



2020 Edition

The Economic Value of the Textile Services Sector to the UK Economy



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Executive Summary

PURPOSE OF THE REPORT

- The textile services sector encompasses the supply, rental, laundering and maintenance of textiles, including:
 - bedding and towel sets to hospitals and hotels and table linen to restaurants
 - protective garments and branded workwear to industry and services
 - surgical textiles, pharmaceutical and highcare food workwear
 - mats, roller towels and washroom services to a vast range of sectors.
- This report considers the ways in which the textile services sector contributes to the UK economy. We consider the main areas of economic value to be generated through:
 - the sector's direct economic footprint measured by its employment, Gross Value Added and contributions to the exchequer
 - the economic value that is generated indirectly through the sector's supply chain spend and the expenditure of workers employed by the sector
 - the economic activity that is enabled by textile services across important sectors in the UK economy
- We also consider the future outlook for the sector and most of the major operators' views on future challenges.

KEY FINDINGS

The sector's economic footprint

- The key messages from the research are as follows:
 - The sector directly employs 23,000 people and makes a direct contribution to national GDP of £800m in Gross Value Added.
 - The sector directly contributes £100m to the exchequer through payment of business rates, corporation tax, national insurance and income tax.

- The sector indirectly supports 1,900 FTE jobs and £160m in GVA in the UK through its expenditure on bought in goods and services. A further 4,100 FTEs and £340m GVA is supported through employee expenditure effects.
- These supply chain and induced effects generate a further £90m in income and corporation tax revenues for the exchequer.

Bringing all of these elements together, we estimate that the sector contributes a total of £1.3bn in GVA, supporting 28,000 FTE jobs and £190m in Exchequer contributions in the UK.

Textile services as a key economic enabler

- Every sector of the UK economy is a potential end market for textile services. Many of the sectors served by textile services are of strategic economic importance to the UK economy and contribute significant GVA to the UK.
- On a weekly basis, over 53 million textile items such as bed sheets, duvet covers, work wear, are processed by textile services to end users in the UK. We have examined three of the endmarket sectors in detail and found that:
 - The hospitality industry, worth £53.2bn in GVA in the UK, is heavily dependent on textile services. Just one hotel with 100 rooms will get through approximately 750 pieces of linen each day. The provision of clean, fresh linen is fundamental to them being able to open their doors to guests. Large hotels would have to close within three days of no new linen arriving
 - The manufacturing sector generates £189.3bn of GVA for the UK. Of the 137,000 manufacturing businesses, the majority will have a requirement for protective garments of some sort. Textile services ensures that either workers or products are protected.

- Production lines would come to a standstill after three days of not receiving any new workwear
 - A functioning healthcare sector is vitally important. Hygiene and infection control is paramount across the sector and health and social care services cannot safely function without bed linens, surgical gowns and patient wear washed to very high specifications. No new patients can be admitted after two days of no clean linen arriving. Only urgent care can be provided
7. If the sector temporarily ceased to operate, the UK economy would forego significant output as businesses and industries would grind to a halt.

The textile services sector sits behind practically every sector of the UK's economy. The service it provides is core to the operations of many businesses in vital and important sectors of the UK economy.

Members' views

8. The future outlook for the sector is unclear. Its reach across the whole economy provides opportunities for organic growth aligned to national growth trends. Some of the key end user sectors such as hospitality are forecast to grow faster than the whole economy, which will increase demand for textile services. Additionally, the ageing demographic and greater patient throughput in hospitals and care homes is driving growth for textiles in the healthcare sector.
9. There are also several factors that are constraining businesses' ability to grow and it is clear that challenges must be overcome if businesses are to be able to capitalise on growth opportunities. The workforce is made up of 40% of non-UK EU Nationals and many of the operative roles in the sector are filled by low skilled workers. Brexit and National Living Wage are therefore issues concerning members. Other issues include:
 - Recruitment difficulties
 - Downward pressure on prices
 - Rising costs of production

Long term sustainability of this important sector will require a concerted effort to overcome the clear challenges that stand in its way. This will require action from business leaders, the Textile Services Association and partnership working with government in the following areas:

- increased understanding of the sector and its role within the economy
- support for the delivery of the sector's trailblazer apprenticeship
- support for investment in innovation
- fewer delivery restrictions in major towns and cities
- support for managing cost increases due to significant increases in National Living Wage





1.0 Introduction

1.1 This report sets out the economic contribution of the textile services industry in the UK. It has been commissioned by the Textile Services Association, the trade body for the sector.

The Textile Services Association (TSA)

TSA is the trade association for the textile care services industry. TSA represent commercial textile rental businesses. Membership ranges from family-run operations through to large, multi-national companies. The TSA staff strive to represent, promote and educate the textile care services industry.

TSA's mission is to protect, nurture and develop the textile services industry and the supply chains in which it participates, creating an environment in which their members can thrive and the services provided are seen as great value by customers and end-users. TSA represents the industry's stance on a variety of topics that have direct repercussions on the business environment.

1.2 The report examines the range of ways in which the sector contributes to the UK economy and its constituent parts. The report is informed by several strands of research, including:

- A survey of all members of the TSA (see Appendix A for details)
- Consultations with senior staff within the sector
- Interviews with a sample of key customers operating in different sectors (hospitality, manufacturing and healthcare)
- Desk-based research and economic modelling.

1.3 Drawing on this research, the report covers the following:

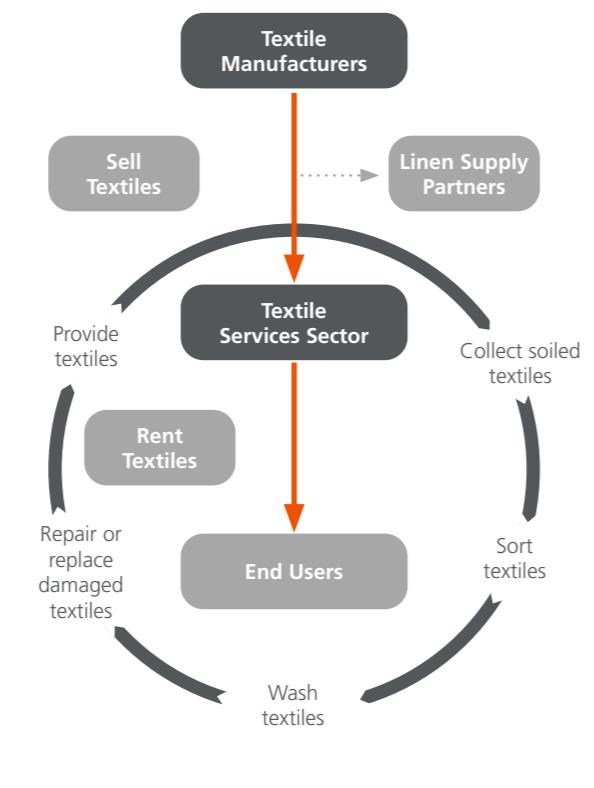
- Section 2 provides an overview of the textile services sector, explaining its main products and markets
- Section 3 sets out the sector's UK economic footprint as a direct employer and purchaser (through upstream linkages)
- Section 4 details the sector's role as an enabler of economic activity across the UK economy (through downstream linkages)
- Section 5 examines the views of operators in the sector on growth prospects, drivers and constraints
- Section 6 concludes with the views of the members

2.0 What is the Textile Services Sector?

An overview of the sector

- 2.1 Every day, millions of people across the UK encounter the textile services sector, but most of them probably do not realise it. They sleep on, eat off or wear products that have been serviced by one of the 135 textile services companies operating in the UK. Indeed, behind practically all of the UK's economy lies this hidden sector. The sector provides workwear to UK manufacturers; clean, infection-free bedsheets and surgical gowns to the NHS; protective laboratory coats to some of the most R&D intensive pharmaceutical companies in the UK; and fresh, clean linen to enable hotels to offer bedrooms.
- 2.2 Large organisations do not typically own and launder their own linen; instead they outsource, renting it from textile services companies who then collect and launder it. But the textile services sector is not just about providing clean linen. It is also about using expertise in logistics and design and innovative technologies to help organisations manage their textiles in the most efficient and, in many instances, the safest way.
- 2.3 Whilst laundering is at the core of the service provided by the sector, this is an oversimplification of the activity that takes place. The process involves highly automated systems with complex controls. It employs highly skilled engineers and managerial staff. In many ways, it is a highly complex logistics industry.
- 2.4 The business model is part of the circular economy. Circular economy business models keep products and materials in use for as long as possible and seek to minimise waste. Every aspect of the process from how textiles are sourced, designed and laundered is done in a way to keep textiles in circulation for as long as possible. At the end of their lifecycle they are remanufactured into different products and reused where possible.

Figure 2.1 The Textile Services process



Source: Hatch Regeneris

- 2.5 Linked to the above, there is a commitment across businesses in the sector to strive towards a greener economy and take steps to minimise their carbon footprint including washing at lower temperatures, reducing chemical use and logistics management to deliver and collect textiles more efficiently.
- 2.6 Linen supply partners¹ are also an important part of the business model. Linen providers are UK based companies providing the quality measuring conduit between offshore mills and the market. They also ensure that all linen is ethically sourced.



¹ Note Linen supply partners were not included in the survey analysis as part of this study.

2.7 Businesses in the sector have been heavily investing in new state of the art facilities and technologies. The sector has embraced innovation, responding to the need to automate processes and improve the services provided to customers. Behind all of this, the Textile Services Association has provided a forum for networking and knowledge sharing across the sector's business leaders.

THE DIVISIONS

2.8 The sector can, broadly, be split into three main divisions: hospitality, workwear and healthcare. The sector also provides other services outside of these divisions, including the rental and servicing of mats, roller towels, and washroom services. Across the sector, over 53 million items are processed every week by textiles services to end users in the UK.

Hospitality

2.9 Hospitality is the largest part of the sector by value of sales at 56% and processes over 24 million items every week in the UK. The services provided to the hospitality sector predominantly cover hotels, but also serviced apartments, restaurants, cruise ships, ferries and airlines. The items provided range from bed linens to towels, table cloths and napkins. These items are crucial to the operations of these sectors: they enable hotels to sell rooms, restaurants to put food on tables and ships to carry passengers.

"It is probably the most important item in the process. If my fruit & veg doesn't turn up, I can change menus or nip down to the shop, but if my laundry or my linen does not turn up... my beds cannot be sold, my rooms cannot be sold. It impacts the key components for our business."

Hilton Worldwide

2.10 As well as providing and cleaning the linen, the service also stores the textiles, meaning that space is not taken up by storage or on-premise laundering leaving it available for income generating purposes, i.e. as a bedroom in a hotel or tables in a restaurant.

2.11 Companies in the hospitality industry live and die by the quality of their customer service to generate new and repeat business. Textile services plays a crucial role in enabling businesses to deliver the right customer experience. A recent survey conducted by Clean Linen Services of 1,000 hotel guests² found the following:

- When asked what would make them rethink a return visit, 89% were put off by badly made beds and dated linen
- Almost three quarters of people rated 'cleanliness in all areas' as a top factor when looking for a great hotel room experience
- This was closely followed by clean, crisp and freshly pressed bed linen, which was a top factor for more than half of respondents

Figure 2.2 Share of revenue across the textile services divisions



Source: Hatch Regeneris Survey of TSA Members

² Source Clean Linen Services

Workwear

2.12 Accounting for an estimated 26% of the total revenue, this portion of the laundry industry provides uniforms for employees across a very wide range of sectors, many of which are of high value and strategic importance to the UK economy such as advanced manufacturing and R&D intensive sectors. An estimated 16 million items of workwear are processed every week in the UK.

"Workwear is all about protection, either the worker needs to be protected or the product needs to be protected from the worker."

Elis UK

2.13 The focus of the service is on protection and compliance because, the textile services sector keeps either the employee, the product, or both, safe. The service also maintains a company's brand image. Uniforms provide wearers with an identity and help keeps organisations looking professional.

2.14 Something as commonly used as a high visibility jacket, if not laundered correctly, quickly loses its functionality and may no longer protect the wearer. A chef's apron that has not been designed correctly can lead to food being contaminated. In the absence of specialist clothing in controlled manufacturing environments, human hairs, oils, or even particles from deodorants can damage products and shut down a whole production line. The textile services sector provides an essential service in ensuring that safety and hygiene regulations are met across the whole economy.

2.15 The service goes beyond providing a worker with a uniform. The services provided include design, rental, delivery, repair and stock management but most importantly, maintenance. The uniform needs to be laundered in a way that maintains its protective qualities. This is key to the service provided by the sector.

Healthcare

2.16 The healthcare sector primarily serves NHS trusts, private hospitals, elderly care homes, dental clinics and other healthcare providers. Among the products provided are bed sheets,

patient garments and surgical gowns. An estimated 13 million items are processed by healthcare divisions each week.

2.17 The focus of the service is on patient safety and infection control. This means providing the highest level of cleanliness to ensure garments and linens are free of dangerous, and at times, life-threatening contaminants.

"The Laundry service we provide is hugely important to healthcare providers. We have an overriding ethos to provide high quality service for patients."

Royal Devon & Exeter NHS Foundation Trust

2.18 The service provided by the textile services sector includes not only collecting, cleaning and delivering linens, but also managing textiles in the most efficient manner to ensure a patient never has to go without a clean bed or a surgeon is never without a clean gown. Cleaned linen is tested to ensure it reaches stringent compliant requirements.

2.19 The textile services sector gives its healthcare customers the assurance they need that infection risk is being properly managed, allowing healthcare professionals to focus on patient care.

2.20 It is clear how important it is for these items to be laundered correctly and be free of infection and germs. The seriousness of complications from infections in hospitals and similar settings is well known. Having the right textiles management in place in healthcare settings is paramount to hospital hygiene and infection and prevention control. If a surgeon's scrubs, patient's bedsheet or hospital gown is not laundered correctly, the result could be fatal.

It is worth noting hospital linen and gowns have never been implicated in any cross-infection because the industry maintains a high quality of laundering through its validated and proven disinfection processes.



3.0 The Sector's UK Economic Footprint

3.1 Textile services reaches across the whole of the UK. The sector's economic footprint can be measured by considering:

- its role as a direct employer and generator of wealth
- the economic effects of its supply chain expenditure with other UK businesses (indirect effects)
- further economic effects arising from the expenditure of its workers and those in the supply chain (induced effects)
- the contribution to the exchequer from the amount paid in business rates, corporation tax, employer's NI and income taxes

Direct operations

3.2 There are approximately 135 commercial laundry companies operating at over 250 sites in the textile services sector³. There are a small number of larger organisations, but the majority (approximately 98%) of businesses are SMEs. The sector directly employs 23,000 people. Given the need for proximity to customers and the strong links the sector has with all major parts of the economy, operators and employees are spread throughout the UK - see Figure 3.1.

3.3 The sector offers a range of positions, from low skill entry level jobs that, with the right level of training, are accessible to the most economically and socially vulnerable, through to highly skilled, highly paid positions such as engineers, and head office roles. The labour force is made up of a large number of non-UK nationals of which 43% are from the rest of the EU.

3.4 We estimate the total sales of the sector to be £1.2bn, with a direct contribution to national GDP of £800m in Gross Value Added. The breakdown of these sales by region is shown in Figure 3.2.

Figure 3.1 Employees by region

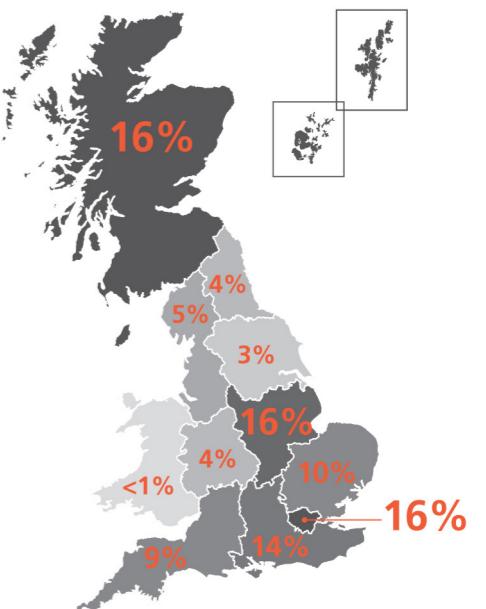
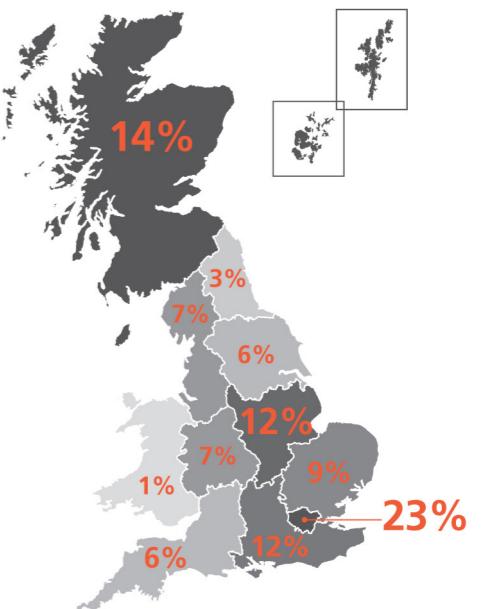


Figure 3.2 Sales by region



Source: Hatch Regeneris, Survey of TSA Members

³ Note there are also thousands of small dry cleaners that operate in the sector which are not included in this study.

Supply chain effects

- 3.5 On an annual basis the sector spends an estimated £300m on UK-based suppliers, both for ongoing operating activities and on capital items. See Table 3.1. UK purchased inputs include energy, water, chemicals and ongoing vehicle running costs. Linen tends to be sourced from outside the UK, although some operators make use of UK suppliers. Major pieces of equipment are often sourced from outside the UK, especially continental Europe, but some items (e.g. specialist parts for machines) are UK sourced.
- 3.6 We estimate that this expenditure supports a total of 1,900 FTE jobs and £160m in GVA in the UK.

Employee expenditure effects

- 3.7 The sector also contributes to the economy through the expenditure of staff (so-called induced effects), both from those working directly in the sector and those within the supply chain. We estimate that the sector paid a total of £450 million in wages and salaries.

- 3.8 As these wages and salaries are spent and flow through the economy, this supports further economic activity. We estimate that this expenditure supports 4,090 FTEs and £340m GVA in the UK.

Contribution to the UK Exchequer

- 3.9 The sector contributes to the Exchequer directly through payment of business rates, corporation tax, NI and income tax. The total direct contribution to the exchequer is £100m. This is made up of £35m in income tax, £10m in business rates, £20m in corporation tax and £35m of contributions to employers' National Insurance.

- 3.10 Further contributions are generated indirectly through the supply chain and induced effects described above. We estimate that through these effects, a further £90 million in income and corporation tax is generated for the UK.

Total economic footprint

- 3.11 Bringing all of these elements together, we estimate that the sector contributes a total of £1.3bn in GVA, supporting 28,800 FTE jobs and £190m in Exchequer contributions in the UK.

Table 3.1 Annual Supply Chain Expenditure in the UK (excludes overseas expenditure)

	Spend Category	Total expenditure in UK for 2018/19
Annual operational expenditure	Linen & Garments	£30m
	Energy	£50m
	Ongoing vehicle costs	£50m
	Water	£15m
	Chemicals	£20m
	Other operational expenditure	£80m
	Sub Total	£250m
Annual capital expenditure	Plant & Property	£10m
	Machinery	£25m
	Vehicles	£5m
	Other capital expenditure	£15m
	Sub Total	£50m
	Total	£300m

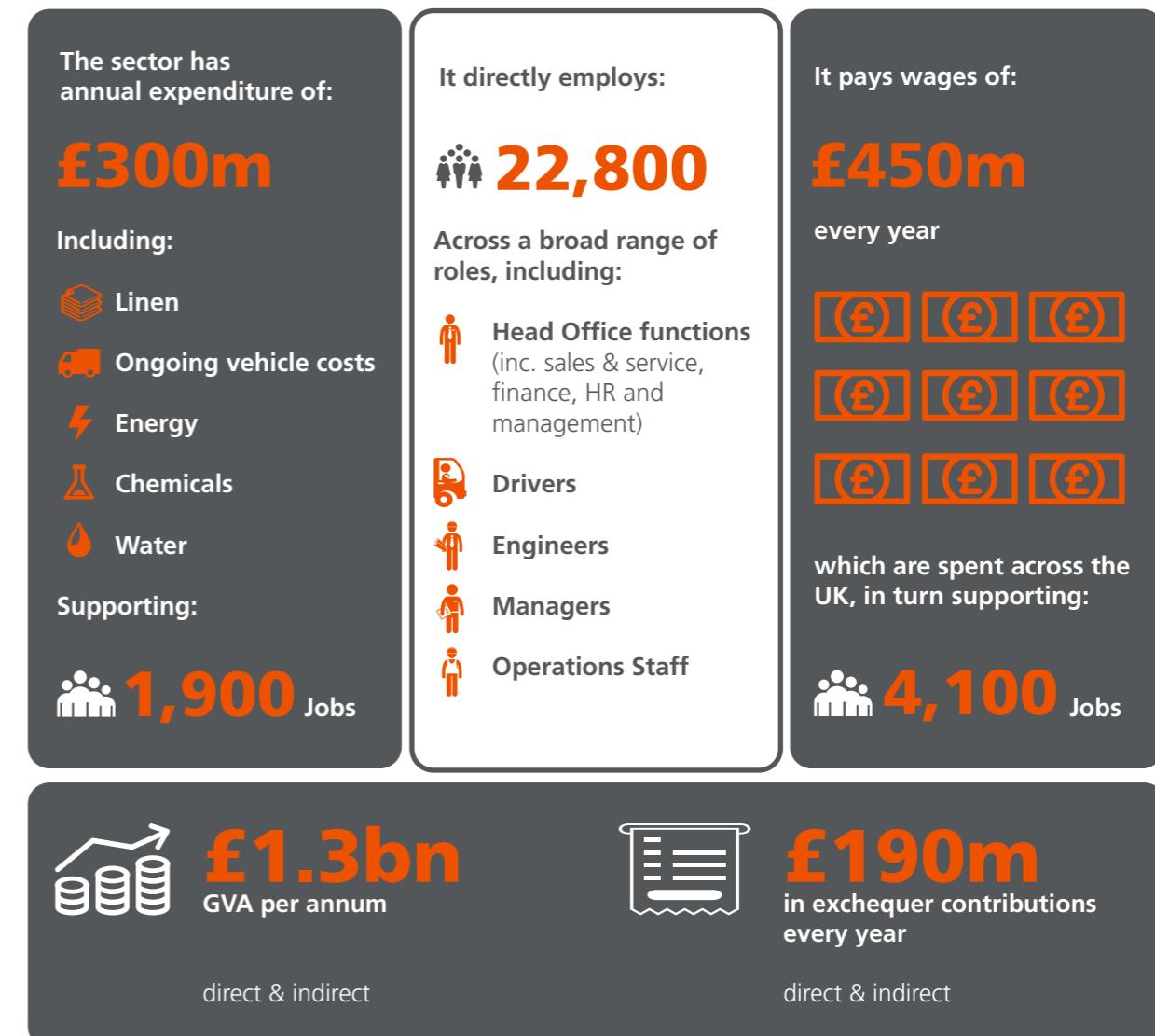
Source: Survey of TSA Members
Note: Figures are rounded

Table 3.2 Total UK economic footprint

GVA		FTEs		Exchequer Contribution	
Direct	Indirect & Induced	Direct	Indirect & Induced	Direct	Indirect & Induced
£800m	£500m	22,800	6,000	£100m	£90m
£1.3bn		28,800		£190m	

Source: Survey of TSA members and Regeneris Consulting calculations
Note: Figures are rounded.

Figure 3.3 The economic footprint of the sector



Source: Hatch Regeneris Consulting

4.1 The reach of the textile services sector



- Personal protective equipment and uniforms are used by public sector workers in recycling centres, prisons and police and fire stations around the country. Meanwhile, care homes, childrens homes, hospitals, prisons and many other public services that provide bedding rely on textile services for their most basic functions. Textile services play a role in enabling the public sector to educate us, protect us, clean our places and keep us safe.
 - Whether protecting employees from products or protecting products from employees and contaminants, personal protective equipment, garments and uniforms are fundamental to the high standards required by UK manufacturing. The careful aftercare around protection guaranteed by textile services is unmatched. We spoke to one manufacturer who told us that a single human hair could disrupt controlled environments and so the cleanliness of garments was paramount to safe production.
 - Hospitality relies upon textile services to provide its core services like providing bedrooms for guests, chefswear to ensure meals can be cooked in clean environments and a multitude of other needs. Hospitality is a crucial sector for the UK economy, enabling a huge amount of business to take place and providing services for visitors to the UK.
- Note: Jobs & GVA are for the whole sector and refer to 2019 figures and are from ONS Workforce Jobs (2019) and ONS Gross Value Added (balanced) by industry (2018 data, published in 2019)

Source: Hatch Regeneris, ONS Workforce Jobs (2019) and ONS Gross Value Added (balanced) by industry (2018 data, published in 2019)

4.0 A Key Enabler for the UK Economy

OVERVIEW

- Every sector of the UK economy is a potential end market for textile services. Any business in any sector that needs significant amounts of flat linen, uniforms for workers, protective garments or even just a mat, is likely to use the textile services sector.
- Textile services should be considered a key enabling sector that allows those sectors to deliver their core activities. For example, textile services allows the healthcare sector to focus on care for patients and residents, without having to get involved in textiles laundering and management.
- The reach of the sector is illustrated by its sales to the workwear division, which touches the greatest breadth of sectors in the UK ranging from public transport to aerospace and food manufacturing to production of computer chips.
- Textile services is a core part of the supply chain for a number of strategically important sectors for the UK economy.
- For example, the UK government recognises the importance of construction as an economic driver. Indeed, 'Construction 2025' set out a shared vision to promote the success of UK construction. The success of the construction industry is vital in supporting the ambition to build 300,000 homes per annum in England alone. For the industry to function safely and effectively it requires personal protective equipment and the expertise of the textile services sector.
- Looking to the future, the UK Government's Industrial Strategy identifies the eight great technologies including clean energy technologies, robotics and space technologies, leading edge healthcare and medicine, manufacturing processes and materials of the future, and transformative digital technologies including supercomputing.

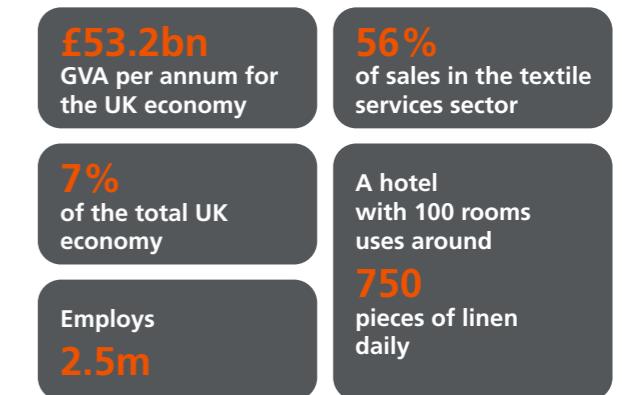
In all of these areas there will be requirements for personal protective garments to enable the activity to be carried out.

- Below we zoom in on three key sectors which depend heavily on textile services: hospitality, manufacturing, and healthcare. We finish with an illustration of what would happen if the whole textile services sector temporarily ceased to operate.

HOSPITALITY

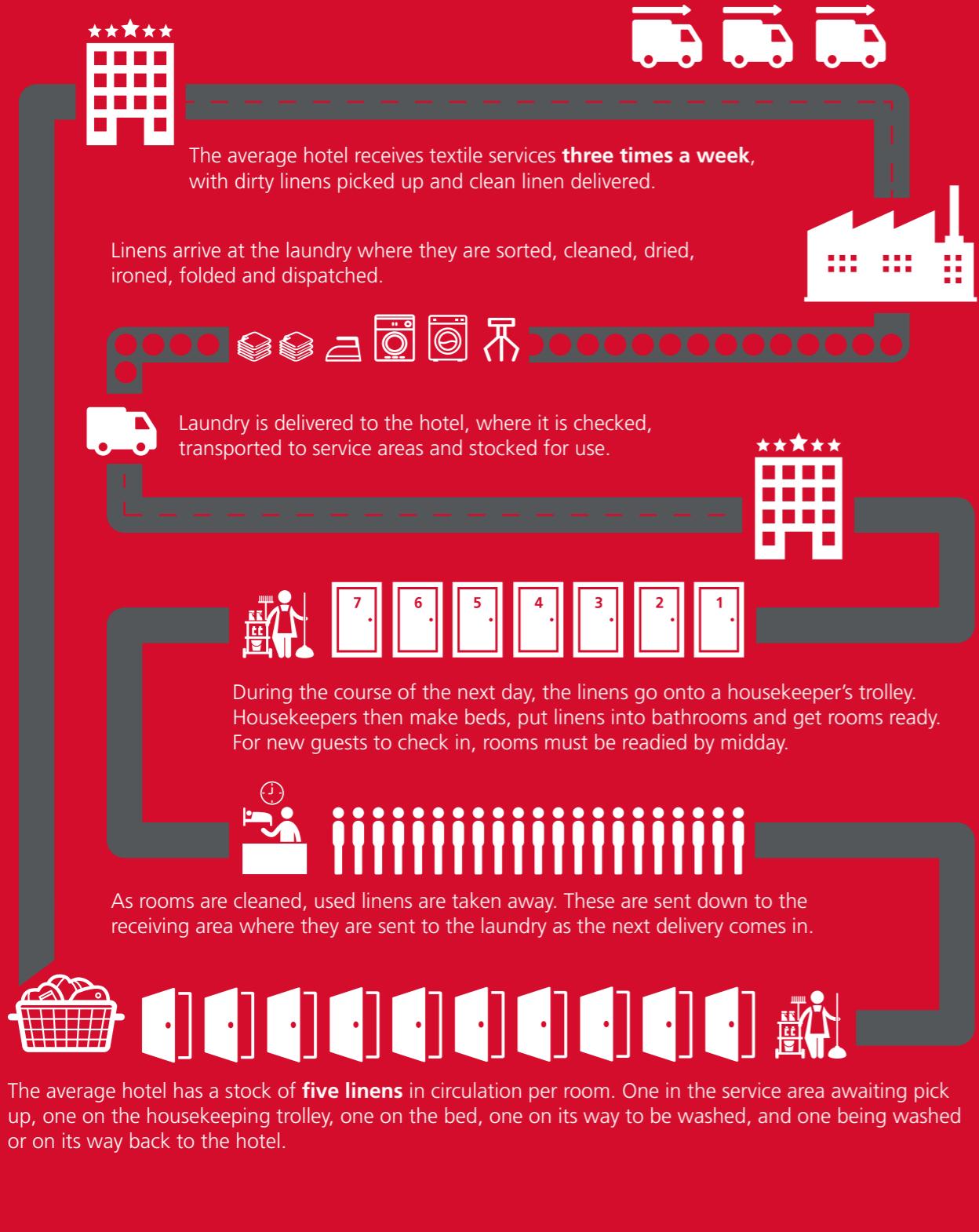
- The hospitality industry covers the provision of accommodation, meals and drinks in venues outside of the home.

Figure 4.2 Hospitality sector key statistics



Source: ONS Workforce Jobs (2019) and ONS Gross Value Added (balanced) by industry (2018 data, published in 2019); Hatch Regeneris Survey of TSA Members and detailed interviews conducted by Hatch Regeneris

Figure 4.3 The process for a typical hotel



4.9 In the UK, there are 875,000 bedrooms and 1.9 million beds within hotels, B&Bs, resort hotels, apartment hotels and motels.

4.10 The amount of activity this generates for the economy is significant. Yet a key enabler of this activity, at the very core of its operation, is a well-managed, high quality textile service.

"The service is vital for everything we do."

Imperial Hotel, Great Yarmouth

What does the textile services sector provide?

4.11 Figure 4.3 provides an illustration of the role that textile services plays in the operations of a typical hotel. From clean bed sheets, pillow cases and towels through to table cloths and napkins to even the chef's or receptionist's uniforms, they have all likely been processed, cleaned and delivered by textile services.

Why is this important?

4.12 This is fundamental to the customer's experience when they interact with the sector and this interaction between consumers and the industry is an important part of the UK economy. The sector accounts directly for £5bn in GVA in the UK⁴.

"Clean linen is vital to our operations. If we don't have clean linen, we can't make beds. If you can't make beds, you can't sell rooms. Without it, you can't survive."

Radisson Blu

4.13 Government locally and nationally have recognised this importance and improving the hospitality offer features in numerous local area strategic economic plans. It is clear why. Hospitality attracts overseas visitors, investment and local expenditure across the UK from the big cities like London, Manchester and Edinburgh to rural locations in places like Cumbria, the Scottish Highlands and Cornwall. In 2018, overseas visitors spent approximately £23bn in Britain⁵.

4.14 However, all of this activity and expenditure is

dependent on businesses in the sector being able to open their doors and the availability of textiles is pertinent to this.

What does the future hold?

4.15 Going forward, it is likely that the industry will become even more reliant on textile services. Forecasts predict growth in the industry, and the evidence suggests that in the short term this has been boosted by the drop in the exchange rate.

4.16 It may, however, prove increasingly difficult for the textile services sector to match this increasing demand as the hospitality industry looks to further commoditise the service and put huge price pressure on the sector. We discuss some of these constraints later in this report.

MANUFACTURING

4.17 The manufacturing sector covers the manufacturing of goods across a wide range of products and subsectors, including advanced manufacturing.

Figure 4.4 Manufacturing sector key statistics

£189bn GVA per annum for the UK economy	Key customer of the textile services sector
137,000 Businesses	A factory with 1,000 staff uses around 3,000 pieces of linen daily
Employs 2.7m	
Supports economic activity in many sectors like distribution, storage, wholesale & retail	

Sources: ONS Workforce Jobs (2019) and ONS Gross Value Added (balanced) by industry (2018 data, published in 2019); Hatch Regeneris Survey of TSA Members and detailed interviews conducted by Hatch Regeneris

Figure 4.5 The process for a typical factory

Work garments are designed in collaboration with the customer. They must be durable, sufficiently protective and cost effective.

Garments are then manufactured to exact specifications and produced in a variety of sizes needed by the customer



The protective garments are then dispatched and rented to the customer



Garments are placed into lockers for staff and **spare sets** per employee are kept on site depending on usage



Garments arrive at the laundry where they are sorted, cleaned, dried, ironed, folded and dispatched.



4.18 Across the country, there are over 137,000 manufacturing businesses in the UK, employing 2.7 million people. Every day, around £1 billion worth of UK manufacturers' products are sold.

4.19 This activity is vital to the UK, producing wealth and supporting jobs in many other industries like distribution, storage, wholesale and retail. Protective garments are fundamental to UK manufacturing.

"The provision of garments is absolutely imperative. We couldn't run if we didn't have garments. If we have a problem with supply, we can't build"
Vauxhall Motors

What does the textile services sector provide?

4.20 By and large, the textile services provide garments and personal protective equipment to protect employees from products and products from employees. Protecting employees from harm with protective garments is imperative. With many harmful substances used in manufacturing, there are very high standards required to ensure the safety of employees.

4.21 The technical knowhow of the textile service sector ensures that the garments that do so are not just clean for their wearers, but also consistently maintain the highest standards of protection, whilst maintaining functionality to allow workers to carry out their jobs.

Why is this important?

4.22 These high standards of protection are also fundamental in those garments that protect the product from the employees. We have consulted with a wide range of manufacturers from those making sandwiches to those painting cars, and we heard of the consistently high standards that they require from their garments.

"The service is 10/10 important. Part of our specification is that employees working in production must wear overalls."
Bradgate Bakery

4.23 In the case of painting new cars, oils and hairs from human skin can ruin a whole finish, stopping production, and so garments must protect surfaces from all contaminants. In other cases, such as controlled atmospheres, we heard how deodorants can disrupt production. The textile service sector's tightly controlled cleaning processes and high standards ensure that these garments are completely free of contaminants time and again.

4.24 The importance of manufacturing is widely recognised. Advanced manufacturing and innovative materials form key planks of the Government's developing Industrial Strategy. Manufacturing is key to many towns and cities and its importance is echoed across local area strategic economic plans.

4.25 Manufacturing also attracts inward investment from overseas, in turn attracting local investment, and increasing exports. Yet these benefits are reliant on a safe, contaminant free production line.

What does the future hold?

4.26 Manufacturing's outlook is uncertain, but the falling exchange rate is currently providing a boost to export demand, increasing the need for protective garments across the sector.

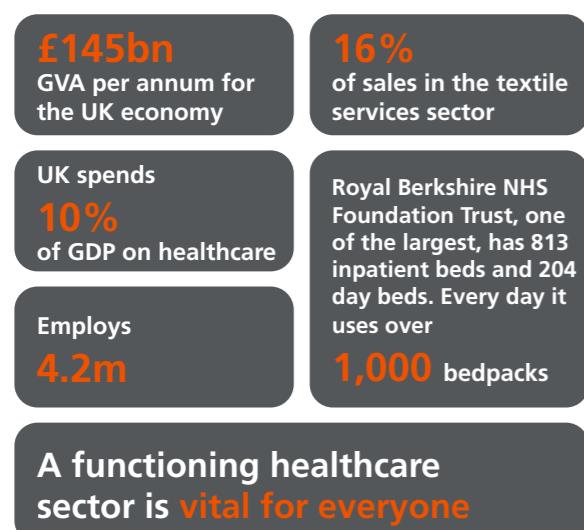
HEALTHCARE

4.27 Healthcare covers the NHS, social care, private hospitals and other providers of health and social care services.

4.28 There are 168 NHS acute/hospital trusts in England, 14 regional NHS boards in Scotland, seven Local Health Boards in Wales and other bodies. There are 1,257 hospitals in the UK, including private hospitals. There are around 5,000 nursing homes and 10,000 care homes in the UK.

4.29 In all these environments, hygiene is paramount and health and social care services cannot safely function without bed linens, surgical gowns, patient wear, and other linens washed to very high specifications to meet cleanliness standards that are required in sterile and safe hospital environments.

Figure 4.6 Healthcare sector key statistics



Source: Hatch Regeneris, ONS Workforce Jobs (2019) and ONS Gross Value Added (balanced) by industry (2018 data, published in 2019)

"People always think about nurses and doctors but they think that the sheets magically appear every day, but if sheets no longer magically appeared in the cupboards, there would be a huge impact on patient care. Without laundry, an acute trust wouldn't last more than a day"
Steven Everett, Royal Devon & Exeter NHS Trust

What does the textile services sector provide?

4.30 Textile services play a pivotal role in not only making patients and residents comfortable, but also in fighting infection and minimising risk. Bed linens, gowns and other garments worn by healthcare professionals, particularly surgeons, must be clean, comfortable, and presentable.

Why is this important?

4.31 Contaminated clothing in healthcare must be cleaned to the highest standard as a bare minimum to prevent the transmission of diseases, and commercial laundries provide this standard.

4.32 In 2018/19, around 47,000 people were admitted to hospital every day and there were around 411,000 people living in care homes. Everyone, at least once in their life, will use a hospital bed.

What does the future hold?

4.33 Nonetheless, hospital beds have decreased 9% since 2010/11, decreasing demand for linen through declining numbers of beds, which is then compounded as NHS Trusts tighten budgets on expenditure such as laundering in response to national cuts.

4.34 At the same time, the UK's population has continued to grow, increasing demand for services. The UK's population is expected to reach 72.7 million by 2034 and will continue ageing with over 16.5 million pensionable aged people by 2039.

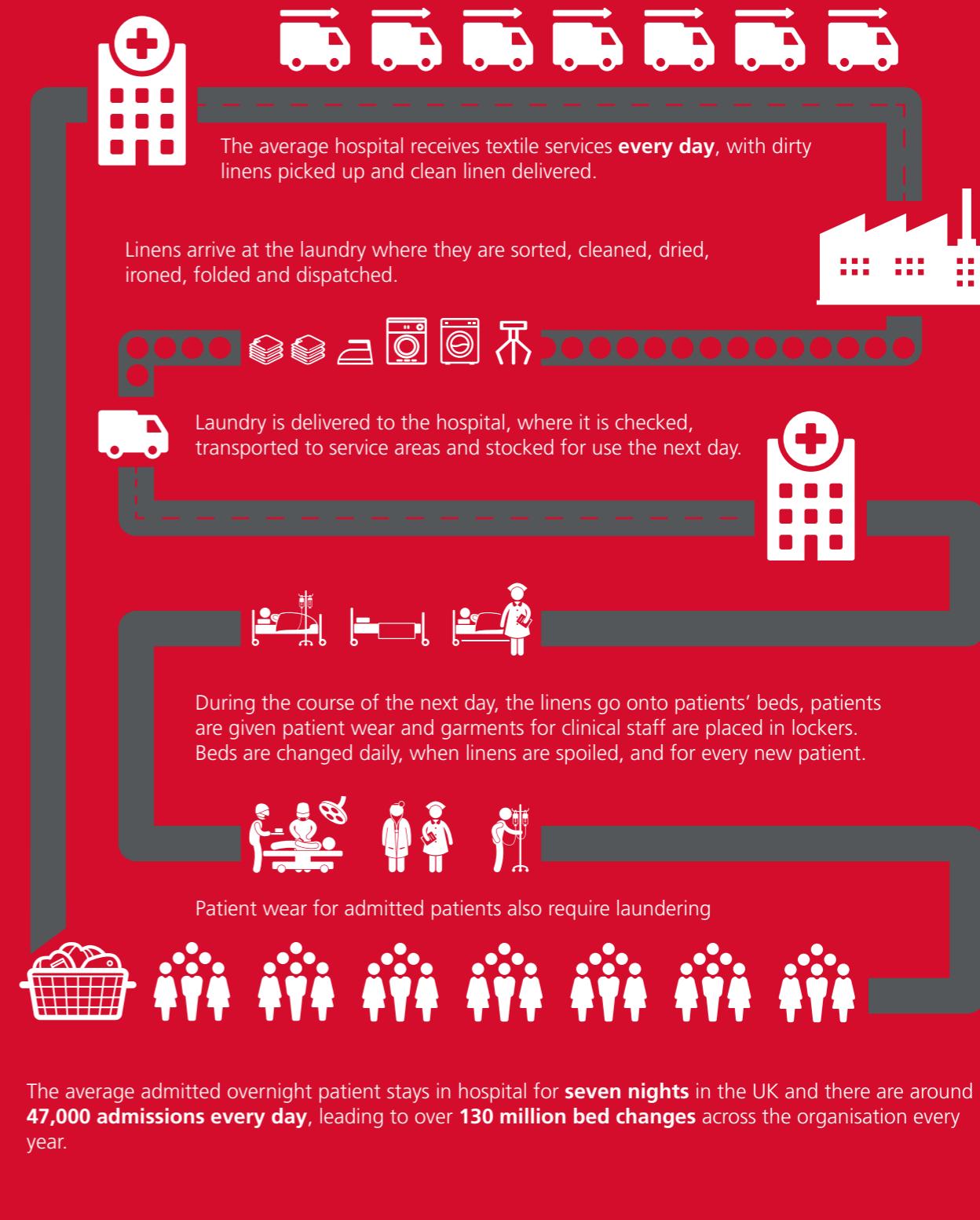
4.35 These trends will increase patient admissions and demand for textile services from health and social care providers, therefore raising demand for textile services as well as increasing price pressures.

4.36 Recent and ongoing advances in medicine have increased patient throughput, in the past inpatients that needed to stay in hospital for one week can now often be discharged in a single day, for example some mothers who have just given birth can leave the same day when they used to be required to be in hospital for a week. Increasing patient throughput increases the number of changes needed for beds and thus increases demands for textile services.

What would happen if the textile services sector ceased to operate?

4.37 In order to illustrate the textile services' enabling role for the wider economy, we have considered a hypothetical situation where the entire sector ceases to operate for a temporary period. Figure 4.8 sets out what could happen in three particular sectors: car manufacturing, hotels and hospitals.

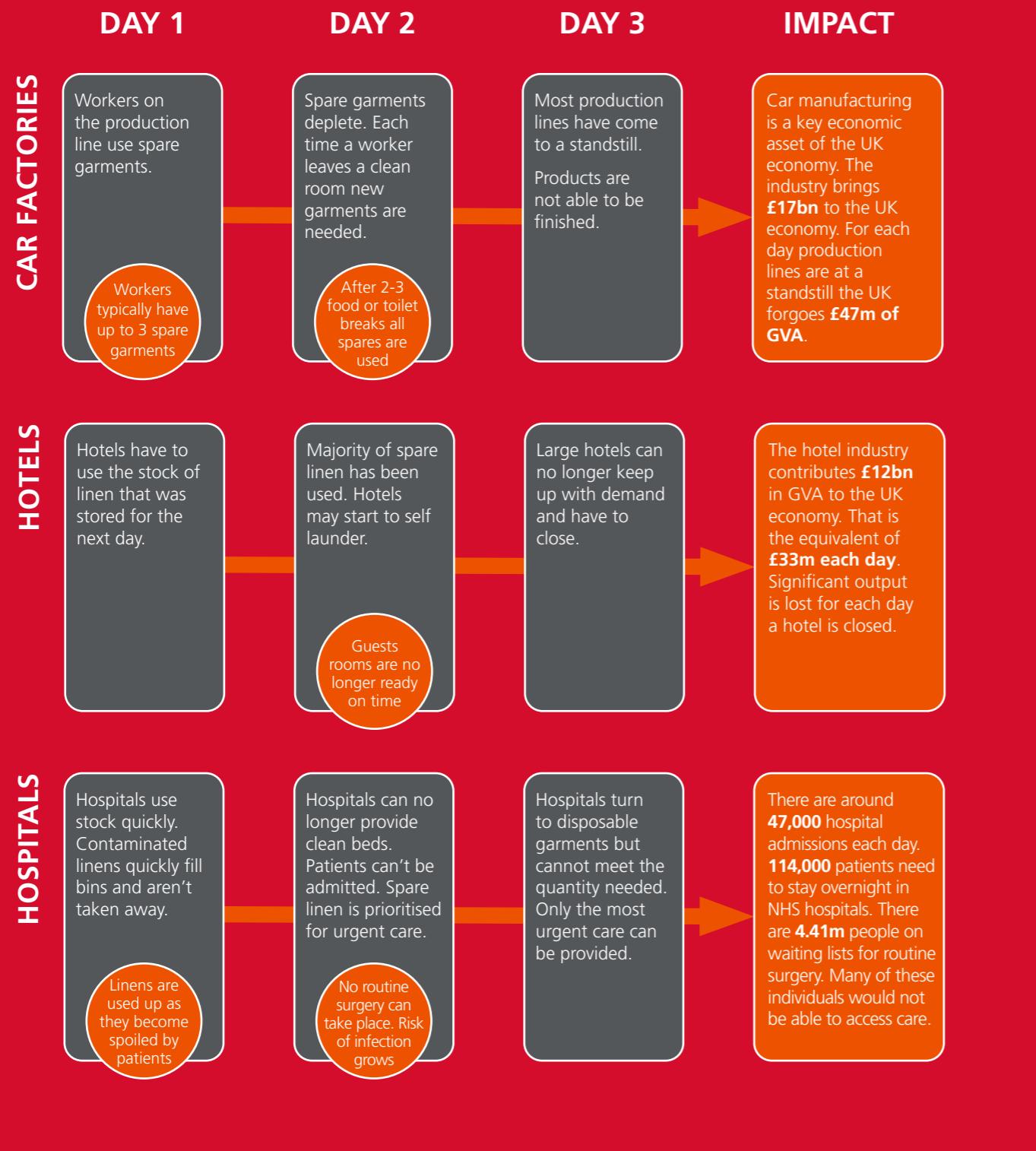
I Figure 4.7 The process for a typical hospital



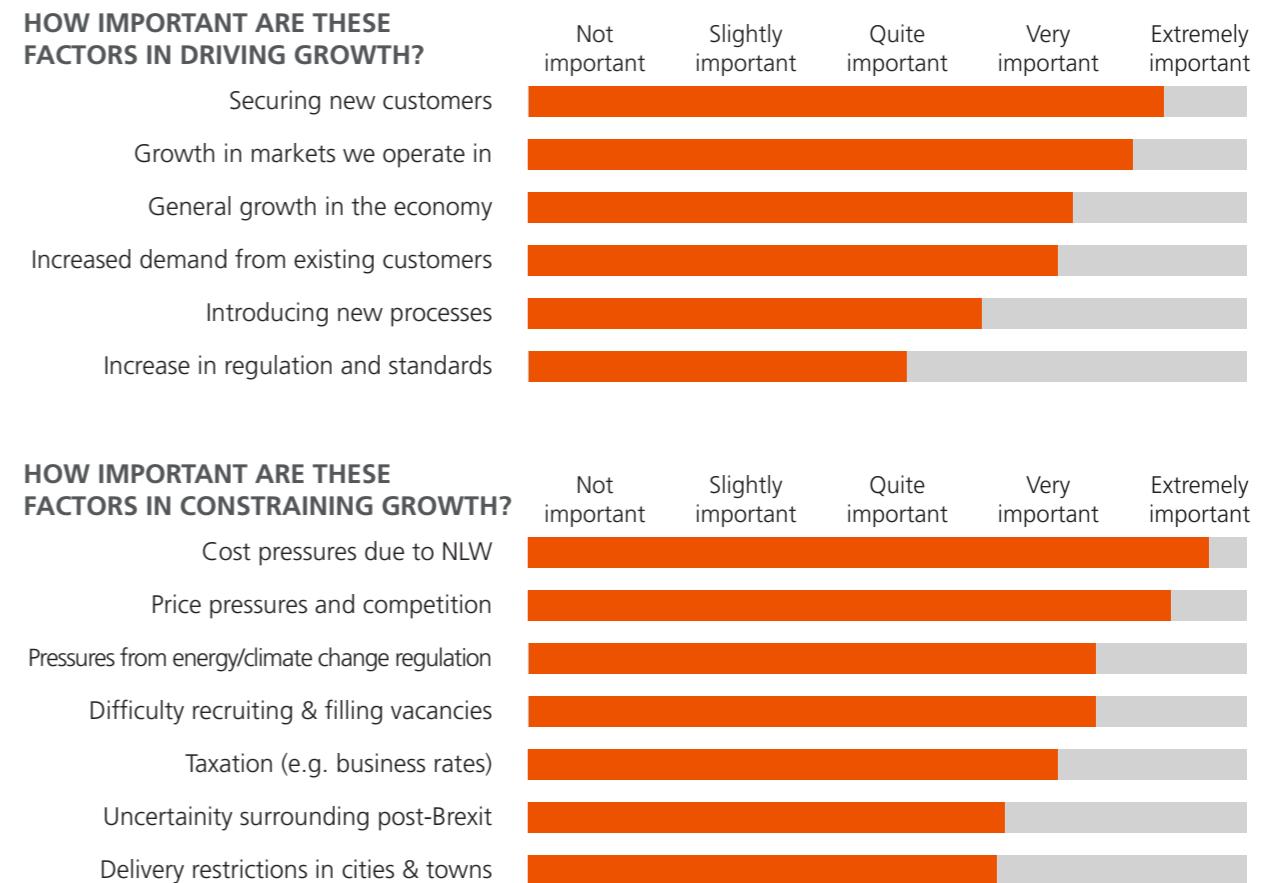
Source: Hatch Regeneris

Figure 4.8 Three sector case study

If textile services cease to operate, many sectors would quickly struggle. Here, we have considered what would happen to three specific examples over three days if textile services suddenly ceased trading.



5.0 Sector Dynamics

Figure 5.1 Growth factors and barriers to growth in the sector

Source: Hatch Regeneris, Survey of TSA Members

WHERE IS THE OPPORTUNITY?

- 5.2 Through our survey of members, we asked the sector for their views on growth prospects, drivers and constraints.

Growth in the economy

- 5.3 With end users in every sector of the economy, general economic growth will allow firms to grow organically as demand increases.

Growing the customer base

- 5.4 Businesses in the sector consider securing new customers to be an essential tool for growth as well as an increase in demand from new customers. Our consultations found that the marketplace is highly competitive, especially where larger contracts are concerned. High volume contracts are considered important to grow sales.

Innovation

- 5.5 Innovation is also becoming increasingly important in the textile services sector. The focus is on process innovation and introducing new technologies to provide a better service for end users. Many businesses in the industry have embraced innovation and are seeking new ways to automate processes.
- 5.6 RFID (Radio Frequency Identification) is one key example. The technology enables all items to be tracked, reducing inventory loss and allows for sharing of meaningful information to customers on the textiles process. The sector is in the early adoption stage of this new technology, which can help to reduce the time taken to process laundry, allowing businesses to increase their productivity while also improving information sharing and textile management with end users.

"We attempt to position ourselves as technological market leaders, so new processes are vital to our growth plan"
Textile Services Business Survey Respondent

Changes to regulation

- 5.7 For some businesses, particularly those that operate in the healthcare division changes to regulation could also support growth in the sector. One example of this is nurse's uniforms, the majority of which are self-laundered despite compelling arguments for professionally laundering, to reduce risk of infection and contamination. Such changes to regulations could be a significant growth driver for businesses in the sector.

What is constraining growth?

- 5.8 While there are some clear growth drivers for the sector there are many factors that are causing concern across operators. The difficulty is even more acute given that many of these challenges are interrelated. Among others the key challenges facing the sector are around people, cost and price.

Recruitment difficulties

- 5.9 Businesses in the sector are experiencing difficulties in recruitment and finding the right people to fill vacancies. In a recent employment survey led by the Textile Services Association, 62% of companies had unfilled vacancies and 41% of companies stated that it was taking them longer to fill vacant posts than last year. There are a number of factors contributing to this:
- Brexit: 40% of the workforce in the sector are EU nationals and Brexit is causing a serious concern in terms of the pool of available labour, due to the uncertainty at present and the impact of the fall in the exchange rate on the attractiveness of the UK labour market.
 - Skills shortages: Businesses are experiencing skill shortages across many of the available roles but are finding it particularly difficult to recruit drivers and engineers.
 - Perception of the industry: Businesses find it difficult to fill roles due to the perception of the sector and the nature of the roles available.

"We are concerned about losing skilled EU staff and how to replace them with quality employees"
Textile Services Business Survey Respondent

Cost pressures

- 5.10 Costs have risen in the sector in recent years above than inflation. The most significant increase is in labour with an increase of over 16% which is reflected in Figure 5.2.
- 5.11 Wage inflation is set to continue given the impact of the National Living Wage. This is a concern across the sector and was considered the most important factor in constraining growth. Indeed, the aforementioned recruitment difficulties and tightening supply of labour will also be contributing to wage inflation. This is, in turn, driving the need for more capital investment and automation.

Figure 5.2 Laundry Cost Index for previous three years to March 2020

Cost Centre	Increase %	Weighting %	Total %
Labour	16.27	40	6.51
Textiles	5.42	15	0.81
Energy	14.62	10	1.46
Diesel	1.65	4	0.07
Other Transport	4.66	8	0.36
Other	9.02	23	2.07
Total		100	11.29

Source: TSA Cost Index published quarterly

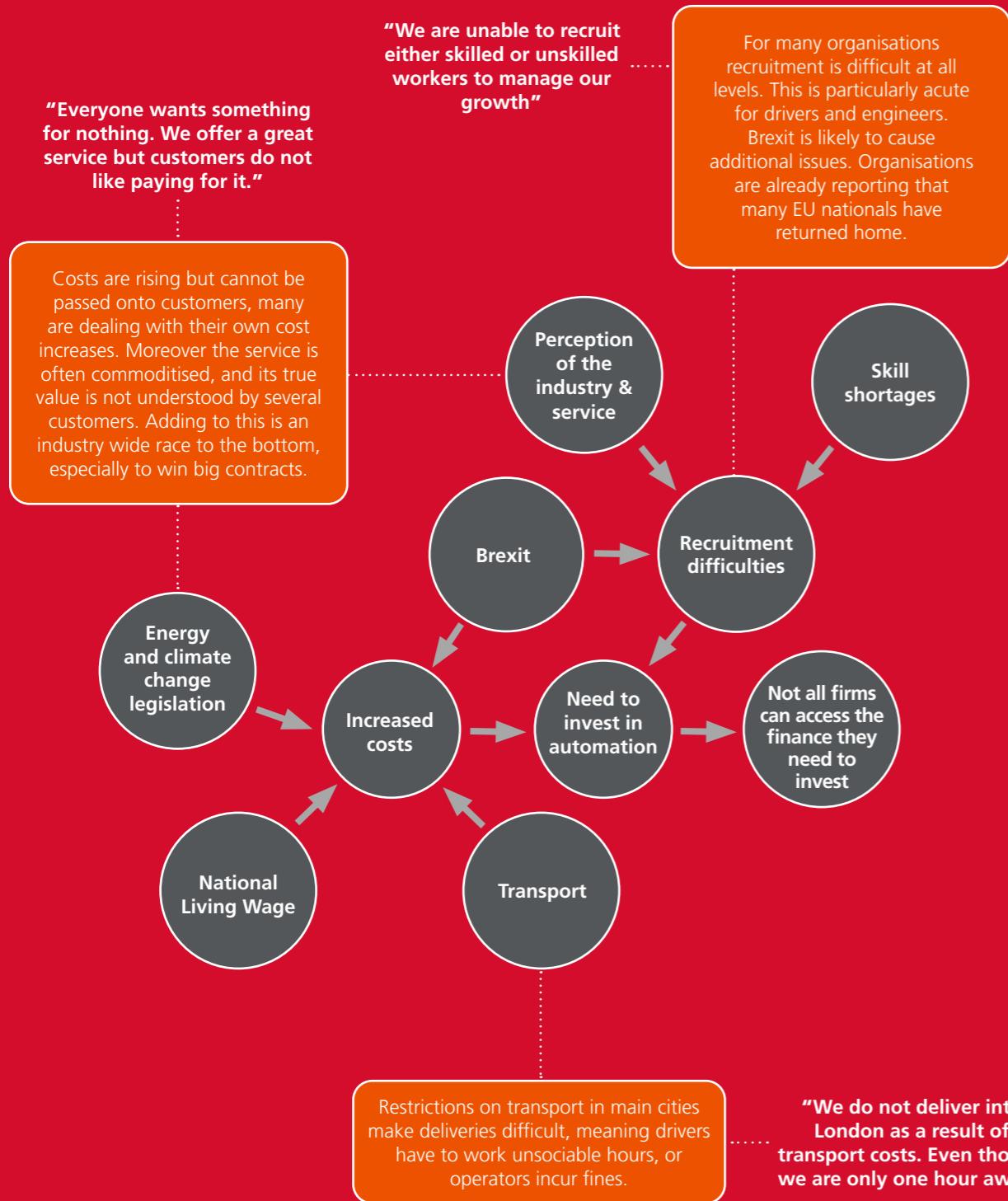
- 5.12 It is not only the cost of labour that is causing cost pressure. The exchange rate is also having a significant impact on input prices. The weakening of the pound is causing supply chain inflation for raw materials, such as linen, but also equipment and machinery that are predominantly imported. One operator commented that the price of imported linen had increased by 20% as a result.

"Following the Brexit vote, equipment, all sourced from Europe, became 15% more expensive overnight"
Textile Services Business Survey Respondent

Price pressure

- 5.13 Businesses in the sector are also concerned with downward pressure on pricing. The rising costs experienced by businesses in the textile services sector are also prevalent in many of the sectors they supply. As examples, hotels and care homes are themselves dealing with the effects of the Living Wage and the labour supply effects of Brexit. As such, there is increasing pressure from customers to keep prices low.
- 5.14 Businesses also feel that customers undervalue the service, pricing it as a commodity as opposed to the core service it is to their operations.

- 5.15 The upward pressure on costs and downward pressure on pricing will diminish profitability for businesses in the sector; this is a sector-wide issue, although through consultation we heard it was particularly difficult for small businesses in the sector. Figure 5.3 summarises these challenges facing the sector, and the interaction between them on the next page.

Figure 5.3 The Relationship between Constraints on Growth

6.0 Views of the Members

6.1 The economic value of textile services is clear. Alongside its own economic footprint, the operations of a whole range of important sectors of the UK economy rely on a wellfunctioning, vibrant textile services industry. Long term sustainability of this important sector will require a concerted effort to overcome the clear challenges that stand in its way. This will require action from business leaders, the TSA and partnership working with government. The sector is committed to working with government to overcome the challenges it faces and secure future growth.

6.2 We asked TSA members what would help to overcome these challenges. They told us the following:

There needs to be an increased understanding of the sector

6.3 This report seeks to be the first step in evidencing the value of the textile services sector and demonstrating how it interacts with key sectors of the UK economy. It is hoped that this will provide clarity on what the sector does and why it is important.

The sector needs support in delivering the trailblazer apprenticeship

6.4 Attracting workers into the industry at all levels will be important in overcoming recruitment difficulties and succession planning. The skills required by operatives are in no way generic. The Textile Services Operative Apprenticeship Standard will not only attract young school leavers into the sector, but will provide a pathway to upskill and nurture a resilient future workforce.

Small businesses need support to invest in innovation

6.5 Investing in innovation is now critical for survival in the sector. Businesses must invest just to stand still although not all businesses have access to finance for investment in new technology. Small businesses would welcome financial support to allow them to accelerate growth, improve resilience and ultimately remain in business.

There needs to be a review of delivery restrictions

6.6 Many businesses in the sector express frustration with increasingly onerous delivery restrictions in major towns and cities, especially those delivering to hotels and restaurants. As deliveries need to take place throughout the day, this results in fines for businesses in the sector or prevents businesses from being able to optimise fleet usage. Easing of regulation for those organisations where round-the-clock delivery is required would ease financial pressure on businesses.

Businesses need support to help manage the cost pressures of National Living Wage

6.7 Labour is one of the biggest costs for all businesses in the sector accounting for around 40% of all costs on average. The National Living Wage is having a huge impact on businesses in the sector causing wages to rise faster than inflation. As prices cannot reflect these increases profitability of many of the businesses within the sector is taking a significant hit.

Appendix A - Survey Methodology

- A.1 The report draws on evidence from surveys of TSA members undertaken by Hatch Regeneris in 2017 and then updated in October 2019.
- A.2 The survey collected information on:
 - Financial information including turnover, taxation and expenditure
 - The geographical and divisional breakdown of businesses (both in terms of headcount and sales)
 - Sectoral breakdown of customers
 - Growth drivers and challenges
- A.3 The survey was sent to all TSA members, and the responses represented over 90% of the sector in terms of turnover. The results of the survey were grossed up to reflect the full sector.

Modelling Approach

- B.4 Direct effects have been measured using data from the survey of members on direct employment (in terms of Full Time Equivalents) within the sector, total turnover, direct employment costs and the costs of bought in goods and services. GVA has been estimated using the data on turnover and bought in costs. Direct exchequer effects are drawn from the survey of members.
- B.5 Indirect effects have been measured by using data from the operator survey on bought in goods and services by type of good/service and matching these to the SIC codes in Regeneris Consulting's input-output model for the UK. This input-output model contains Type 1 (indirect) and Type 2 (indirect and induced) multipliers for 110 sectors, drawn from National Accounts data. These tell us the multiplier effects on employment, GVA and taxes arising from an expenditure injection into any of these sectors. The data from the survey has been used to create a supply chain expenditure vector for the sector, which tells us what the sector as a whole spends on bought in goods and services in the UK. This vector has then been fed through the input-output model to estimate the first round and subsequent multiplier effects of the expenditure.
- B.6 Induced effects have been measured using data from the operator survey on direct salaries in the sector. This data has been used to estimate total annual expenditure by direct employees, by estimating take home pay after income taxes, NI and pension contributions; saving rates and patterns of expenditure using our input-output framework. The resulting expenditure vector has been fed through the input-output model to estimate the first round and multiplier effects from this spending. The induced effects arising from the expenditure of indirect employees have been estimated using the Type 2 multiplier impacts from our analysis of indirect effects.

Appendix B - Economic Footprint Methodology

- B.1 The report contains estimates of the economic value of the textile services sector in the UK. These estimates have been informed by economic modelling. Details of the method used are set out below.
- Framework**
- B.2 The modelling framework is designed to measure the UK economic footprint of the sector, in terms of employment (full time equivalents), Gross Value Added (GVA) and exchequer contributions. There are three elements:
 - Direct. The economic activity within the sector itself, typically measured in terms of the number of direct employees working in the sector and the Gross Value Added (GVA)⁶ generated from its sales
 - Induced/ supply chain. The economic activity generated as a result of supply chain purchases made by the sector. This purchasing creates both direct income and jobs within the immediate suppliers to the sector and also further, knock-on impacts down the UK supply chain
 - Induced. The economic activity arising as a result of the personal expenditure of employees who work in the sector and in its supply chain
- B.3 This three strand framework is well accepted as the standard method for establishing the total economic value of sectors and individual firms in the UK.

Appendix C - Organisations Consulted

- C.1 In the course of the study, we consulted with representatives from the textile services sector as well as key customers of the sector.

The following organisations were consulted:

- Elis UK
- Johnson Service Group
- CLEAN Linen Services
- Synergy LMS
- Fishers Services
- National Laundry Group
- Royal Devon and Exeter NHS Trust
- Hilton Worldwide
- Imperial Hotel
- Vauxhall Motors
- Bradgate Bakery

⁶ GVA is the key measure of the value of wealth creation in a sector or regional economy, and is essentially measured as the difference between turnover and bought in goods and services at the level of a firm (also equivalent to the sum of gross operating surplus, gross employment costs and net taxes on production).

Appendix D - Covid-19 Update 15 May 2020

D.1 The research and analysis within this report captures the latest position on the economic value of the textile services sector for the 2018/19 financial year, informed by survey work and data collection undertaken in October 2019.

Since then, the global Coronavirus crisis has taken hold.

Alongside the health impacts of the crisis in the UK, the crisis has had a profound and immediate impact on the UK economy.

Given its strong linkages with many sectors of the economy as outlined in this report, and the sector's important enabling role, the textile services sector has been heavily impacted. This has, in turn, created feedbacks for the rest of the economy.

This appendix briefly outlines the nature and scale of these effects, drawing on published economic data and forecasts, alongside a special survey of TSA members.

Economic effects of the crisis in the UK

D.2 In response to the spread of Coronavirus, the UK Government announced a nationwide lockdown, which commenced on 26th March.

This led to the closure of many sectors of the economy defined as "non-essential" activities: most notably, the hospitality industry, non-essential retail businesses, and some manufacturers (some of whom had already experienced supply chain disruption).

Some other sectors (e.g. construction) were not mandated to close but nonetheless decided to cease operations for safety reasons. This has had very significant and immediate economic effects for the UK economy as a whole, with some variation in these effects by sector and location.

On 14th April, the Office for Budget Responsibility (OBR) published a scenario to assess the potential impact of the coronavirus on the economy and public finances. This

was subsequently updated on 14th May¹. This was based on a three-month lockdown scenario and incorporated the effects of the key national policy interventions such as the furlough scheme and the Coronavirus Business Interruption Loan Scheme (CBILS).

The key headlines from this were a projected fall in real GDP of 35% in Q2 2020, with unemployment rising to 10%. The scenario projects an overall fall in GDP of 12.8% in 2020, with an assumed recovery taking place from Q3 onwards. The sectoral breakdown of this contraction in Q2 is reproduced in Figure 5.4 overleaf.

The Bank of England has also forecast a 25% decline in GDP in Q2 2020².

Actual data emerging has shown the first estimate of GDP in Q1 of 2020 alone to represent a contraction of 2%³. This has been driven by record falls in output in March 2020, as the lockdown came into effect. This included a record 1.9% fall in services output, which includes retailers, travel agents and hotels.

Impacts on textile services

D.3 As an integral enabler to a wide range of other sectors in the UK economy, the textile services sector has been strongly hit by this economic contraction. Especially notable from the point of view of textile services are the falls within the OBR's scenario forecast for Q2 2020 in:

- Accommodation & Food services: -85%
- Manufacturing: -55%
- Construction: -70%

This can be seen in further detail in Figure 5.4. At the same time, given the immense pressures on the health service, the OBR scenario sees a 50% increase in output in human health and social activities.

Figure 5.4 OBR Coronavirus Reference Scenario: % Change in GDP Q2 2020

Sector	% change, Q2 2020	
	Weight in whole economy value added	Effect on output relative to baseline
Agriculture	0.7	0
Mining, energy & water supply	3.4	-20
Manufacturing	10.2	-55
Construction	6.1	-70
Wholesale, retail & motor trade	10.5	-50
Transport & storage	4.2	-35
Accommodation & food services	2.8	-85
Information & communication	6.6	-45
Financial & insurance services	7.2	-5
Real estate	14.0	-20
Professional, scientific & technical activities	7.6	-40
Administrative & support services	5.1	-40
Public administration & defence	4.9	-20
Education	5.8	-90
Human health & social activities	7.5	50
Other services	3.5	-60
Whole economy	100.0	-35

Source: Office for Budget Responsibility: Coronavirus Reference Scenario, 14th April

Textile services companies are key suppliers to these sectors, so the impacts on the sector have followed these trends closely. Perhaps the most notable has been:

- the effect of the closure of hotels, restaurants, pubs and leisure clubs. Textile services businesses supplying to these businesses had to close within a couple of days of lockdown.
- the rapid response in other parts of the sector to increased demand from the NHS, with operators ramping up production to support hospitals around the country, especially by laundering scrub suits.

D.4 The TSA recently conducted Business Pulse Surveys of its members to gauge the impact on the sector. The latest survey, undertaken on 1st May 2020, received 34 responses covering 170 sites across the UK. The key findings were as follows⁴:

- 50% of respondents had seen a revenue trend "well below expectations" in the past 30 days, with 32% receiving no revenue at all
- 2% have seen revenue above expectations, reflecting the trends in the healthcare sector
- This is expected to continue, with 76% of respondents expecting revenue to be well below expectations over the next 90 days

¹ Source: OBR Coronavirus Reference Scenario <https://obr.uk/coronavirus-analysis/>

² Source: Bank of England, 7th May 2020

³ Source: ONS

⁴ Source: TSA Business Pulse Surveys, April and May 2020

Appendix D - cont'd

- Based on best estimates, 44% of respondents expect that it will take 12 months for their business to return to pre Covid-19 levels, and 50% expect that it will take 24 months
- 47% of respondents had experienced supply chain issues
- To deal with the impact of Covid-19 on their business, 97% have furloughed staff, 52% have shortened production hours, 50% have cancelled orders, and 50% have temporarily closed their plant
- Whilst some operators had received some support from the Government, 35% reported having received no support at all.

Conclusions

D.5 This report has provided evidence on the economic value of textile services in itself and as an enabler behind large parts of the UK economy.

Covid-19 is having a very significant impact on the sector, as its major customers have been closed in lockdown. At the same time, textile services operators have been playing a critical role in supporting the functioning of the NHS throughout an extremely challenging period.

Both the OBR and Bank of England expect that the UK economy will recover as social distancing measures are relaxed.

As the economy moves into a recovery phase, the ability of key sectors – especially in hospitality and manufacturing – to drive this recovery will depend on the health of the textile services industry.

This report provides a strong evidence base to inform the responses that will be needed to ensure this happens.





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