce

						2007-2017 % change		
000's	**1987**	**1997**	**2007**	**2012**	**2017**	**Gross Change**	**RD**	**Total Required**
Managers and Senior Officials	68	66	48	49	50	4	35	39
Professional Occupations	17	17	16	16	16	0	32	32
Associate Prof and Technical Occupations	39	42	33	33	32	-2	32	30
Admin, Clerical and Sec Occupations	67	45	19	15	12	-40	41	2
Skilled Trades Occupations	109	68	31	28	24	-23	32	10
Personal Service Occupations	20	20	17	14	14	-16	38	22
Sales and Customer Service Occupations	25	24	26	25	24	-7	33	26
Transport and Machine Operatives	320	192	50	39	31	-37	35	-2
Elementary Occupations	105	71	32	28	24	-23	34	11
Total	770	543	272	246	228	-16	35	18

Source: Working Futures III (2008)

The sector will continue to lose a substantial amount of jobs within the operative elements of the sector to 2017, although the pace of change will be less pronounced than seen in previous years. However, this still equates to a third of jobs. Administrative, skilled trades and elementary occupations are all also expected to see large declines in workforce

proportions. Although these occupational grouping within the UK fashion and textile footprint are forecast a gross decline in demand, positive replacement demand will see these occupations contributing to a net increase in employment.

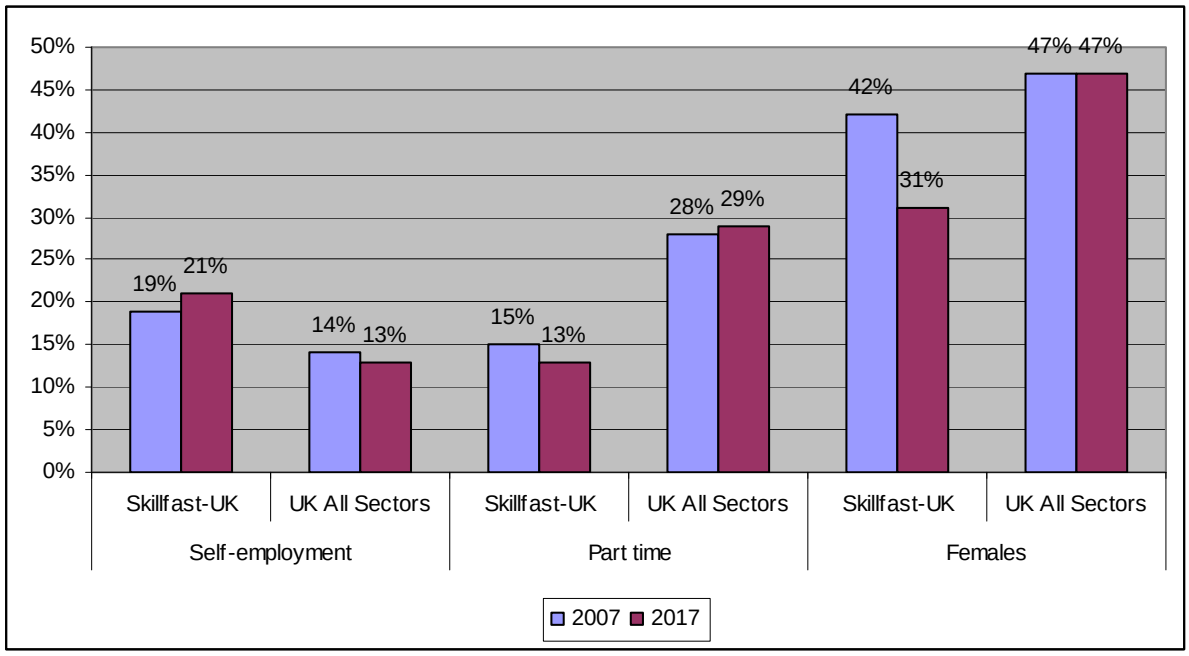
The sum of these changes suggests a continued movement of manufacturing and process based operations overseas through off-shoring and outsourcing. However, this movement can be seen in the overall sector perspective to have begun to stabilise by 2017, suggesting the UK fashion and textiles sector will have found its specialism for manufacture in the global marketplace.

Managerial and technical positions will proportionally make up a larger part of the workforce. This will occur as companies spend a greater amount of time managing supply chains and customer relations, whilst the level of technical expertise, both in terms of processes employed and ICT needs, brings additional need for these occupational groups. The rise of these positions can also be attributed to an increased number of smaller niche and technical operators that will be expected to enter the market for which these occupations will be major drivers.
The reduction in operative level recruitment opportunities and need for management level skills illustrates the point that the sector will require far fewer employees with lower level skills (below N/SVQ level 2) and more with higher level skills (N/SVQ level 3 and above) to enable the sector in UK to compete.

International research (Jagger, 2005) suggests that there is an association between growth in total factor productivity (TFP) in a country's fashion and textiles manufacturing sector and the presence of intermediate skills (up to and including S/NVQ level 3 equivalent) in the sector's workforce. The research highlighted that whilst the UK was above average for TFP, TFP growth figures were poor in comparison. Given the continuing changes to the sectoral structure, it is viable that these issues with TFP may well be accentuated.

Demographics

Figure 39: Demographic make-up of the UK economy



Source: Working Futures III (2008)

Reflecting the continued niche and micro level that the sector operates to, and is continuing to work to, self-employment will continue to be a key feature of the sector in converse to the UK economy as a whole which expects to see a decline. Self-employment is estimated to rise to over a fifth of the workforce by 2017.

Conversely, part-time working will not be as prominent and will decline in contrast to the high proportions and continued growth the all-sector in UK figure is predicted to demonstrate.

The share of female employment is forecast to reduce significantly as a proportion of the workforce from 40% of the workforce to little more than a quarter of total employment. This reflects the high level of structural change that is occurring within the sector as operative and elementary occupations that are traditionally the domain of females, (especially within clothing and textiles manufacture) are lost. This again is in contrast to the UK all sector figure that will see stable employment numbers for females.

11.2 Skillfast-UK's bespoke scenario planning[6]

In 2005, Skillfast-UK commissioned David Rigby Associates (DRA) to scenario plan the potential future direction of the UK fashion and textiles sector to 2015. What was reported formed the scenario planning for the 2005 Sector Skills Agreement. Reviewing the evidence within the current sector performance, what DRA reported has largely come to pass to where we now are in 2010.

Drawing directly from the 2005 SNA, the study was conducted with the assumption there are no variables that could potentially change the direction of the core UK apparel, footwear and textiles industry which over the next decade could conceivably lead to particularly significant differences in the way the sector will evolve.

For the core manufacturing and wholesale elements of the sector, the patterns of evolution of several key drivers were already well established and seen unlikely to change significantly. It was also assumed that any conceivable changes over the next decade in the world economy, exchange rates or in available technologies were unlikely to lead to significant changes in the UK sector's market position, prospects or future industry structure.

Overall, the industry which will exist in 2015 was predicted to be focused on producing higher added value and differentiated products for world markets as the pattern to where we are in 2010 demonstrates has been occurring. The key influences, activities and actions to ensure the future competitiveness of the sector were identified as illustrated in Table 19.

[6] This section draws directly on a specially-commissioned scenario planning study 'The UK Apparel, Footwear and Textile Industry in 2015', David Rigby Associates, 2005 as published in the 2005 Skillfast-UK Sector Needs Analysis

Table 19: Sector Futures to 2015

Predicted Sector Influences	Key Activities	Competitiveness of the Sector
• Competition from low-cost countries • Continuing liberalisation of world trade • Increasing demand for fashion products among a growing world middle-class • An unwillingness to invest in the UK in volume manufacturing of sector products • Globalisation of tastes in clothing and footwear • Higher ethical standards in both production and consumption	• Brand creation and development and the international marketing of branded products • The application of new technologies in all areas of the business • Creative design of both aesthetic and technical products • Low-cost, small scale manufacturing of high added value and difficult to make products • International sourcing of both materials and other finished products • Supply chain planning and management • The creation, exploitation and protection of intellectual property and proprietary know-how • The industry will employ fewer people than now, and in manufacturing, many fewer. There will be a growth, however, in the number of qualified staff in all other functional business areas	• Better customer service • Brand creation and development • Commercialisation of new technologies • Creative design • Customer relationships • Strong craft and operator skills • International marketing and distribution • Manufacturing and/or sourcing overseas • Marketing, not just selling • New product development • Strong customer relationships • Supply chain management

Source: Skillfast-UK SNA (2005)

Scenarios for the dry cleaning and textile/leather servicing subsector

Due to its nature of being a service led sector, the DRA analysis offered a separate perspective for the dry-cleaning/laundry and textile/leather servicing sub-sectors. The future of this sub-sector was considered separately because of the service-based nature of its activities and the distinctive nature of the external driving forces that act upon it. The scenario presented for these sub-sectors are as follows:

Table 20: Scenarios for the dry cleaning and textiles/leather servicing sub sector

Key Drivers	Most Optimistic 5% Annual Growth	Most Likely 1% Annual Growth	Most Pessimistic 5% Annual Decline
• Clothing and shoe technology (such as the growing availability of easycare garments) • The availability of home cleaning options • Economic conditions (which have a direct impact on consumer and corporate demand for the sub-sector's services) • Demographics and lifestyles (the trend towards casual dressing and the ageing of the population)	• No further technology, reducing the need for professional aftercare • Smart dressing increases • Strong UK economy • High employment and consumer confidence	• Some new disruptive fabric and clothing technologies and aftercare products • Slow growing UK economy • Higher unemployment. • More fragile consumer confidence	• Many disruptive technologies • Weak UK economy • Increased unemployment • Low consumer confidence

Source: David Rigby Associates (2005)

Scenarios for the textile, clothing and leather goods aftercare sector

The textile, clothing, shoe and leather-goods aftercare sector was seen as relatively mature in the analysis. At best it was envisaged to achieve only modest rates of growth and therefore could actually suffer a significant decline as a consequence of further technical advances.

Therefore, in all three of the scenarios, strategies and action plans appropriate to a mature service sector were identified to allow businesses operating in this sub-sector to increase market share and profitability. These strategies and action plans include:

- reducing costs
- market segmentation; identifying profitable niches
- introducing new and/or improved products for target segments
- improving customer service
- improving staff skills in line with all these

The SNA 2005 reported that in the case of scenario three occurring and a fall off in demand, this sector would require special actions and assistance to help with the changes brought about by downsizing and business closures.

Building on the premise of the DRA scenario study

What was reported in the scenario planning of the 2005 SNA report has been seen to have occurring, although the uncertain economic climate has seen fluctuations in business fortunes.

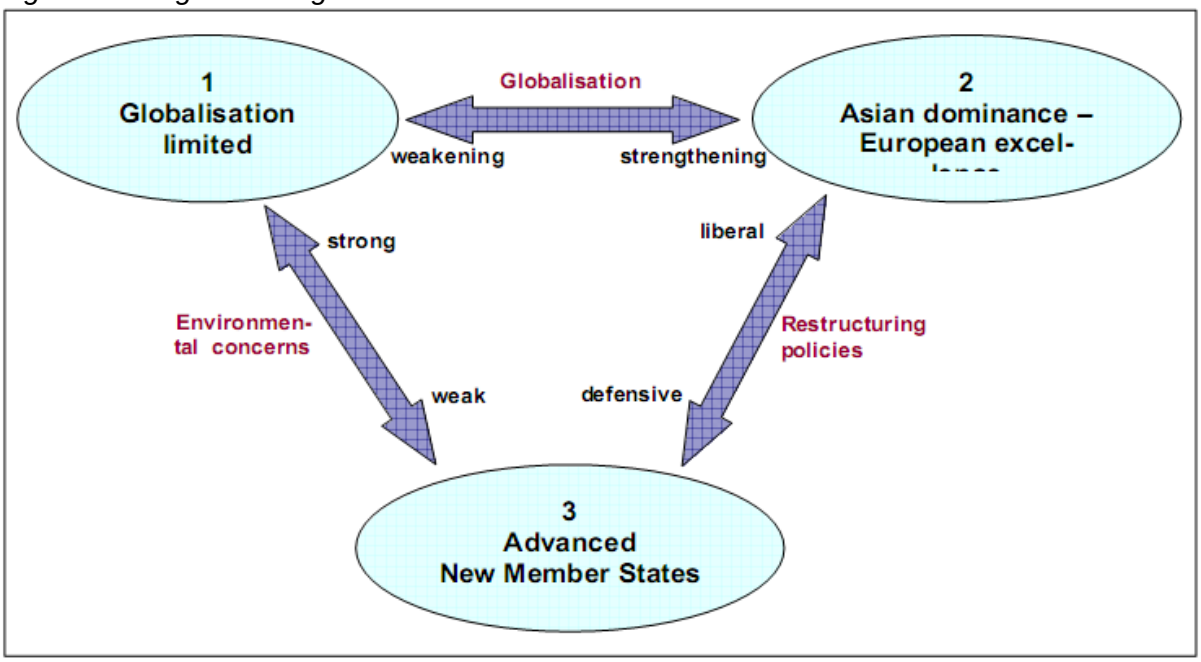
However, what needs updating since the publication of the report in 2005 is the way differing drivers, such as sustainability and environmental issues, the demands of fast fashion and in itself the uncertain global economy, have begun to impact the sector and how this could lead to a variety of interesting directions in which the UK fashion and textiles sector can progress.

Setting the UK fashion and textiles sector in the global environment using Economix's scenario planning on a European level

Vogler-Ludwig and Valente (2008) propose three potential scenarios to the year 2020 of the future direction of the European fashion and textiles sector and its implications for current high value manufacturers such as the UK. The reported scenarios in each of these instances impact differently on the European fashion and textile sector that likewise will have ramifications for the UK fashion and textiles skills base.

The three scenarios put forward in this paper are "Globalisation Limited", "Asian Dominance-European Excellence" and "Advanced New Member States." Each of these scenarios are based on how the three major sector drivers of globalisation, environmental concerns and the restructuring of trade and economic policies will play within the fashion and textiles sector.

Figure 40: Vogler-Ludwig K and Valente A C three scenarios



Source: Vogler-Ludwig K and Valente A C (2008)

The three scenarios can therefore be summarised as such:

Scenario 1: Globalisation Limited

Globalisation limited sees the effects of climate change and the environmental agenda change the way in which consumers, the government and producers all currently make their decisions. This in turn sees production return to a European base as manufacturing production is desirable to be carried out closer to the home market.

Whilst this pattern reduces the level of outsourcing and off-shoring that has been seen in the recent past, the employment implications for Europe as a whole are still negative with a 20-25% cut forecast from current levels.

Scenario 2: Asian Dominance – European Excellence

Asian Dominance reports the present trends the market has seen in the recent past of strengthening globalisation and continued liberalisation of trade policies. Placed in these terms, the fashion and textiles sector will continue as it has been with industrial manufacturing continuing to be outsourced and off-shored to lower waged countries as the developing world is able to improve the quality of the products offered. EU countries will strengthen their technological lead and dominance of the high value, high technology market.

This scenario will see the greatest falls in employment terms for the European economy with a halving of current employment forecast. However, this scenario will have positive impacts for future employment within skilled and technical occupations as European producers continue to innovate and command a market lead in high value production.

Scenario 3: Advanced New Member States

This scenario sees the lower cost EU Accession countries continue to offer a production facility for the EU to continue manufacturing. As globalisation continues to negatively impact manufacturing employment, policy will be targeted at ensuring an integrated role for Europe. This will produce strong demand for production related skills in lower waged European countries and professionals in high-cost countries in an attempt to prevent the erosion of the manufacturing capability from within the European Union.

Again, as with Globalisation Limited, it is forecast this scenario will see a 20-25% cut in European employment levels to 2020. However, the configuration of jobs will be different with a great loss of trade workers with far greater emphasis on administration and the management of supply chains within a European context than at present.

Skillfast-UK recognises that this model is the one which is most likely not going to occur, given the large amounts of manufacturing already sourced to Asian countries that still offer cheaper alternatives.

Each of the key drivers at play and how that will influence each scenario is highlighted in Table 21 below:

Table 21: Key drivers of change for the scenarios

Driver	Scenario 1 Globalisation limited	Scenario 2 Asian dominance- European excellence	Scenario 3 Advanced New Member states
Environmental Costs	Rising significantly; Climate risks are strongly visible; Environmental policies with limited efficiency	Rising; Environmental policies are effective; Climate risks remain manageable	Rising; Environmental policies are effective; Climate risks remain manageable
Markets	Consumers strongly concerned about climate risks; Global economy disintegrates due to environmental conflicts; Slow macro growth	Consumers appreciate environmental politics; Global market for top qualities; Global labour division is further developed; Strong macro-growth	Consumers prefer job creation and remain price-sensitive; Medium macro-growth
Knowledge Base	Innovation concentrated on ecological technologies; Revival of traditional crafts; Switch from foreign productivity to energy productivity	Strong product innovation for speciality textiles; Design marketing and sales very important; Management of the value chain	Mainly process innovation provided by machinery and organisational changes; Strong increase of labour productivity
Competitiveness	Declining competitiveness of emerging countries due to high environmental costs; Ecological and social criteria have strong impact on competitiveness	Strong position of emerging countries on low and medium quality segments; Strong position of European production of high value markets and speciality textiles	Strong position of low-cost areas in Europe on medium quality segments; Strong position of high-cost areas on high value markets and speciality textiles
Branch Structures	Locally concentrated value chains due to high transport cost; small sized production networks; Rising share of craft business	Closure of mass production; small sized innovation companies; Global networks of producers; Highly specialised crafts businesses	Mass production remains in European low-cost areas; Switch from subcontractors to independent suppliers; Top qualities and international brands in high-cost areas
Foreign Trade	Low growth of world trade	Strong growth of world trade	Medium growth of world trade
Employment Change 2006-2020	-25%	-50%	-20%
Skills Needs	Revival of production related trades; More managers and professionals in low-cost areas; Specialists for traditional crafts; General need for ecological competences	Strong decrease of production related trades; Limited demand for highly specialised craftsmen; Strong increase for technical and commercial specialists; Computer professionals	Strong demand for managers and commercial professionals in low-cost areas; Limited demand for technical specialists in high-cost areas; Decrease of production-related trades and craftsmen

Source: Vogler-Ludwig K and Valente A C (2008)

Impacts on employment by occupation

Taking the above drivers as a norm, how each of these scenarios will impact the skills mix on a European level, which in turn has implications for the sector at a UK, is presented in the table below:

Each scenario whilst reported on a European level can be seen to relate to the UK fashion and textiles sector. The key skills competencies identified for the sector are presented in Table 22 below.

Table 22: Occupation changes in the textiles and manufacturing sector impacted by the three scenarios

Occupation	Scenario		
	1	2	3
Managers	+	+	+
Computing professionals, associate prof	+	++	++
Engineers, associated engineers	+	++	++
Business professionals, associated prof	-	+	+
Other professionals	--	=	+
Office clerks and secretaries	--	=	+
Service and sales workers	=	+	++
Textile, garment and related trade workers	++	--	--
Pelt, leather and shoemaking trades workers	++	--	--
Other craft related trade workers	+	+	--
Textile, fur and leather products machine ops	=	--	--
Plant and machine operators, assemblers	-	--	-
Labourers	-	=	-
European employment impact to 2020	**-20-25%**	**-50%**	**-20-25%**
++ strong increase; + increase; = no change -- strong decrease; - decrease			

Source: Vogler-Ludwig K and Valente A C (2008)

Scenario 1: Globalisation Limited

The implications of this scenario on the UK will be that the demand for UK produced goods driven by the sustainability agenda (and to an extent increasingly less advantage of wage drivers to off-shore and outsource) will continue to find a market.

Assuming specialisation on existing operations occurs, there will be a large increased demand for trade workers within the apparel sector. At the same time this change will also see moderate returns for managers, computing professions (in relation to increasing technological changes in both production and management of supply chains functions) and engineers to enable this process to happen.

Scenario 2: Asian Dominance – European Excellence

The trend that has occurred over the past ten years will continue to impact on the UK. Textiles and clothing firms continue to move production away from the UK as the duel impact of increasing sophistication of overseas competitors able to replicate current high value goods produced in the nation. Whilst this has large negative effects on the industry, it does create opportunities at managerial, computing, engineering and business professional levels as design functions and management of supply chain activities become an even more premium required function and vital to the on-going success of UK businesses to manage global supply chains closer to home.

Scenario 3: Advanced New Member States

The UK will experience continuing structural changes as supply chains reconfigure themselves once more. Production will slowly creep back to new EU member states driven by increasing consumer demands for more responsive fast fashion and the sustainability

agenda. The ability of UK producers to compete lies on their ability to cultivate customer relations and manage production from design through to branding and marketing activities.

11.3 Implications for workforce competencies

Recapping these competencies, Vogler-Ludwig K and Valente A C (2008) offers their thoughts on how these competencies impact the sectors skills needs of people within various occupations and is presented in Table 22.

What is interesting to note is that the competencies listed by the firms within the Skillfast-UK analysis sit easiest within the Asian Dominance-European Excellence model. Whilst this has the greatest issues in terms of potential loss of employment, the competencies needed to take full advantage of global opportunities as reported in the priorities from the education sector, suggest employers at this moment in time believe this model is the one that will drive forward the sector.

However, pre-recession, given the slowing down of the rate of decline in employment and businesses within the UK fashion and textiles sector, monitoring of the situation is something that must be taken into account.

Table 23: Critical competences

	Scenerio 1 Globalisation Limited	**Scenario 2 Asian Dominance-European Excellence**	**Scenario 3 Advanced New Member states**
General Management	Change management Network management	Strategic, visionary, intercultural	Quality management, market orientated
Marketing and Sales	Consumer-orientated, socially and environmentally responsible	Client orientated, technical know how, trend-setting, intercultural	Competition-orientated, Market knowledge; Intercultural
Administration	Environmental legislation (REACH)	International business	International business
Research & Development	Sustainable products and technologies; Traditional techniques	Interdisciplinary; Multi-skilled Creative	Market –orientated Efficiency orientated Creative
Process Engineering	Energy and emission control; Cost control	Supervision of global supply chain	Cost control Quality control
Production	Small-scale, specialised, crafts-orientated	Client orientated, Technical know-how	Quality orientated; mass production
Quality Control	Environmental standards Network operations	Diversified standards	Large-scale control systems Network operations
Logistics	Energy-efficiency-orientated	Delivery-time orientated	Delivery-time-orientated

Source: Vogler-Ludwig K and Valente A C (2008)

12. Geography

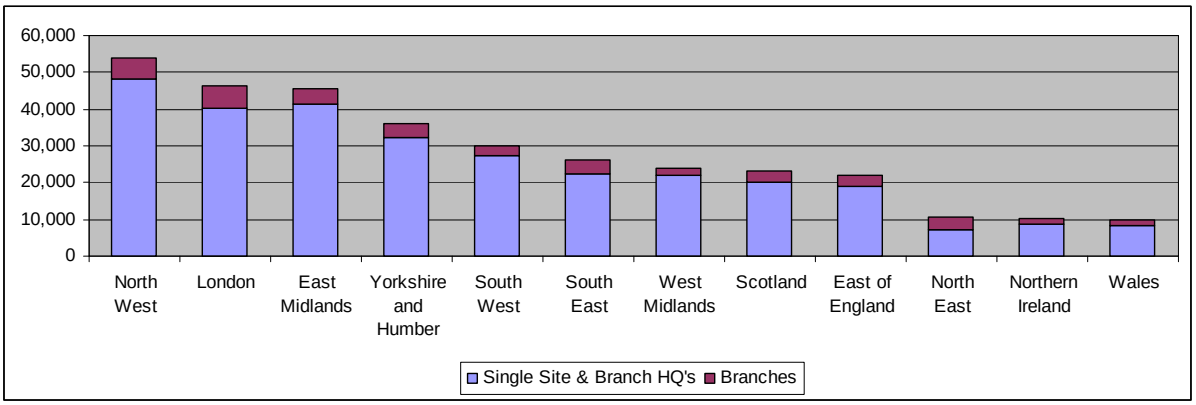
As has been noted the scale of skills deficiencies varies between the four home nations, the profile of these skills needs also varies as a result of differences in detailed industry and occupational profile in each of the countries, although there are strong common elements.

12.1 Understanding the national/regional variation of employment by sector board

To enable the contextualisation of skills shortages and gaps reported when described within the four nations, it is important to understand the location of employment and the impact these issues have on of the four Skillfast-UK sector boards that are reportable using national statistics.

Using the tbr resizing exercise, it is possible to see that the North West is the highest employing nation/region within the UK fashion and textiles footprint. This is followed by London and the East Midlands.

Figure 41: Employment by nation and region



Source: tbr (2008)

On closer inspection of employment levels using ABI data[7], it can also be seen that the North West of England is proportionally the highest employing region in total and accounting for a quarter of all textiles sector board activity.

The East Midlands has a substantial representation in each of the four boards and, whilst it is proportionally the lowest employing of the sector boards, a quarter of all footwear and leather activity takes place there.

Similarly, London is the largest apparel and sewn products producer whilst representing the high urban density and penetration of service users, such as hotel businesses, accounts for over a fifth of laundry and dry-cleaning activity.

Laundry and dry-cleaning activity due its service activity nature has a fairly even distribution relative to the population size of each nation/region.

[7] The use of ABI data excludes all self-employment and underestimates the total size of the sector as discussed in relation to the tbr resizing exercise. However, the ABI data is able to be disseminated at sub-GB and sector board level. APS data would exclude wholesale.

Other notable figures to be drawn from this analysis is the high level of textiles activity in Scotland and leather and footwear activity in the South West.

Table 24: Employment by sector board within the nations and regions

Nation/Region	Total	Leather & Footwear	Apparel & Sewn Products	Textiles	Laundry & Dry-cleaning
	214,000	**12,500**	**79,000**	**83,500**	**39,000**
North West	18%	13%	15%	24%	10%
East Midlands	15%	26%	16%	17%	8%
London	15%	12%	22%	6%	21%
Yorkshire and The Humber	11%	6%	9%	16%	6%
Scotland	8%	6%	6%	10%	7%
West Midlands	7%	9%	7%	6%	9%
East	6%	5%	7%	4%	10%
South East	6%	7%	6%	4%	12%
South West	6%	12%	5%	5%	10%
North East	3%	2%	4%	3%	2%
Wales	2%	3%	1%	3%	3%
Northern Ireland	2%	*%	2%	3%	2%

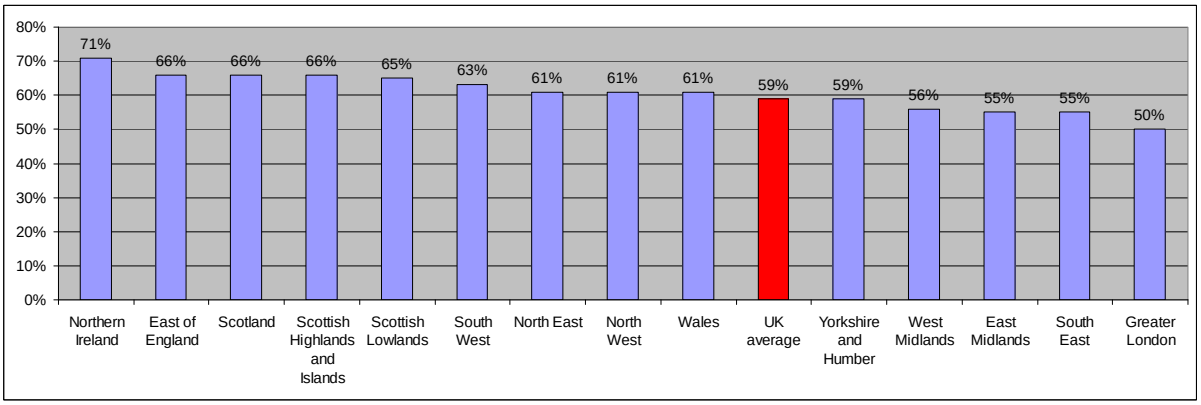
Source: ABI 2007 & IDBR 2007 for Northern Ireland

12.2 Contextualising skills shortages using the Skillfast-UK employer survey

The Skillfast-UK employer survey gives an indication of skills shortages when looking to recruit shows a number of variations within each of the nations and regions.

Within this analysis, employers in Northern Ireland recognise the largest number of skills shortages that exist, followed by Scotland and the East of England, with a number of nations and regions above the UK average. Employers in Greater London reported the least number of skills shortages that exist although half of employers still reported them as prevalent.

Figure 42: Reported skills shortages by nation and region



Source: Skillfast-UK employer survey 2008 (weighted base)

An analysis of Skillfast-UK's 2008 survey of businesses confirms that the following technical skills areas have a significant representation in each of the nations in terms of employment and form a general focus for skills needs with regard to both skills shortages and gaps as reported in the earlier skills needs analysis.

- Manufacturing sewn products
- Fashion/textiles product design
- Laundry operations
- Textiles process operations.

Key examples of differences of emphasis at national level include the following:

- Relative to the overall UK picture, textile process operations are of particular importance in the Scottish Lowlands but of lesser importance in Wales.

- Sampling skills are of particular importance in Northern Ireland, the Scottish Highlands and Wales.

- Garment alterations are also of particular importance in Northern Ireland, the Scottish Highlands and Wales.

These categories, however, conceal many detailed variations in the nature of processes, products and associated skills, which mainly arise from the traditional nature of industry clusters in particular areas of the UK.

In Scotland, there is a particular focus on kilt-making, for example, which requires specialist skills and knowledge in addition to more general competencies linked to bespoke cutting and tailoring.

Similarly, the handloom production of Harris Tweed in the Scottish Highlands involves the use of weaving processes and skills that are different from those required for conventional automated weaving and production.

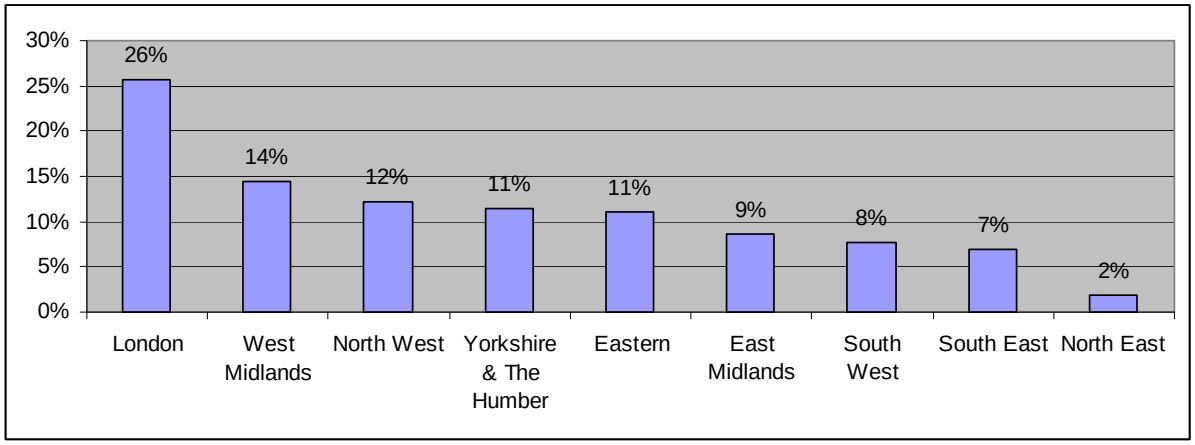
12.3 Skills deficiencies within the English regions

Whilst we have explored the differences between the four home nations, there is also a large degree of difference within the English regions of the scale and nature of skills deficiencies.

Within England there are also variations in the scale and nature of skills deficiencies at regional level, according to NESS. The regions reporting the greatest number of skills shortage vacancies are London (with more than one quarter of the total), the West Midlands, and the North West.

With the exception of the North West, which is the largest employment area for the sector, the density of skills shortages is high relative to the number of people employed in each region.

Figure 43: Absolute number of skills shortage vacancies by English region

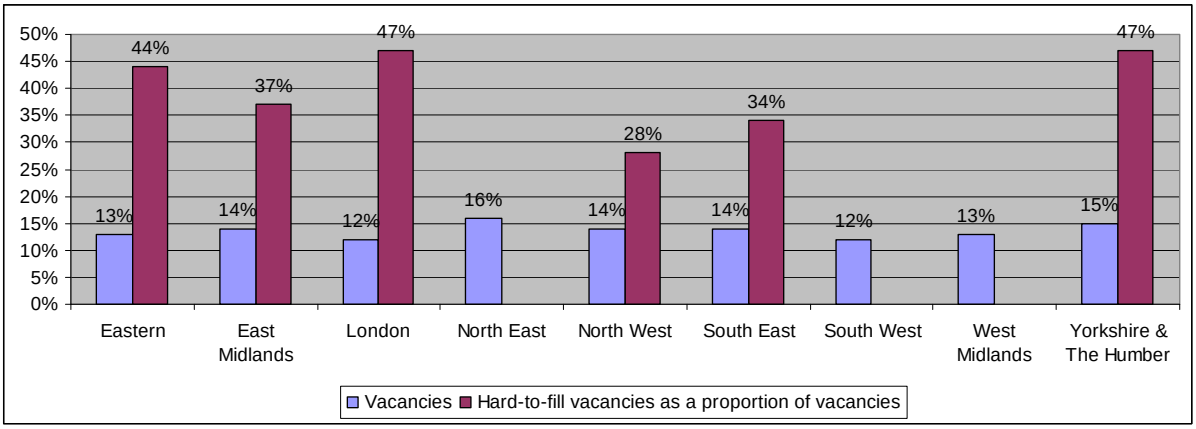


Source: NESS 2007 (based on 644 skills shortage vacancies: weighted employee base)

12.4 Vacancies and hard-to-fill vacancies by English region

Another key indicator of skills needs lies within the figures for the English regions. Employers within the Skillfast-UK footprint before the recession reported proportionally fewer vacancies than exist at an all sector level within each region. However, hard-to-fill vacancies were proportionally higher than reported as a whole within their regions (North West, East of England and South East the only exceptions) with the East of England reporting hard-to-fill vacancies levels that were over 10% greater than experienced in all sectors at a regional level.

Figure 44: Vacancies and hard-to-fill vacancies as a proportion of vacancies by English region



Source: NESS 2007 (weighted employer base) n.b North East, South West and West Midlands are below the baseline of 25 responses for hard-to-fill vacancies as a proportion of vacancies to report.

12.5 Skills deficiencies by occupation

As with the four nations, there are key differences in skills priorities across the English regions based on variations in the level of employment within occupational / functional areas and the incidence and density of skills deficiencies within these areas. According to Skillfast-UK's 2008 survey of businesses, examples of notable priorities that diverge from the list of UK priorities highlighted above and consistent with the proportion of people employed within each region includes:

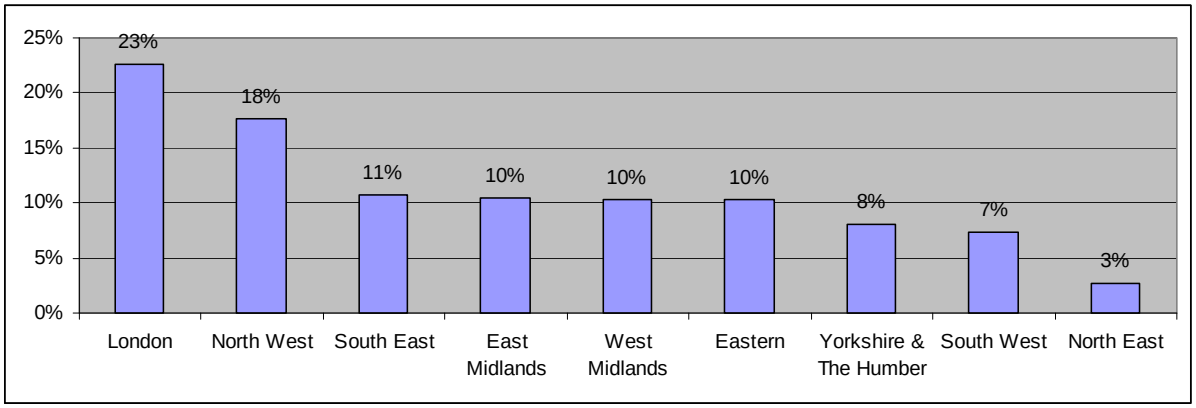
- textile process operations in the North West and Yorkshire and the Humber
- sampling and pattern cutting and grading in the East Midlands and London
- laundry operations in the South East

As we have seen from the ABI and employer survey data, footwear and leather is a niche area in employment terms and therefore does not feature at the top of the skills priority rankings at national level but is subject to a high intensity of skills needs in key regions, including the East Midlands, West Midlands, North West and East of England where this industry is still of importance.

12.6 Skills gaps by English region

As reported with skills shortages, skills gaps were of particular prevalence in absolute terms within London with again, almost a quarter of all skills gaps being reported there. Employers in the North West accounted for almost a fifth of reported skills gaps with employers in the North West also reporting large requirements.

Figure 45: Absolute number of skills gaps by English region



Source: NESS 2007 (based on 2,431 skills gaps reported: weighted employee base)

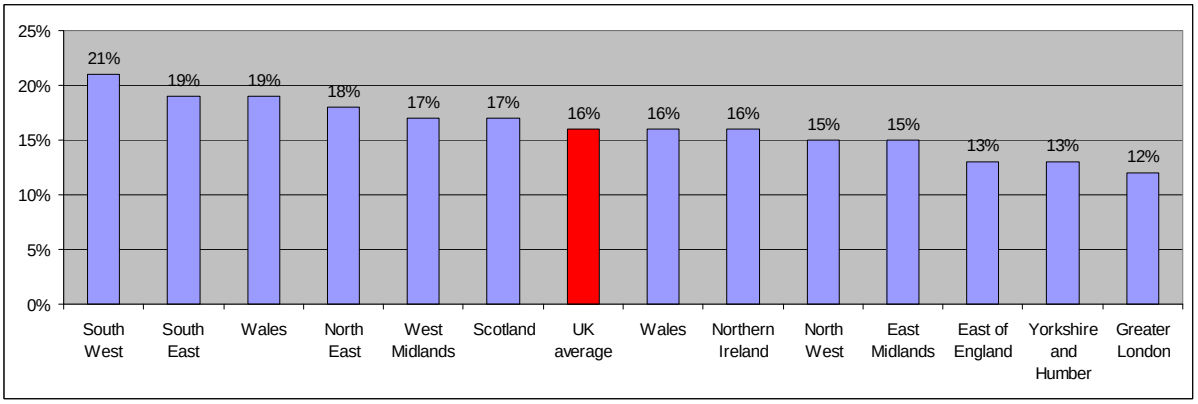
In terms of density of skills gaps expressed as the number of employees with a skills gap per employment, the East, London and the South East all have high levels of skills gaps within their workforces.

12.7 Skills gaps by nation and region

The Skillfast-UK employer survey found that 16% of employers had reported a skills gap. Most prevalent were skills gaps identified in the South West, Scotland and the South East of England.

Whilst Greater London and the North West were identified within the NESS as accounting for the most number of absolute skills gaps, a lesser proportion of employers reported a skills gap.

Figure 46: Skill gaps by nation and region



Source: Skillfast-UK employer survey 2008

12.8 Future outlook

With regard to the outlook for labour and skills demand across the four nations, Working Futures III forecasts indicate that there will be a degree of variation with regard to expansion and replacement demand within the sector.

In all four nations, expansion demand is forecast to be negative, with Scotland and Northern Ireland predicted to be most vulnerable. Employment is forecast to fall by 25% in Scotland, 15% in Wales and 23% in Northern Ireland, compared with 15% in England, according to Working Futures.[8]

However, the forecast declines in each nation look likely to be less pronounced than historically seen suggested the future sector forecasting is looking set to be close to finding a natural level of employment. Indeed, in all four nations there is expected to a positive net recruitment requirement as replacement demand more than offsets negative expansion demand.

However, when one considers the relatively small current bases of employment in each of the devolved nations and the margin of error in the Working Future III estimates at this level, then one must be cautious in drawing strong conclusions from these differences.

These Tables give an overview of how each nation is expected to perform. Fuller analysis of these forecasts on an individual country level can be found within the respective nation reports.

[8] The projections in this study were forecast before the recession impacted the economy and employment levels. For this reason the longer term 2017 figures must be used to give a clearer indication of future trends.

Table 25: Future employment estimates for the home nations

						2007 - 2017		
Employment Levels (000s)	**1987**	**1997**	**2007**	**2012**	**2017**	**Net Change**	**Replacement Demand**	**Total Required**
England Skillfast-UK Footprint	643	445	235	214	199	-36	81	46
Scotland Skillfast-UK Footprint	74	51	22	18	16	-6	8	2
Wales Skillfast-UK Footprint	23	20	9	8	8	-1	3	2
Northern Ireland Skillfast-UK Footprint	31	27	6	5	5	-1	2	1
UK Skillfast-UK Footprint	770	543	272	246	228	-44	94	50

Source: Working Futures III (2008)

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14. Appendices

Annex A: Skillfast-UK Sector Boards

The Skillfast-UK sector boards defined by four digit Annual Business Inquiry. NB - this analysis is based on the four sector boards for which is possible to gather information on. It therefore excludes the role of design and man-made and technical textiles in the analysis.

Apparel and Sewn products

1821 : Manufacture of work-wear
1822 : Manufacture of other outerwear
1823 : Manufacture of underwear
1824 : Manufacture of other wearing apparel and accessories not elsewhere classified
5116 : Agents involved in the sale of textiles, clothing, footwear and leather goods
5142 : Wholesale of clothing and footwear

Textiles

1711 : Preparation and spinning of cotton-type fibres
1712 : Preparation and spinning of woollen-type fibres
1713 : Preparation and spinning of worsted-type fibres
1714 : Preparation and spinning of flax-type fibres
1715 : Throwing and preparation of silk including from noils and throwing and texturing of synthetic or artificial filament yarns
1716 : Manufacture of sewing threads
1717 : Preparation and spinning of other textile fibres
1721 : Cotton-type weaving
1722 : Woollen-type weaving
1723 : Worsted-type weaving
1724 : Silk-type weaving
1725 : Other textile weaving
1730 : Finishing of textiles
1740 : Manufacture of made-up textile articles, except apparel
1751 : Manufacture of carpets and rugs
1752 : Manufacture of cordage, rope, twine and netting
1753 : Manufacture of non-wovens and articles made from non-wovens, except apparel
1754 : Manufacture of other textiles not elsewhere classified
1760 : Manufacture of knitted and crocheted fabrics
1771 : Manufacture of knitted and crocheted hosiery
1772 : Manufacture of knitted and crocheted pullovers, cardigans and similar articles
2470 : Manufacture of man-made fibres
5141 : Wholesale of textiles

Footwear and Leather

1810 : Manufacture of leather clothes
1830 : Dressing and dyeing of fur; manufacture of articles of fur
1910 : Tanning and dressing of leather
1920 : Manufacture of luggage, handbags and the like, saddlery and harness
1930 : Manufacture of footwear
5124 : Wholesale of hides, skins and leather
5271 : Repair of boots, shoes and other articles of leather

Dry-cleaning and laundry

9301: Washing and dry cleaning of textile and fur products

Annex B: Employer SWOT analysis

Employer SWOT analysis

Strengths	**Weaknesses**
▪ Image of British style ▪ Strong brands in some areas of the market ▪ Strong presence in export markets ▪ Design creativity ▪ Now leaner, nimbler organisations with reduced cost base ▪ Flexibility (quick response, small orders) and delivery performance ▪ High standard of customer service ▪ Many long established family-owned businesses with good reputation, strong technical skills and loyal, stable workforce	▪ Lack of willingness of financiers to invest in large scale AFT production in UK ▪ Negative image of industry held by potential recruits ▪ Ageing workforce in some parts of the sector ▪ Premium goods particularly vulnerable to economic downturn ▪ Cost base of most firms high in global terms
Opportunities	**Threats**
▪ Develop sourcing, branding and marketing operations ▪ Investment in technology – enhance productivity and product quality ▪ Increasingly ethical consumption (and production) ▪ Globalisation of consumer tastes ▪ Increasing middle class spending power in developing countries such as China ▪ Removal of tariff and non-tariff barriers by developing countries ▪ Move towards less minimalist UK furnishing fashions ▪ Increasing number of migrants to UK, offering potential supply of skilled and unskilled labour ▪ New production, materials and product technologies that have the potential to be commercialised ▪ Development of internet and opportunity to tap into global market through e-commerce	▪ Downturn in global economy ▪ Impact of slowdown in UK housing market, particularly on retail sales of household goods such as carpets and soft furnishings ▪ Downward pressure on retail prices and therefore on UK manufacturers' margins, resulting from cheaper imports ▪ Continued migration of production to Asia, following withdrawal of quotas ▪ Increasing competition from recent entrants to EU ▪ Affect of appreciation of sterling on exports ▪ Direct sourcing from overseas by large retailers ▪ Cost of compliance with regulations

Source: SSA interviews 2005