

FOLLOW UP REPORT

MAY 2021

**BREXIT:**

**THE  
IMPACT  
ON THE  
FASHION  
INDUSTRY**

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# EXECUTIVE SUMMARY

To follow up on our 2018 Brexit and the Fashion Industry paper and the #Don't Make Fashion History campaign we led in unity with over 455 business leaders across the sector in January of this year, we have collated key data and insights to share the most recent impact assessment from the current state of the UK-EU trade deal on the fashion, textiles and fashion retail industry.

The UK fashion and textiles industry encompasses creative, manufacturing and retail; pre-pandemic this workforce numbered over 890,000 and was the largest of the creative industries, generating more income for the economy than automobiles, film, music, and pharmaceuticals combined. 2020 marked the worst year for the high street in a quarter of a century with 320 shops closing every week<sup>1</sup>, suffering its worst annual sales performances on record. Driven by a slump in demand for fashion products, Oxford Economics forecasted the fashion industry's £35bn UK GDP contribution could fall to £26.2bn<sup>2</sup>, with both textile manufacturing and retail now highly exposed<sup>3</sup> to the impact of Brexit.

The sector strongly relies on export revenues, raw materials from abroad, and has a highly complex supply chain, and an international talent pool; therefore the new post-Brexit trade regime brings several challenges to the fashion industry<sup>4</sup>. The pandemic has severely impacted the industry,

particularly bricks and mortar retail, however Brexit remains the most prominent risk to the UK fashion industry and requires vision to support UK fashion businesses: one which promotes a greener, more sustainable levelling up agenda. The Fashion Industry has the potential to be at the heart of the UK's post-pandemic recovery and a shining example of how the creative industries can flourish in a post-Brexit Britain. With well-placed support and the implementation of the right measures, we can address business survival with a strategy which works towards achieving net zero.

Fashion Roundtable will be sharing our vision for the future of the UK fashion industry in a future policy paper. This will share our ideas and solutions to support the sector more effectively and sustainably across the UK, supporting a build back better, as well as greener, nationwide strategic approach. While the Trade and Cooperation Agreement paves

the way to further negotiations between the UK and the EU, Fashion Roundtable surveyed stakeholders earlier this year and found that 59% of respondents<sup>5</sup> had been negatively impacted by Brexit following the end of the transition period, citing delays at the border, price impact, tariff change, additional customs costs, and fluctuating exchange rates as critical areas of concern. 77% of respondents<sup>6</sup> to our snap sector survey expected to feel the effect of post-Brexit trade imminently.

Brands and retailers have already faced significant disruption to their supply chains, and the pandemic has hampered Brexit preparation. According to the Confederation of British Industry, 54% of businesses said that preparation for Brexit had been negatively affected by COVID-19<sup>7</sup>. This is problematic for a sector heavily reliant on trade and access to European markets. In 2019, clothing and apparel exports were in the top ten goods exports to the EU<sup>8</sup> and accounted for 3.1% of total UK exports<sup>9</sup>.

**EveningStandard.**  
Brexit has left Britain's fashion industry in real danger of being bypassed

**FT**  
'British brands will die': Fashion raises the alarm on Brexit trade deal

**VOGUEBUSINESS**  
What the last-minute Brexit deal means for luxury

**theguardian**  
Covid has damaged small businesses. Now Brexit might finish them off

**PoliticsHome**  
ALL TODAY'S POLITICS IN ONE PLACE  
Exclusive: Modelling Giant Warns Of 'End Of' British Industry Over Post-Brexit Work Permits

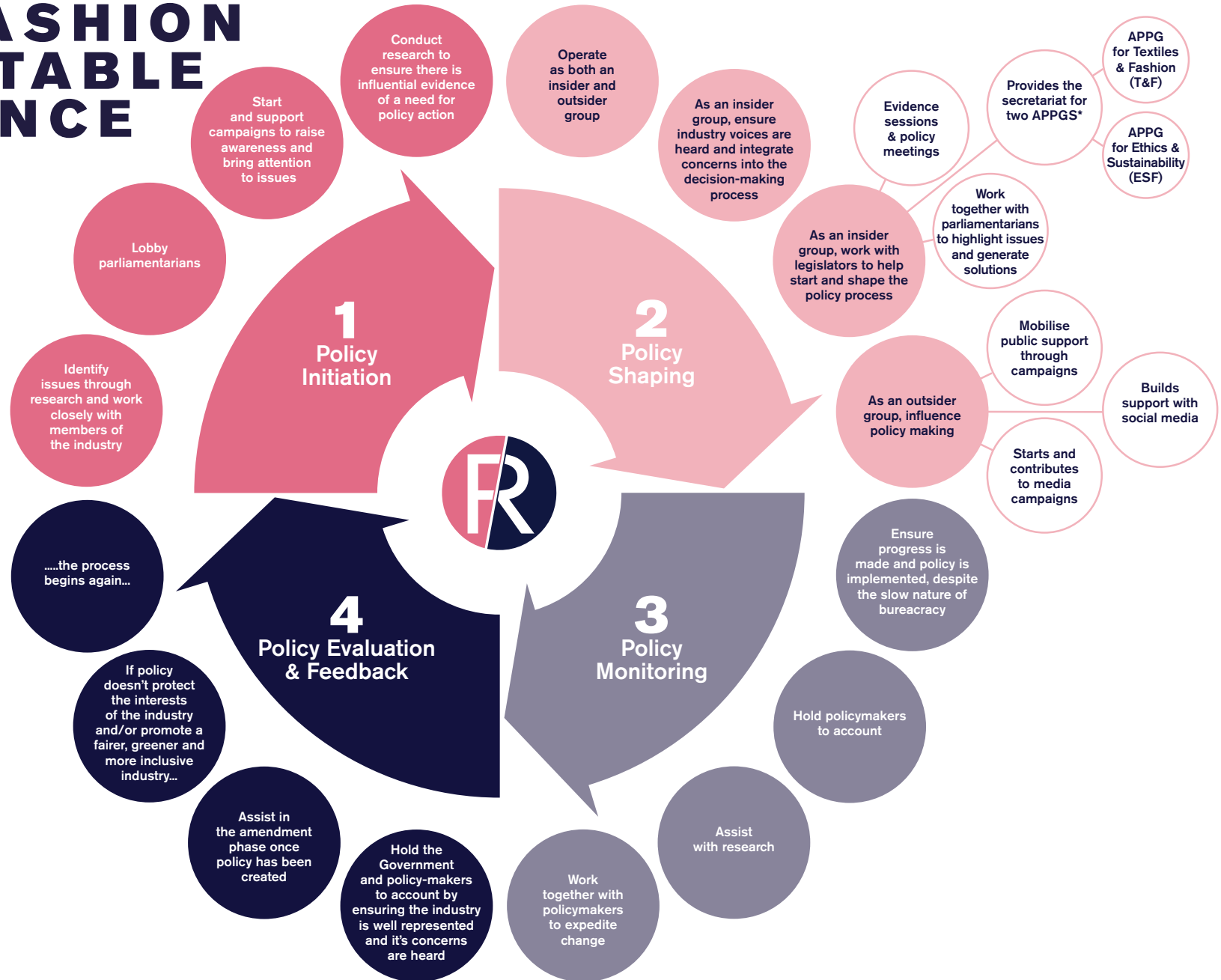
**The Telegraph**  
Samantha Cameron and Sir Paul Smith - Brexit is a disaster for British fashion

**BOF**  
The Boardman of Fashion  
London Designers Face 'Most Challenging' Season Yet

**The New York Times**  
Could Brexit Destroy British Fashion?

**LE FIGARO**  
British fashion threatened to be "decimated" by Brexit

# HOW FASHION ROUNDTABLE INFLUENCE POLICY



Fashion is international and needs to be internationally supported and open.

SHOULD BE

Due to Brexit we are doubtful about how we can grow a customer base in the EU without moving out of the UK.

CLOSELY ALLIED

The immeasurable complication with trade and travel adding costs to doing business which for a small business is unsustainable.

It has completely destroyed my business model - I can no longer afford to produce my products in Portugal or sell to EU customers.

CULTURALLY AND  
ECONOMICALLY TO

We now need to consider visas for all our models travelling to the EU and need to have papers for all our EU models coming in, which don't match the way our industry works and so aren't really fit for purpose. Clients are already choosing to switch shoots to Paris as they can access entire creative teams easier from there.

The VAT Res decision is extremely damaging both to UK tourism and retail businesses.

IT'S CLOSEST  
NEIGHBOURS.

# OVERVIEW

A highly sophisticated and multi-billion-pound sector, the UK fashion and textile industry is at a crossroads.

According to data collated by Oxford Economics and released by the British Fashion Council (2020), fashion contributed £35bn to UK GDP in 2019<sup>10</sup> and industry growth increased by 11% between 2015-2016<sup>11</sup>. This contribution is primarily filtered through retail and manufacturing, which are the 6th and 7th largest contributors to the UK economy, according to the Office of National Statistics (ONS).

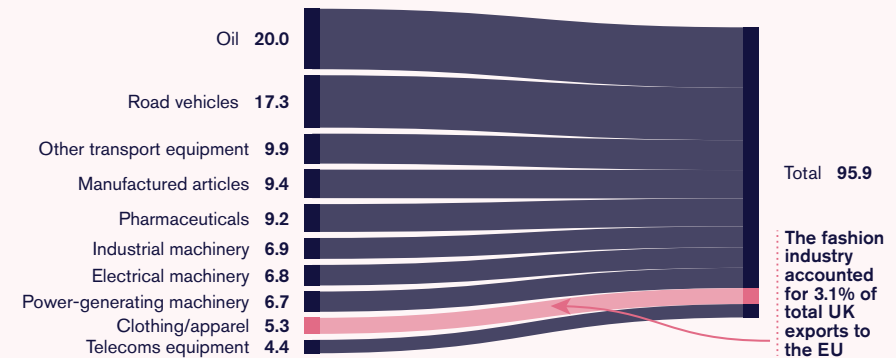
The fashion and textile industry contribution to EU/UK trade cannot be understated. The EU is the UK's largest export market for textiles and apparel, accounting for 74% of UK exports<sup>12</sup> according to UKFT, apparel and textile exports to the EU in 2020 accounted for £6.7bn, while £8.3bn of fashion and textiles are made in the UK. In 2019, clothing and apparel exports were in the top 10 goods exports to the EU, accounting for 3.1% of total UK exports<sup>13</sup>. The pandemic saw many brands pivoting to digital platforms successfully as retail outlets closed with online purchases representing 28.5% of total sales in October compared with 20.1% in February<sup>14</sup>. Our survey highlighted repeated stakeholders' concerns that since the end of the transition period they have

lost online sales to the EU. These businesses have dealt with this in a variety of ways: ranging from closing online sales to the EU, which for some of those we surveyed was previously up to 40% of their business; to shouldering the newly added delivery costs themselves; while one brand we spoke to has seen EU online sales fall from 20% in December to 4% by March. All at a time when bricks and mortar in the UK has been closed since late 2020.

The UK fashion and textiles industry are at a crossroads: leading in innovation, tech, and talent, but to build back better, it requires effective support now, allowing frictionless travel for goods and services between the UK and EU, while the UK explores future trade deals with other global markets. The industry continues to be a significant UK employer with 817,034 jobs supported across the industry<sup>15</sup>, according to data published by the ONS for October 2020. Over 236,000 (29%) of those jobs are located in London. UK employment figures rank fashion almost as large as the financial sector, which employed 1.1m in Q1 of 2020<sup>16</sup>. Fashion is also a key labour market, attracting talent from the EU and worldwide. The British Fashion Council carried out a survey which found that 87.5% of respondents employed EEA nationals<sup>17</sup>. The UK Fashion and Textile Association noted that employment in London across the fashion and textile sector was estimated at 13,650 workers, accounting for as much as 70% of the workforce<sup>18</sup>. The British Retail Consortium draws evidence from the Labour Force Survey<sup>19</sup> (2017) of 170,000 EU nationals working across

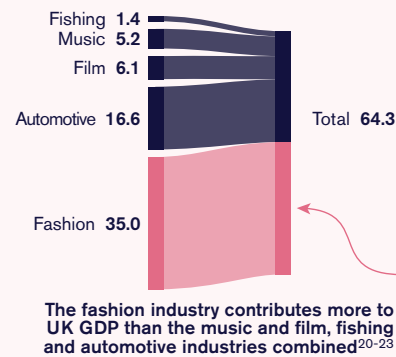
## THE IMPORTANCE OF THE UK FASHION INDUSTRY TO UK/EU TRADE

Top 10 UK goods exports to the EU 2019 (£ billions)



Source: HMRC, House of Commons, Financial Times

## THE UK FASHION INDUSTRY'S CONTRIBUTION TO GDP (£ billions)



the retail industry, accounting for 6% of the direct retail workforce, with the fashion sector employing a high percentage of EU workers for a range of jobs, including customer services, creative, garment worker and retail.

In 2019 ONS statistics<sup>24</sup> indicate there were 5,835,600 small and medium size businesses in the UK, constituting 99.9% of the business population. In 2020 ONS data showed there were 58,310 fashion

SMEs<sup>25</sup>, down from 59,120 in 2019. The industry is principally made up of SMEs; 90% of UK fashion brands are small to medium-sized enterprises and currently these thrive best in an economy that supports flexible working, recruitment, and movement. Overall, the number of SMEs has increased by 2.4 million (+69%) since 2000, including 298,000 SME employers (+27%). The 7,700 large businesses in the UK make a major contribution to employment and turnover. Nonetheless, SMEs account for three fifths of the employment and around half of turnover in the UK private sector. At the start of 2019: total employment in SMEs was 16.6 million (60% of the total), whilst turnover was estimated at £2.2 trillion (52%), employment in small businesses was 13.2 million (48%) and turnover £1.5 trillion (37%), employment in medium-sized businesses was 3.5 million (13%) and turnover £0.6 trillion (15%), employment in large businesses was 10.9 million (40%) and turnover £2.0 trillion (48%). Therefore, any strategy for business through Brexit and beyond must work across not only the larger industry but also with our small and medium sized businesses, given the employment they offer to so many of our population, as well as the revenue they generate.

# INDUSTRY ENGAGEMENT AND SURVEY

To inform this report, Fashion Roundtable engaged industry leaders and business owners with a snap survey on Brexit and the Impact on the Fashion Industry over 2 weeks in January - February 2021.

The survey data confirms some indicators about the post-Brexit landscape. Key results, driving the policy agenda of this paper, are detailed to right and below.

Before the survey's launch, Fashion Roundtable hosted an industry roundtable with a varied cross-section of the fashion industry, including manufacturers, creatives, retailers, and SMEs.

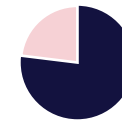
Throughout 2020, we held meetings with Government policymakers, legal and political experts to deliver a varied educational experience and forum for the attendees. We formed a new working group to support the industry through policy ideas and published an open letter<sup>26</sup> to the government supported by more than 455 industry leaders.

## PRINCIPLE RESULTS



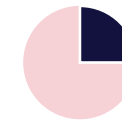
59%

say Brexit has impacted their business since the end of the transition



77%

said they expect to be affected post-lockdown



25%

said they have considered relocating all or part. A further 15% said they might consider relocating all or part of their businesses



91%

say they want a visa that allows creative access to EU countries cheaply and quickly



39%

said if offered tax relief they would be more likely to localise manufacturing with a further 39% saying they might consider onshoring

## ISSUES OF MOST CONCERN



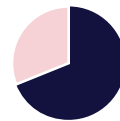
36%

are concerned about intellectual property rights



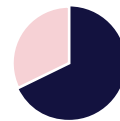
75%

are concerned about the loss of freedom of movement for goods and services



69%

are concerned about delays to exports and imports



68%

are concerned about added costs on products and deliveries



66%

are concerned about access to markets



59%

are concerned about the impact of Brexit on the UK's reputation as a fashion hub



58%

are concerned about red tape



48%

are concerned about the decision to end the VAT Retail Export Scheme



41%

are concerned about garment workers not being added to the SOL



57%

are concerned about the impact of Brexit on workers rights

# don't make fashion history.

We want to see a thriving, sustainable and more inclusive fashion industry in the UK and across our global supply chain. This is why we ask for more support to avoid a loss of business, particularly our predominantly SME business sector.

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## THE CAMPAIGN

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Fashion Roundtable's #DontMakeFashionHistory<sup>27</sup> campaign recently united the sector, highlighting key concerns from across the industry. Our analysis highlights that while industry leaders are keen to endorse onshoring, levelling up and an ambitious green agenda for the domicile fashion and textiles industry and of course the sector is eager to explore global trade with free trade deals, the industry requires action to safeguard the industry from Brexit impacts now. Encouragingly, Make It British<sup>28</sup> has seen a 63% increase in brands (both large and SME) seeking to manufacture in the UK since the pandemic; however, to do so, we need to support businesses with their talent and capacity issues in order to grow those opportunities. 38.5% of our snap survey respondents would be more likely to manufacture in the UK if the UK offered tax incentives, same as the UK film industry<sup>29</sup> currently receives for films made in the UK, while a further 38.5% would consider it.

Following an industry-wide meeting held on Wednesday 20th January 2021, coordinated by Fash-

ion Roundtable, the industry highlighted the key issues, impacts and unforeseen consequences of Brexit in an Open Letter to the Government. It received cross-party parliamentary support, with signatories including Baroness Lola Young of Homsey, John McNally MP, Martyn Docherty-Hughes MP, Lord Cashman CBE, Lord Foster of Bath, Earl of Clancarty, Baroness Bonham-Carter and Lord Taylor of Warwick. The letter also gained industry leaders' support across manufacturing, retail, modelling, creative business, education, brands, and journalism. Signatories including John Horner CEO of Models 1, Jenny Holloway CEO of Fashion Enter, Kate Hills CEO of Make It British, Patrick Grant CEO of E. Tautz, Helen Brocklebank CEO of Walpole, Alistair Knox Chair of ASBCI, Jess McGuire-Dudley Design Director of John Smedley, Caroline Issa CEO of Tank Media Group, Jefferson Hack CEO of Dazed Media Group, Sarah Mower MBE, Nick Knight OBE CEO of SHOWstudio, Dame Vivienne Westwood DBE, Dame Twiggy Lawson DBE, Yasmin Le Bon, and Katherine Hamnett CBE.

Meanwhile, media<sup>30</sup> from across the globe covered the campaign, shining a light on the economic impacts and business value of the industry, as well as its complex and labour force supply chain.



## FREEDOM FOR MOVEMENT OF GOODS

The single market<sup>31</sup> is founded on the “4 freedoms principle”, including free movement of goods, enabling the EU to operate logistically as one territory, without any internal borders or other regulatory obstacles to the free movement of goods and services. Until the withdrawal from the European Union, UK retailers, brands and designers have enjoyed unrestricted access to European markets. In the face of Brexit, the fashion and textiles industry are facing costly regulations which are increasing costs for both businesses and consumers.

Our snap survey data is indicative of a wider issue, whereby a respondent revealed that post Brexit a European shopper who buys from a British retailer could be hit with taxes and fees, reaching 30% of the product price to import the item. Brand owners also cite that these costs are inconsistent, with delivery costs and delays varying for each package, from each country. Even before the end of the transition period, exports to the EU in apparel and textiles had already begun to fall, as cited in a March 2019 LSE report<sup>32</sup> by Josh De Lyon and Swati Dhingra, which shows that Brexit uncertainty had already reduced exports to the EU. For many businesses, particularly those without the company infrastructure of larger organisations, the new paperwork, delays and confusion is both daunting as well

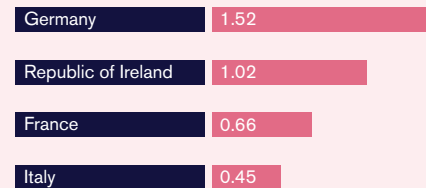
as financially damaging. Stakeholders have also told us that the £2000 government grant<sup>33</sup> to support SME exports to the EU does not mitigate against these impacts. Given the fishing industry received a £23m support package<sup>34</sup> from the Government, we believe that a relatively similar sized package would allow the UK Fashion Industry to continue to generate revenue for the United Kingdom and grow as it had for many years. .

Goods entering the EU must now satisfy rules of origin requirements, proving to be a significant challenge for UK businesses. This problem is particularly pertinent to the fashion and textiles industry, as goods are now characterised by final products that incorporate intermediate inputs from multiple origins. Rules of origin, which stipulate that tariff-free access to the EU is only granted to UK firms that can prove their goods were made in the UK and vice versa, have complicated matters for firms that make products containing many parts made abroad. A lack of raw materials in the UK means that by necessity almost any UK manufacturer has used components from multiple sources, many of which will have been imported from non-EU nations such as India and Turkey. To qualify as originating in the UK products need to satisfy specific criteria, such as having a minimum value of parts originating in the UK/EU or having undergone a “substantial change”.

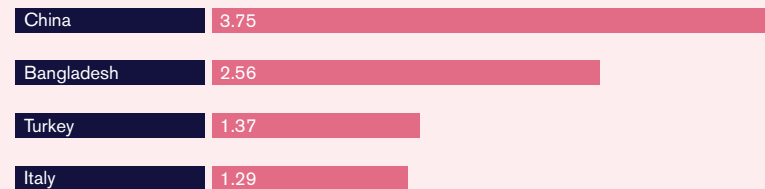
This critical issue is what many are describing as the “Percy Pig Problem”<sup>35</sup>. Percy Pig sweets are

### THE UK'S TOP CLOTHING AND APPAREL TRADING PARTNERS IN 2018

#### Exports (£ billions)



#### Imports (£ billions)



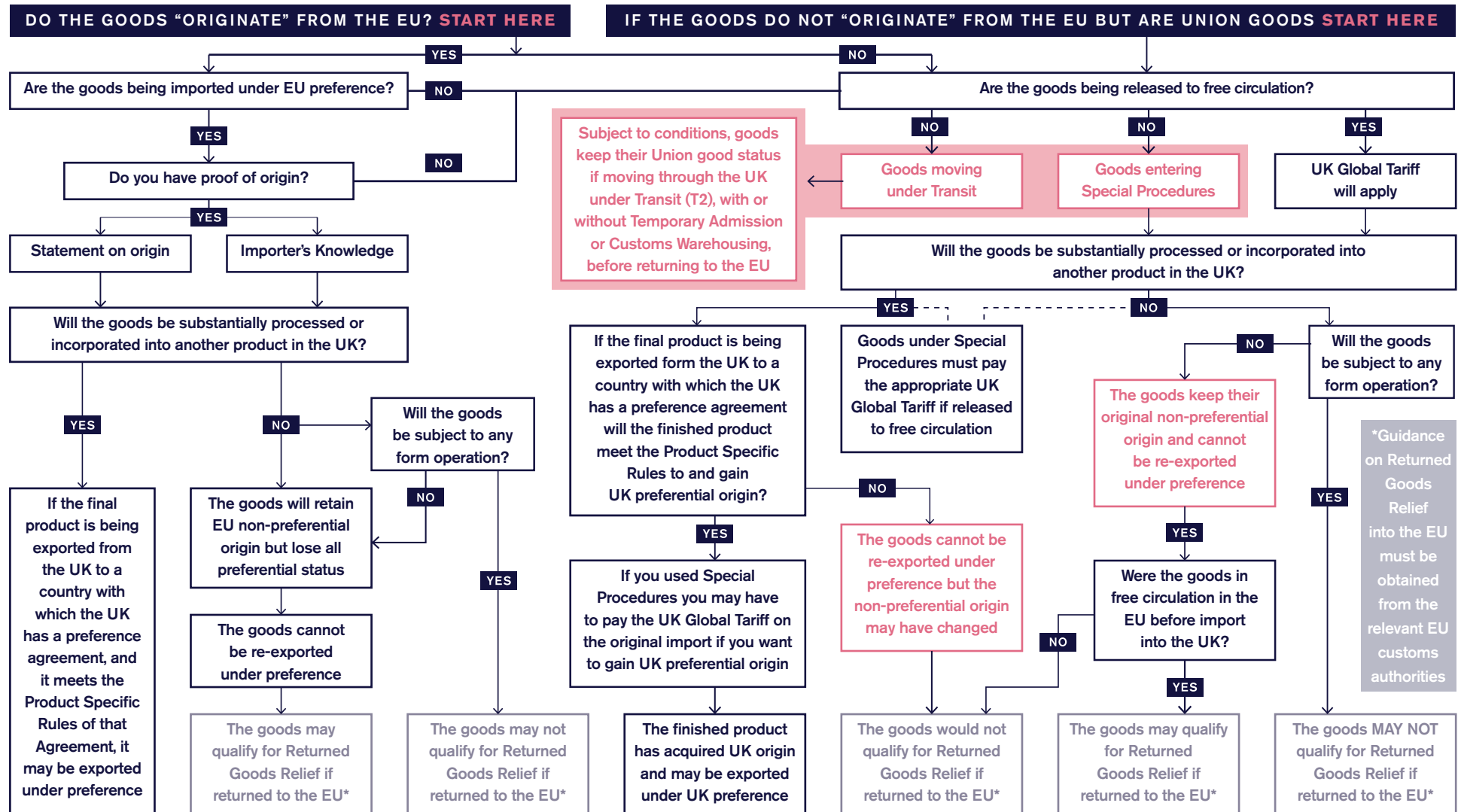
Source: HMRC, UKTRADEINFO, Vogue Business

manufactured and imported from Germany, which incurs no tariff, but M&S sends them on to its stores in the Republic of Ireland, which is part of the EU. As no substantial changes have been made to them in the UK, a tariff may now apply. Many retailers face this very issue, whereby a T-shirt is manufactured and packaged in Portugal and then shipped to the UK. When the T-shirt is exported to stores in Spain, which is part of the EU, additional tariffs may be incurred. This is because the T-Shirt has left the EU and not been changed enough to count as being made in the UK, it may

be that a tariff needs to be paid to get them back into the EU, despite them having been made in the EU in the first place.

As a result of the “Percy Pig Problem”, Fashion Roundtable’s industry engagement has revealed that fashion and textiles businesses are being advised by the Department for Business, Energy, and Industrial Strategy to set up distribution centres in the EU to avoid the problems caused by origin rules. This is a costly and time-consuming process and simply not possible for most of the UK’s fashion industry SMEs.

# IMPORTING FROM AND RE-EXPORTING UNION GOODS TO THE EU



Subject to conditions, goods keep their Union good status if moving through the UK under Transit (T2), with or without Temporary Admission or Customs Warehousing, before returning to the EU

Goods moving under Transit

Goods entering Special Procedures

UK Global Tariff will apply

Will the goods be substantially processed or incorporated into another product in the UK?

If the final product is being exported from the UK to a country with which the UK has a preference agreement will the finished product meet the Product Specific Rules to and gain UK preferential origin?

If you used Special Procedures you may have to pay the UK Global Tariff on the original import if you want to gain UK preferential origin

The finished product has acquired UK origin and may be exported under UK preference

Goods under Special Procedures must pay the appropriate UK Global Tariff if released to free circulation

The goods cannot be re-exported under preference but the non-preferential origin may have changed

The goods would not qualify for Returned Goods Relief if returned to the EU\*

The goods keep their original non-preferential origin and cannot be re-exported under preference

Were the goods in free circulation in the EU before import into the UK?

The goods may qualify for Returned Goods Relief if returned to the EU\*

Will the goods be subject to any form operation?

\*Guidance on Returned Goods Relief into the EU must be obtained from the relevant EU customs authorities

The goods MAY NOT qualify for Returned Goods Relief if returned to the EU\*

## WORKERS RIGHTS

The past decade has seen several reports revealing the social cost of our clothes. There are a number of failures in UK law, most recently highlighted as a result of the labour abuses in Leicester garment factories. When surveyed, 57.1% of our survey's respondents indicated they were concerned about the impact of Brexit on workers' rights following the end of the transition period. Undeniably, the UK has taken necessary steps to stop modern slavery, primarily through the introduction of the Modern Slavery Act 2015. The UK's strides in tackling modern slavery have also been supported by EU law through several Directives and the CJEU's interpretative approach.

To guarantee a strong legal framework to support the fight against modern slavery and other forms of

labour exploitation, the UK should maintain and strengthen EU legal protections that guard against workers' exploitation. Such devices are of paramount importance in the context of the Covid-19 and the Government's onshoring agenda that must be done the right way - workers' rights must be put at the centre of the UK's efforts to build back better.

With this in mind, Fashion Roundtable's industry engagement and surveying have shown that there is concern that the end of the transition period will mark a gradual 'watering down' of workers' rights in the UK, exposing low-paid workers in garment manufacturing under to an increased risk of exploitation. Regrettably, the Government has decided to axe a highly anticipated review into EU employment protections that was scrapped recently.

To safeguard workers' rights in post-Brexit Britain, the Government should:

- Recommit to a study of perpetuating EU employment protections after Brexit.
- Maintain and strengthen the relevant EU Directives that make provision for workers' rights.
- Expedite the introduction of the announced amendments to the TISC provision outlined in the Government's response to the transparency in supply chains consultation.
- Consider the creation of a business and human rights regulator to enforce the law, monitor human rights due diligence and investigate alleged failures by businesses.
- Introduce a new 'failure to prevent' law that imposes legal liability on businesses which fail to prevent human and labour rights abuses occurring within their operations.

This should be coupled with mandatory human rights due diligence requirements to improve corporate action.

- Introduce a fit to trade licensing scheme to tackle labour exploitation in UK garment factories to improve the enforcement of UK employment law standards.
- Consider the Trade Union Congress call for joint liability provisions with regard to specific UK laws.
- For the Department of Business, Energy and Industrial Strategy to consider the establishment of a Garment Trade Adjudicator for the garment and textiles industry, similar to the Groceries Code Adjudicator already established for the benefit of consumers, retailers and other food businesses.

**The Government's levelling up agenda post-Brexit must include an absolute commitment to safeguarding and expanding workers' rights, particularly for workers at the bottom of the supply chain. Over several months, the APPG for Ethics & Sustainability in Fashion has learned of the exploitative working practices in the UK's £35bn fashion industry, that primarily harms women from BAME backgrounds. I am pleased to hear of significant improvements being made by some UK brands to curb exploitation in factories and hope that this sends a signal to brands that fashion should not come at the cost of the workers that make our clothes.**

Catherine West MP, Chair of the APPG for Ethics & Sustainability in Fashion

90%

## SURVEY RESULTS

A SURVEY<sup>36</sup> CONDUCTED BY FASHION ROUNDTABLE AND THE ALL-PARTY PARLIAMENTARY GROUP FOR TEXTILES AND FASHION (T&F APPG)<sup>37</sup>

OF RESPONDENTS TO A FASHION ROUNDTABLE SURVEY, CONDUCTED BY THE T&F APPG, BELIEVE THAT INSUFFICIENT SKILLS EXIST IN THE UK TO FILL JOB VACANCIES

80%

OF RESPONDENTS CONSIDER STITCHING TO BE A HIGH-SKILLED JOB<sup>38</sup>, THE REST THINK IT TO BE MEDIUM-SKILLED ACCORDING TO A SURVEY BY THE T&F APPG\*

20%

OUT OF THE RESPONDENTS TO THE T&F APPG\* SURVEY, MORE THAN HALF OF MANUFACTURERS EMPLOY EEA CITIZENS FOR MACHINIST ROLES, AND ONLY AROUND 20% OF EMPLOYEES ARE NON-EEA

50%

OF RESPONDENTS THINK BREXIT WILL CONTRIBUTE TO AN INCREASE IN MACHINIST VACANCIES

80%

OF RESPONDENTS CURRENTLY HAVE UNFILLED MACHINIST VACANCIES. OF MANUFACTURERS WITH OPENING POSITIONS, THE NUMBER OF VACANCIES ACCOUNTS FOR AN AVERAGE OF 65% OF EXISTING JOBS

## IMMIGRATION

The single market is also founded on the principle of free movement which has meant the unrestricted movement of people and labour force for people within the EU. Post-Brexit, the restriction of free movement is another issue that has affected the industry, which often relies on Eastern European workers. Many EU workers in the sector, such as garment workers, would be denied a UK visa under the UK's new points-based immigration system, which is aimed at retaining only "high-skilled" jobs.

The UK's post-Brexit immigration system will affect access to creative talent and models – all essential to retain the UK's position as a leading fashion nation and London as a global creative capital.

Migrants coming to work in "lower-skilled" occupations will, in practice, no longer be able to gain entry, while those who do qualify will need to

pay hefty fees and have their prospective employers apply on their behalf. Garment workers are not lower skilled: it can take years to learn the necessary skills. They are not however highly paid, with many paid the London Living Wage or higher, but not the threshold of £25,600.

In Fashion Roundtable's Shortage Occupation List (SOL) submission<sup>39</sup> to the Migration Advisory Committee, it is noted that *"The majority of respondents 71%, would employ EU workers in the new points-based immigration system if the salary rate is at £20,480 (SOL route salary threshold to gain 20 points), compared to 43% of participants if the salary rate is at £25,600 per year (skilled worker route salary threshold to gain 20 points). If the occupations are not on the SOL, it could risk decimating the fashion industry development opportunity by almost half."* 57%, consider their workers as highly-skilled to be fit-for-purpose in their job. This observation highlights disparities with the immigration rules. 76%, would keep a vacancy open until finding a worker with the required set of skills,

compared to 19% that would employ a worker not having the required set of skills.

This demonstrates the limitations for development and scaling-up of most businesses in the fashion sector, to which the constraints to access workers in the new points-based immigration system add additional challenges. Quoted evidence from the fashion industry informs that it takes between several months to several years to train textile machinists and workers making products. The industry's insights demonstrate that textile, garment jobs are skilled and require long-term training. We asked the Migration Advisory Committee last summer whether they did a risk assessment on modern slavery in the supply chain without adding garment workers to the Shortage Occupation List, which they said they didn't. Given the issues raised by Labour Behind The Label<sup>40</sup> in Leicester last July, combined with the growing rise of online retailer sales who produce in the UK and the desire, already cited, to produce higher volumes in the UK, we believe this is a worrying oversight. Adding garment workers to the

SOL, at least until the necessary T-Levels are rolled out in September 2023 and those students have entered the workforce, is a simple step that would support on-shoring and business growth, mitigating also against the possibilities of further escalated garment worker exploitation issues in the UK.

Manufacturing for both the high-end and the high street, it has been estimated that 87.5% of the workforce is from the EEA according to a BFC survey and of the 13,500 working in London garment factories, approximately 70% of those are EEA workers according to a UKFT to the Migration Advisory Committee<sup>41</sup>.

Like the music industry, fashion creatives relied on free movement to the EU to facilitate last-minute bookings and short-term work. As a result, an effective migration and work visas system is essential. According to the Incorporated Society of Musicians (ISM), 50% of creatives are self-employed and are often offered work in the EU within just 24 hours' notice, sometimes travelling to the EU to work

more than 40 times a year. To do this, freedom of movement is crucial for creatives as multi-page visa documents and tax forms are not compatible with the nature of short-notice, freelance work.

Out of the UK's 15,000 models, the British Fashion Model Agents Association (BFMA) estimates that just under half of those models are British, a quarter are not from outside the EU, and almost a third are EU citizens. Under the UK's new points-based immigration system, fashion creatives will need to obtain a "tier 5 certificate of sponsorship" to work in the UK or a "permitted paid engagement visa" one-off visit. For some agencies, 25% of model bookings come from the EU, but the new immigration rules will make it more difficult to organise shoots at short notice. John Horner, CEO Of Models One and Chair of the BFMA has stated<sup>42</sup> that *"it is now virtually impossible to get British models into Europe. We can get a model booked on a job tomorrow morning in Paris, and right now she can't go to Paris without the appropriate documentation."* Meanwhile for Spain, the agency understands it will take up to three months to get a work permit and a visa for a modelling job, which is unworkable for our fast-moving industry.

A key concern highlighted by the UK fashion industry is that the rules threaten the UK's status as a global hub for fashion creatives and note that many high street EU brands in the UK, such as Inditex who own Zara, or LVMH, Kering and Gucci Group may find it easier to arrange shoots and relocate their

press offices in the EU27. Without urgent action we are facing the possibility of reducing the global presence of our design talent. The UK leads in fashion tech and the sector's green innovation revolution. The biannual London Fashion Week with its Positive Fashion remit, to Fashion Revolution Week<sup>43</sup> each April, or events such as The Sustainable Angle's<sup>44</sup> Future Fashion Expo, all promote a future within the industry which is ahead of the curve in innovation and sustainability. Meanwhile the UK's world leading fashion tech economy, with companies such as ASOS, YNAP, FarFetch and Matchesfashion.com, all currently headquartered in the UK. We call on the government to support the sector with measures equal to other industries and affect the changes that will allow our industry to thrive, grow and facilitate the UK continuing to be a global hub for the creative industries.

Additional documentation is now required to take clothing samples to international exhibitions and tradeshows. The ability for samples, including garments and equipment is also of concern for the UK's fashion industry and creatives. In the eyes of customs, a "sample" is something that you could not resell. But most fashion samples are pristine and could be resold and would be subject to full duty. As with other goods entering the EU, it will require the correct documents to clear customs. Using an ATA carnet is the primary way samples will get into the EU - which can be very costly and is currently priced at £325.96. This is the same issue that musicians face with their equipment for touring.

With all this in mind, we are calling for:

- **Frictionless travel for fashion creatives and businesses between the UK and EU -27 member states**
- **The waiver visa cited by Deborah Annetts Chief Executive of ISM at the DCMS Select Committee<sup>45</sup> hearing on EU visas for creative workers**
- **The UK agreeing to work toward bilateral agreements with the EU 27 member states**
- **Secure a cabotage exemption for the creative and cultural sector – similar to the one that enables the Formula 1 industry to move large amounts of equipment across borders easily.**

While the new T-levels course had brought much hope to the fashion and textiles industry, the Craft & Design T-Level - the most relevant course to the fashion industry - is not due to start until September 2023 T-Level courses take two years to complete, meaning these workers will not be able to join the workforce until late in 2025 at the earliest.

Additionally, the industry is populated by SMEs, with limited opportunities for consistent on-the-job learning. The Government has not yet made clear whether there will be further financial support for organisations taking students on placements, to incentivise job creation and promotion. Additionally, as the Craft and Design T-Level is not due to begin until September 2023, a shortage of EEA workers that dominate this industry could exacerbate strains placed upon business, particularly without trained workers to replace any workforce deficit.

Autumn 2025 is several seasons in fashion terms, meaning there is a significant gap between introducing the new points-based immigration system that will result in a lack of skilled workers in garment manufacturing and "skilling-up" a new cohort of workers to fill those vacancies. A coherent education, immigration and business government strategy are necessary to secure the prosperity of the sector. Consequently, the Government should bring forward the introduction of the Craft and Design T-Level to no later than September 2021 or add garment workers to the SOL in the short to medium term.

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## EDUCATION

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STEM Education has always been a highlight of the Government's education strategy. At the same time, the Cultural Learning Statistics for GCSE show that between 2010-2019 in England there was a decline of -38% in the number of arts (Art and Design, Dance, Design and Technology, Drama, Media/Film/ TV Studies, Music and Performing/expressive arts) GCSE entries, from 673,739 in 2010 to 419,664 in 2019.

## VAT RETAIL EXPORT SCHEME

A controversial decision to end VAT-free shopping for international visitors remains a key concern for luxury fashion retailers and others in the fashion industry. 48% of our survey respondents said they were concerned about the Government decision to end the VAT Retail Export Scheme from the 1st of January 2021.

According to a report<sup>46</sup> from the Centre for Economics and Business Research, ending the VAT Retail Export Scheme would result in up to 41,000 thousand job losses, reduce non-EU visitors to the UK by 7.3 %, and result in an estimated total decrease in spending by tourists by up to £1.8 billion. The result of a decision to end VAT-free shopping could be ruinous for those sectors already reeling from the impact of Covid-19. It will also negatively impact on the overlapping sectors of hospitality and tourism.

In terms of digitalising the claim-validation system, the Government could use the current lull in international travel to undertake this work and bring the UK in-line with all other European countries, which have already digitised their systems. According to the Association for International Retailers, the prominent refund companies have already offered to install a digital system at no cost to the Government within 12 months.

## INTELLECTUAL PROPERTY

The UK fashion industry is recognised internationally as a critical sector, representative of UK creativity, innovation, and design. However, counterfeit products' proliferation is a significant issue both within the UK and more broadly in international fashion industries. According to the IP Crime and Enforcement Report for 2019–2020, after cigarettes and tobacco, clothing is the second most-counterfeited product<sup>47</sup>.

Based on 2016–2017 data, counterfeit clothing and accessories items accounted for 2,154,046 article seizures<sup>48</sup> at EU borders and held an original product retail value of €55,455,790. These figures demonstrate the high impact of the fashion and clothing industries and global fashion piracy, which negatively impacts original creators by stealing sales and diluting hard-fought brand reputations. The data highlights the importance of tackling the enduring threat of copying to the UK fashion industry. However, there is still increasing concern that without the protection of unregistered design protection in EU27 and clarity on simultaneous publication of designs, UK designers will be disadvantaged by the Trade and Cooperation Agreement.

As the EU is the UK's largest trading partner for fashion products, a lack of clarity on unregistered design rights and protection afforded in the Agreement may disadvantage British designers and brands.

# RECOMMENDATIONS

1. Add garment workers to the Shortage Occupation List for Visas
2. Reinstatement of the VAT Retail Export Scheme and extend to EU visitors
3. Reconsider visa requirements for fashion creatives
4. Close the gap on problems surrounding the rules of origin
5. Subsidise or scrap ATA carnets for travelling creatives
6. Begin the Craft and Design T-Level course in September 2021
7. Establish clarity on the issue of unregistered design rights
8. Incentivise on-shoring with tax relief for those brands who manufacture in the UK, as the UK film industry currently enjoys
9. Secure a cabotage exemption for the creative and cultural sector – similar to the one that enables the Formula 1 industry to move large amounts of equipment across borders easily
10. Equal support for the fashion industry for exports to the EU as enjoyed by the fishing industry with their £23m package for a 12,000 workforce generating £1.4bn GVA, versus £2,000 grants available for all of the UK's 617,600 SMEs
11. Build a robust IP framework into all trade deals

## Appendix 1

# KEY TERMS

<b>Free circulation</b>	This applies to goods that are duty paid and cleared by Customs and which can now be sold, or used within the customs territory.
<b>Goods subject to any form operation</b>	Goods that are not substantially processed or transformed but undergo some form of minimal processing.
<b>Importer's knowledge</b>	This allows the importer to claim preferential tariff treatment merely based on their own knowledge about the originating status of imported products.
<b>Non-preferential origin</b>	These are rules that apply for purposes other than preferential duty, for example, if trade embargoes or Anti-Dumping Duties apply or for compiling statistics.
<b>Origin/Originate</b>	Rules of origin determine where your goods originate from, meaning that the origin is the economic nationality of goods being imported and exported (where they have been produced or manufactured). It is not just where they have been shipped or bought from.
<b>Preference</b>	A reduced or zero rate of duty provided under an agreement that the UK has entered into with another country.
<b>Preferential origin</b>	Applies to goods that are being traded between the Parties to a preference agreement and which meet the rules of origin and origin procedures within that agreement.
<b>Product specific rules</b>	For every product traded under a free trade agreement, there is a corresponding product-specific rule (PSR) that must be met to demonstrate the product originates in the free trade area and qualifies for preferential tariff treatment.
<b>Returned Goods Relief</b>	This is a relief that can be applied to goods which are being re-imported into the UK that have previously been exported from the UK. You may also be able to claim relief on goods that you re-export to the EU that have previously been exported from the EU, but you will need to check with the relevant EU customs authority.

<b>Special Procedures</b>	Customs special procedures allow you to store, temporarily use, process or repair your goods and get partial or full relief from import duty, or in some cases suspension of duty.
<b>Statement on origin</b>	This is an origin declaration (also known as an 'invoice declaration' made by using a commercial document that has enough detail to identify the origin of the goods. This can be an invoice, packing list or delivery note.
<b>TCA preference</b>	A zero rate of duty provided under the UK-EU Trade and Co-Operation Agreement (TCA).
<b>Transit</b>	The Common Transit Convention is used to ease the movement of goods between or through any common transit countries. The UK is a member of the Common Transit Convention.
<b>UK Global Tariff</b>	The UK Global Tariff (UKGT) applies to all goods imported into the UK unless the country you're importing from has a trade agreement with the UK or an exception applies, such as a relief or tariff suspension or the goods come from developing countries covered by the Generalised Scheme of Preferences.
<b>Union goods</b>	<p>Union goods means:</p> <ul style="list-style-type: none"> <li><b>a</b> Goods wholly obtained in the EU and not incorporating goods imported from outside the EU.</li> <li><b>b</b> Goods imported into the EU and released into free circulation in the EU.</li> <li><b>c</b> Goods obtained/produced in the EU from goods in categories <b>a</b> &amp; <b>b</b>.</li> </ul>
<b>Wholly obtained</b>	Your goods are normally classed as 'wholly obtained' if they're natural products, or products manufactured entirely from them that completely originate from the country or territory covered in preference agreements.
<b>Wholly produced</b>	Wholly produced goods are those produced or manufactured exclusively from wholly obtained inputs.

## Appendix 2

## GLOSSARY

**1. 2020 marked the worst year for the high street in a quarter of a century with 320 shops closing every week.**  
<https://www.retailweek.org/retail-crisis.html>

**2. £35bn UK GDP contribution could fall to £26.2bn.**  
<https://www.britishfashioncouncil.co.uk/pressreleases/The-British-Fashion-Industry-Calls-on-Government-for-Support>

**3. '...textile manufacturing and retail now highly exposed to the impact of Brexit'**  
<https://voxeu.org/article/covid-19-and-brex-it-contrasting-sectoral-impacts-uk>

**4. '...post-Brexit trade regime brings several challenges to the fashion industry.'**  
<https://www.mckinsey.com/~media/McKinsey/Industries/Retail/Our%20Insights/The%20State%20of%20Fashion%202019%20A%20year%20of%20awakening/The-State-of-Fashion-2019-final.ashx>

**5. 59% of respondents had been negatively impacted by Brexit.**  
<https://www.fashionroundtable.co.uk/advocacy-surveys>

**6. 77% of respondents expected to feel the effect of post-Brexit trade.**  
<https://www.fashionroundtable.co.uk/advocacy-surveys>

**7. 54% of businesses said that preparation for Brexit had been negatively affected by COVID-19.**  
<https://blogs.lse.ac.uk/brexit/2020/12/07/covid-19-has-disrupted-businesses-ability-to-prepare-for-brexit-but-the-lack-of-clarity-on-the-uk-eu-relationship-is-worse/>

**8. In 2019, clothing and apparel exports were in the top ten goods exports to the EU.**

<https://www.britishfashioncouncil.co.uk/pressreleases/The-British-Fashion-Industry-Calls-on-Government-for-Support>

**9. In 2019, clothing and apparel exports accounted for 3.1% of total UK exports.**  
<https://researchbriefings.files.parliament.uk/documents/CBP-7851/CBP-7851.pdf>

**10. £35bn contribution to UK GDP in 2019**  
<https://www.britishfashioncouncil.co.uk/pressreleases/The-British-Fashion-Industry-Calls-on-Government-for-Support>

**11. Industry growth increased by 11% between 2015-2016**  
[https://www.creativeindustriesfederation.com/sites/default/files/2018-04/FRT%20whitepaper\\_FINALNEW\\_290318.pdf](https://www.creativeindustriesfederation.com/sites/default/files/2018-04/FRT%20whitepaper_FINALNEW_290318.pdf)

**12. Textiles and apparel accounts for 74% of UK exports to the EU.**  
<http://textilehouse.co.uk/wp-content/uploads/UKFT-Brexit-Position-Paper.pdf>

**13. Clothing and apparel exports were in the top ten goods exports to the EU, accounting for 3.1% of total UK exports**  
<https://researchbriefings.files.parliament.uk/documents/CBP-7851/CBP-7851.pdf>

**14. Online sales represented 28.5% of the total in October compared with 20.1% in February**  
<https://www.ons.gov.uk/economy/economicoutputandproductivity/output/articles/theimpactofthecoronavirussofartheindustriesthatstruggledorrecovered/2020-12-09>

**15. The UK is a significant employer, with 817,034 jobs supported across the industry**  
<https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/adhocs/12391fashionandtextileindustry>

**16. Employment figures rank fashion almost as large as the financial sector, which employed 1.1m in Q1 of 2020**  
<https://commonslibrary.parliament.uk/research-briefings/sn06193/#:~:text=In%202019%2C%20the%20financial%20services,6.9%25%20of%20total%20economic%20output.&text=Luxembourg's%20financial%20service%20sector%20was,%2C%203.2%25%20of%20all%20jobs.>

**17&18 According to a BFC survey, where 87.5% of respondents employed EEA nationals, and the UK Fashion and Textile Association, where the sector was estimated at 13,650 workers, accounting for as much as 70% of the workforce.**  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/695111/MAC\\_ANNEXTES\\_FINAL\\_-\\_Interim\\_Update\\_v4.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/695111/MAC_ANNEXTES_FINAL_-_Interim_Update_v4.pdf)

**19. The British Retail Consortium draws evidence from the Labour Force Survey**  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/692554/British\\_Retail\\_Consortium.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/692554/British_Retail_Consortium.pdf)

**20. Fishing industry contributes £1.4bn**  
<https://www.bbc.co.uk/news/uk-scotland-scotland-politics-46372153>

**21. Automotive industry contributes £16.6bn**  
<https://commonslibrary.parliament.uk/research-briefings/sn00611/>

**22. Music industry contributes £5.2bn**  
<https://www.ukmusic.org/news/music-industry-contributes-5-2-billion-to-uk-economy/#:~:text=The%20UK%20music%20industry%20contributed,the%20UK%20economy%20in%202018.&text=The%20Live%20Music%20sector%20made,%2C%20A3991%20million%20>

<https://cep.lse.ac.uk/pubs/download/brexit14.pdf>

**33. Government grant of £2000**  
<https://www.gov.uk/guidance/grants-to-help-small-and-medium-sized-businesses-new-to-importing-or-exporting>

**23. Film industry contributes £6.1bn**  
<https://www.wearukfilm.com/facts-and-stats>

**24. ONS statistics**  
<https://www.gov.uk/government/statistics/business-population-estimates-2019/business-population-estimates-for-the-uk-and-regions-2019-statistical-release-html>

**25. In 2020 ONS data showed there were 58,310 fashion SMEs**  
<https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/adhocs/13071smallandmediumenterprisesinthefashionindustry>

**26. Fashion Roundtable's open letter**  
<https://www.fashionroundtable.co.uk/openletter>

**27. #DontMakeFashionHistory**  
<https://www.fashionroundtable.co.uk/campaigns-blog/dont-make-fashion-history>

**28. Make It British**  
<https://makeitbritish.co.uk/>

**29. UK film industry**  
<https://www.bfi.org.uk/apply-british-certification-tax-relief>

**30. Media from across the globe covered the #DontMakeFashionHistory campaign**  
<https://www.fashionroundtable.co.uk/press>

**31. The single market**  
[https://ec.europa.eu/growth/single-market\\_en](https://ec.europa.eu/growth/single-market_en)

**32. LSE report, March 2019**

<https://cep.lse.ac.uk/pubs/download/brexit14.pdf>

**33. Government grant of £2000**  
<https://www.gov.uk/guidance/grants-to-help-small-and-medium-sized-businesses-new-to-importing-or-exporting>

**34. Government support package of £23m**  
<https://www.gov.uk/government/news/new-financial-support-for-the-uks-fishing-businesses-that-export-to-the-eu>

**35. "Percy Pig Problem"**  
<https://www.bbc.co.uk/news/55648201>

**36. All-Party Parliamentary Group for Textiles and Fashion (T&F APPG)**  
<https://www.appgtextilesfashion.com/>

**37. T&F APPG survey**  
<https://www.fashionroundtable.co.uk/fr-surveys?rq=survey>

**38. 80% of survey respondents consider stitching to be a high-skilled job**  
[https://static1.squarespace.com/static/5a1431a1e5dd5b754be2e0e9t/5edf6597f52ee44e4d90b735/1591698839466/Updated+Fashion+Roundtable\\_Prosepts+of+change+in+SQL+for+the+fashion+and+textiles+industry+ahead+of+1st+January+2021.pdf](https://static1.squarespace.com/static/5a1431a1e5dd5b754be2e0e9t/5edf6597f52ee44e4d90b735/1591698839466/Updated+Fashion+Roundtable_Prosepts+of+change+in+SQL+for+the+fashion+and+textiles+industry+ahead+of+1st+January+2021.pdf)

**39. Fashion Roundtable's Shortage Occupation List (SOL) submission**  
<https://www.fashionroundtable.co.uk/news/2020/7/1/fashion-roundtable-submit-evidence-on-the-shortage-occupation-list>

**40. Labour Behind The Label**  
<https://labourbehindthelabel.org/leicester-garment-industry/>

**41. 87.5% of the workforce is from the**

**EEA according to a BFC survey and of the 13,500 working in London garment factories, approximately 70% of those are EEA workers according to a UKFT to the Migration Advisory Committee**  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/695111/MAC\\_ANNEXTES\\_FINAL\\_-\\_Interim\\_Update\\_v4.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/695111/MAC_ANNEXTES_FINAL_-_Interim_Update_v4.pdf)

**42. Statement by John Horner, CEO of Models One and Chair of BFMA**  
<https://www.politicshome.com/news/article/british-fashion-brexit-collapse-models-one-work-permits>

**43. Fashion Revolution**  
<https://www.fashionrevolution.org/>

**44. The Sustainable Angle**  
<https://thesustainableangle.org/>

**45. DCMS Select Committee**  
<https://parliamentlive.tv/Event/Index/4b-d22d71-fc47-48e5-b87a-15fc07eab0cb>

**46. Report by Centre for Economics and Business Research**  
<https://www.newwestend.com/wp-content/uploads/2020/09/Final-CEBR-Report-Impact-of-Ending-Tax-Free-Shopping-23.9.20.pdf>

**47. Clothing is the second most-counterfeited product after cigarettes and tobacco**  
<https://www.gov.uk/government/publications/annual-ip-crime-and-enforcement-report-2019-to-2020>

**48. 2,154,046 article seizures at EU borders and held an original product retail value of €55,455,790**  
<https://www.gov.uk/government/publications/annual-ip-crime-and-enforcement-report-2016-to-2017>



”  
**LET'S TALK**



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