

## Written evidence from the Textile Services Association (TSA) (BRF0001)

### 1. About the TSA

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- 1.1 The TSA is the trade association for the textile services industry which covers textile rental companies who provide personal protective equipment (PPE) for the majority of companies located in the UK, and linen for the hospitality sector and the NHS. As a key enabler for the UK economy, our members support many critical sectors, including healthcare, all forms of engineering, manufacturing, pharmaceuticals, food processing and utilities through the provision of PPE and we also underpin the UK's burgeoning hospitality sector. Collectively, our sector has a gross added value of over £1.3 billion to the UK economy and directly underpins other sectors that provide in excess of £640 billion to the UK economy. Our members employ approximately 34,000 people across the country, processing over 50 million items a week and 2.6 billion items a year.
- 1.2 **The TSA would be very interested in appearing before the Committee to give oral evidence, and provide a unique insight on the impact of Brexit on British industry and solutions for overcoming the challenges that may arise.**

### 2. Executive Summary

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- 2.1 **Textile services contribution to key sectors:** As the Government has repeatedly made clear, sectors such as manufacturing and pharmaceutical are crucial to achieving a balanced, prosperous economy. These sectors could not function without the services our members provide and it is therefore critical that the Government recognises our contribution to these sectors and strikes a deal with the EU that supports our industry.
- 2.2 **Access to workforce:** With 37.8% of all employees in our sector originating from the European Union (EU), we are reliant on migrant labour and it is therefore critical that our members continue to have access to workers from abroad. In order to preserve such access, the TSA would welcome arrangements whereby if businesses are unable to recruit from within the UK within a set period, they can seek employees from elsewhere through approved agencies.
- 2.3 **Trading arrangements:** The declining pound has created cost pressures on large-scale laundry plant and chemical cleaning products meaning our members are having to look at increasing prices and reduce investment. Such pressures risk making British manufacturing and pharma less competitive and increasing costs for consumers. Our members require minimal or no tariffs following our exit from the European Union. We urge the Select Committee to make these key points to the Government when submitting recommendations.
- 2.4 **Ensuring consistency of regulation:** We must ensure that the UK Government continues to have input and influence on international standards and engage with EU regulatory bodies to ensure consistency.

### 3. Introduction

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- 3.1 The scope of this inquiry focuses specifically on the pharmaceutical, automotive, aerospace, processed food and civil nuclear sectors; which our members underpin through the provision of workwear critical to the daily operation of these industries. Textile services is a core part of the supply chain for a number such strategically important sectors for the UK economy; and the provision and servicing of workwear accounts for 55% of our members sales.
- 3.2 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 and wider sectors. The textile services sector provides an essential service in

ensuring that safety and hygiene regulations are met across the whole economy. Items provided or serviced include protective garments for high-tech clean room environments, R&D and protective garments for dangerous and difficult environments.

3.3 Our members provide, service and maintain workwear on a daily basis, delivering safe and durable garments for these sectors. Without such consistent and reliable services, food production sites, car manufacturers, and pharmaceutical plants by law, would be forced to close for business; indicating the critical nature of the services that TSA members provide. TSA members guarantee the safety of the workers and the consumers on a daily basis and policymakers have often overlooked this vital contribution our members make.

3.4 The below summarises our position on the implications of Brexit for our industry, and how this would in turn impact the sectors within the scope of this inquiry. There are three specific areas of concern:

- access to employees;
- rising prices on imported goods (particularly cleaning chemicals); and
- regulatory environment.

3.5 In particular we identify how limits on access to workers from the EU or elsewhere will:

- fuel wage inflation as we have to compete for employees against many other sectors;
- constrain supply of protective garments and manufacturing workwear; and
- lead to increased prices for the wide range of sectors our members service.

#### 4. Skills

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##### How dependent is the sector on workers from EU countries, at all skill levels?

4.1 After increasing concern expressed by members about the likely impact of Brexit on the ability to retain and access sufficient numbers of staff, we carried out an Employment Trends Survey in July 2017. In total, there were 51 respondents covering a total of 116 sites and 16,600 employees across the UK. The survey provided further detail on the considerable extent to which our members are reliant on workers from EU countries across a range of skill levels. The key findings included:

- Overall, 37.8% of all employees are European Union Nationals, 49.8% are from the UK, and 11.6% are from countries outside the EU. **This equates to approximately 12,000 employees from EU countries playing a crucial role in servicing sectors including pharmaceutical, automotive, aerospace, processed food and civil nuclear identified in the scope of this inquiry. Our members also support the NHS as well as the hospitality industry and workwear across nearly every sector in the UK economy.**
- Statistics show that over 10% of our respondents ran facilities where the percentage of EU workers was more than 80%, with the maximum being 95% at one site.
- 56% reported their workforce had increased over the last 12 months, with just 16% reporting a decline.

4.2 The TSA recognises the need for the Government to reform the immigration system once the UK has left the EU, however with our members being significantly dependent on EU workers at both entry and management levels (in the short term), we would urge caution with regards to overly burdensome restrictions on freedom of movement.

##### What is the potential impact of restrictions on freedom of movement?

4.3 Whilst we welcome the Prime Minister's assurances to the three million EU citizens who live and work in the UK, that they will be able to stay post 2019, the Government has signalled immigration rules will be

reformed and it is vital this does not adversely affect our members' ability to recruit labour: there is a natural turnover of staff, so access to new employees must continue.

- 4.4 The ability to recruit new labour of whichever nationality is of utmost importance to the sector being able to provide a range of businesses with the textile services that are critical to their daily operation. During one week, our members process in excess of a quarter of a billion items to keep the UK economy running.
- 4.5 With a substantial percentage of businesses across the sector reporting that it is taking longer to fill the increasing number of vacancies, coupled with nearly 40% of the total workforce being EU nationals, there is growing evidence that the uncertainty following Brexit is already causing significant recruitment challenges for our members.
- 4.6 This situation would only intensify if restrictions were placed on freedom of movement, with the following significant consequences:
- Restrictions on freedom of movement would lead to shortages of labour for our members, leading to wage increases across the board as we compete for employees with other sectors, the outcome of which is significant price inflation.
  - If TSA members are unable to access migrant labour to fill vacancies, costs for customers will inevitably increase and supply is likely to be constrained. This could lead to increasing costs for all five of the sectors included in the scope of this inquiry; to whom we provide essential protective workwear. In order to compete with other employers especially within the hospitality sector, wages will have to increase leading to increased prices for our members' services to both businesses and public services such as healthcare. It is therefore crucial that our growing sector has access to the required labour, when it is unavailable within the UK to continue to service and support a wide range of sectors across the British economy.

#### **How far can gaps be filled by UK workers?**

- 4.7 The TSA is committed to improving training in the sector and are in the process of developing a trailblazer apprenticeship scheme. We are determined to ensure young people know they can have a meaningful and fulfilling career in our sector and are therefore delighted that our Textile Care Services Apprenticeship has now been approved by the Institute of Apprenticeships. Despite this, feedback from our members has indicated that vacancies cannot be filled by UK workers alone.
- 4.8 Our recent survey made clear that there is a lack of appropriate labour in local areas and the ability to recruit new migrant labour is fundamental to the sector being able to provide businesses with the textile services that are integral to their daily operation. Responses from members showed that:
- 38% of respondents reported having more vacancies than one year ago and only 10% reporting fewer
  - Similarly 38% of respondents reported that it was taking longer to fill vacancies compared to last year and with just 10% saying it was quicker
  - Two thirds (66.7%) of respondents said they currently had unfilled vacancies totalling 355 or 2.4% of the overall workforce
  - More than half (56.6%) of these vacancies were production operatives: 201 total vacancies with an average of 5 per site (1.4% of those employed)
  - Whilst more than half of vacancies were for lower skilled roles, with record levels of employment in the UK and a low unemployment rate, our members are also having trouble in filling vacancies in more senior roles, including at managerial level.

- 4.9 On top of this, in responding to the survey question which directly asked respondents to highlight the main cause of recruitment difficulties, a number of individual respondents highlighted the ***“reduction in***

**European nationals**” available since the Brexit vote in light of uncertainty over changing immigration rules. In asking respondents for any further comments on employment trends, members also directly called on government **“to reassure EU citizens about their future in the United Kingdom”**.

4.10 TSA members continue to invest record levels into new technology to drive efficiency in order to keep up with demand, yet the requirement for members’ services increases from sectors across the British economy. Members therefore require more trained staff to operate plants, and at a time when the falling pound is already putting pressure on costs (which will be passed onto customers), it is vital the Government clearly outlines how TSA members will be able to recruit their workforce in the future to avoid uncertainty in the industry.

## **5. Transitional arrangements**

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### **What should the UK seek in transitional arrangements and for how long should they apply?**

5.1 In order to prevent a sudden and significant shift in our members’ continued access to workers from the EU, we would urge the Government to seek transitional arrangements with regards to immigration policy: however a sustainable solution must be provided beyond any transitional period.

5.2 We would stress that while a transitional arrangement will be helpful in the short term, a flexible immigration system needs to be established to support continued access to labour thereafter. With regards to how this arrangement might look after the transitional period, we would propose the following:

- If unable to recruit from within the UK within a set period, businesses can seek employees from elsewhere through approved agencies.
- Workers from the EU would be allowed to work in the UK on a specific visa for 2 years and, if supported by a registered business after the two years is complete, can remain for a further 3 years, but if they leave the sponsoring company they must return to their country of origin.
- After 5 years workers from the European Union should be considered for residency with the support of the registered company. Within our membership, we have seen a large number of European migrants stay with their employers for a number of years and progress to management level, adding significant value. We would therefore firmly support a system which allowed European migrants to continue to be able to progress within our members’ businesses, through being able to be considered for permanent residency after 5 years.

## **6. Rising import costs**

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6.1 The majority of equipment and chemicals used in modern automated laundries are manufactured in mainland Europe – especially Germany, Denmark and Belgium. Any import duties would add to the already significant cost increase already created by the fall in the value of the pound.

6.2 Access to such hi-tech machinery allows our members to drive further automation and find efficiency savings, which in turn allow for further investment to modernise and grow existing plants. As costs escalate this investment is under serious risk as well as putting further pressure on prices.

6.3 Whilst we understand the Government’s position with regards to the need to exit the Single Market, we would urge government to ensure any tariffs on trade with our European partners are minimised to allow our sector and the wider economy to continue to thrive.

## **7. Regulation**

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7.1 In terms of regulation, we must ensure that the UK Government continues to have input and influence on international standards and engage with EU regulatory bodies to ensure consistency.

*October 2017*