

THE ECONOMIC IMPACT OF THE FASHION INDUSTRY

February 2019

Fashion is a highly sophisticated, \$2.5 trillion global industry.¹ In the United States alone, consumers spent nearly \$380 billion on apparel and footwear in 2017.² The industry, which encompasses everything from textile and apparel brands to wholesalers, importers and retailers, employs more than 1.8 million people in the United States.³

The U.S. fashion industry has evolved from its roots in manufacturing to new high-value design and other creative jobs. As with many industries in the manufacturing sector, the United States now concentrates on the high-value parts of the apparel global supply chain: research and development (R&D), design and marketing.⁴

The twin forces of technology and globalization have had enormous ripple effects in the fashion industry, similar to many other industries, and has created new trends, challenges and opportunities. The impacts of social media, new business models, advanced manufacturing, and changing demographics are leading to significant changes in all aspects of the fashion industry with the potential to reshape it for years to come.

Against this backdrop of change, New York City remains a global fashion power. More fashion designers work in New York City than anywhere else in the country. The metro area accounts for more than one in three of the nearly 19,000 fashion designers working in the United States.⁵ In 2017, New York City's fashion industry employed 4.6 percent of the total private-sector workforce and generated more than \$11.3 billion in wages and \$3.2 billion in tax revenue.⁶ New York Fashion Week had a greater annual economic impact (\$600 million) than the Super Bowl (\$347 million) and generated more income than its rivals London, Paris, and Milan, combined.⁷

The Fashion Industry Creates Jobs in a Wide Range of Fields

Fashion- and apparel-related industries employ workers in professions requiring an increasing range of highly technical education and skills.⁸ For instance, computer-aided design helps designers turn concepts into samples and helps manufacturers move from prototype to finished product on an accelerated timetable. Jobs in these fields, which typically require more education and training, hold the prospect of higher wages.⁹

Fashion designers, the creative force and focal point of the industry, are among the highest paid workers in the fashion industry, earning an average of \$78,870 annually across all industries (see **Table 1**).¹⁰ Fashion designers are concentrated in apparel industries such as manufacturing and wholesale merchandising, but also are strong in other sectors, such as motion picture and video.

The apparel manufacturing industry employs nearly 123,000 workers in the United States. Employment in the industry still includes occupations traditionally associated with apparel manufacturing, such as sewing machine operators, tailors and textile machine operators and patternmakers. However, the shift to higher-value parts of the process means that today's

manufacturing jobs include a number of higher-paying occupations such as market research analysts who earn \$67,200 annually on average, and computer professionals, who earn \$77,270 on average.

The wholesale apparel merchandising sector employs over 147,000 individuals. These include business operations specialists whose annual earnings average \$66,770; graphic designers earning \$55,770, on average; and production, planning and expediting clerks earning \$50,720, on average.

The majority of fashion and apparel jobs are in the retail sector, with over 1.4 million individuals employed throughout the country in apparel retail establishments. These jobs, which range from clerks to managers and executives, pay nearly \$29,500, on average.

Table 1: Employment in Selected Fashion and Apparel Industries and Occupations			
	Number of Employees	Median Hourly Wage	Average Annual Wage
Fashion Designers (All Industries)	18,940	\$32.41	\$78,870
Apparel Manufacturing Industry (All Occupations)	123,000	\$12.64	\$37,350
<i>Selected Occupations</i>			
• Computer occupations (such as information analysts, developers, and systems administrators)	840	\$33.63	\$77,270
• Market research analysts and marketing specialists	510	\$28.85	\$67,200
• Fabric and apparel patternmakers	2,030	\$24.61	\$55,590
• Industrial machinery installation, repair, and maintenance workers	1,410	\$16.75	\$38,900
• Tailors, dressmakers, and custom sewers	1,200	\$13.42	\$33,490
• Textile machine setters, operators, and tenders	6,280	\$11.64	\$25,860
• Sewing machine operators	49,960	\$11.14	\$24,700
Apparel, Piece Goods Merchant Wholesalers (All Occupations)	147,390	\$18.49	\$56,160
<i>Selected Occupations</i>			
• Business operations specialists	6,740	\$28.15	\$66,770
• Graphic designers	1,860	\$25.29	\$55,770
• Production, planning, and expediting clerks	2,820	\$23.56	\$50,720
• Merchandise displayers and window trimmers	330	\$17.50	\$42,790
• Laborers and material movers, hand	18,150	\$12.33	\$27,140
Clothing and Clothing Accessory Stores (All Occupations)	1,414,320	\$11.27	\$29,460
<i>Selected Occupations</i>			
• Market research analysts and marketing specialists	1,340	\$25.96	\$61,180
• Accountants and auditors	1,030	\$32.14	\$72,010
• Buyers and purchasing agents	3,550	\$24.78	\$65,250
• Designers	12,210	\$13.67	\$31,660
• Retail sales workers	1,056,960	\$10.55	\$24,840

Source: Bureau of Labor Statistics, Occupational Employment Statistics for NAICS 315000, 424300 and 448000 (March 2018).

New York City is One of Global Fashion’s Big Four

New York City is considered one of the Big Four global fashion capitals of the world along with rivals Paris, Milan and London. New York City is home to internationally recognized brands such as Ralph Lauren, Calvin Klein, Ann Taylor, Marc Jacobs and Donna Karan.

New York City’s role in the fashion industry is highlighted every year during the semiannual New York Fashion Week (NYFW), which had approximately 150,000 attendees in 2017.¹¹ Held in the spring and fall, NYFW generates close to \$600 million in total income each year.¹² NYFW accounted for more than half of the 521 shows and presentations by the Big Four fashion capitals in spring and summer of 2017.¹³ On the social media platform Instagram, New York Fashion Week had nearly 68 percent more followers (452,000) than its next closest competitor, Paris Fashion Week (269,500), while the Instagram hashtag #nyfw had nearly three times as many posts (5.6 million) compared to that of #parisfashionweek (2.0 million).¹⁴

New York City is also home to three of the most prominent fashion design schools in the country – Fashion Institute of Technology (FIT), Parsons School of Design and Pratt Institute. In addition, specialized schools in New York City such as LIM College focus on the business aspects of the fashion industry, such as marketing, merchandising and global supply chain. Combined, these institutions educate over 20,000 students each year.¹⁵ Outside of the New York City metro area, several smaller hubs such as Los Angeles’ Fashion Institute of Design and Merchandising (FIDM) and Otis College of Art and Design; the Rhode Island School of Design (RISD); the Savannah College of Art and Design (SCAD) and Columbus College of Art and Design (CCAD) are well-known for their strong design programs.

New York City is home to three of the largest leading fashion publications—Vogue, Harper’s Bazaar and Women’s Wear Daily, which are all headquartered in the city, as are some of the largest advertising companies in the world. New York City also has sophisticated media and marketing resources that designers can utilize to promote their products and to build their brands.

Trade Policies have Substantial Impact on the Fashion Industry

As apparel production moved overseas, American consumers dramatically increased their purchases of foreign-made apparel. Currently, most clothing sold in the United States is imported, notwithstanding trade barriers that raise prices paid by consumers on many items. In 2017, American consumers purchased more than \$136.8 billion in apparel from abroad, while American apparel manufacturers exported nearly \$10.5 billion, resulting in a trade deficit of \$126.3 billion.¹⁶ More than a third of these imports came from China (43.4 percent), with Vietnam (13.2 percent), India (5.1 percent), Indonesia (4.9 percent) and Bangladesh (4 percent), rounding out the top five countries of origin.¹⁷

While many apparel products are manufactured overseas, much of the value that goes into them is generated in the United States. Various studies note that conventional trade statistics may overstate the size of the trade deficit because they fail to accurately capture the value added at

different stages of the design and development process.¹⁸ While the future of the U.S. fashion industry lies in the high-value-added parts of the global supply chain, there are signs that companies may be bringing back some production activity. Between 2010 and 2017, apparel was the third largest re-shoring industry in the manufacturing sector, with 952 apparel companies moving production back to the United States.¹⁹

The Trump administration's trade war with China may have a multifaceted impact on the fashion industry, its supply chain and on consumers. By adding to the cost of imported clothing, tariffs may shield domestic producers from competition with foreign manufactured goods, enabling them to compete with imports that would otherwise be priced lower. However, companies that keep the high-value parts of the supply chain at home while offshoring physical production may be harmed by tariffs.

In theory, those producers can avoid tariffs by concentrating production in countries that are party to free trade agreements, but this concentration could come at the price of foregoing flexibility in responding to rapid shifts in demand. Alternatively, they can pass much of the additional cost of the tariffs to customers, but at the risk of losing market share. The administration's recent trade wars have put new pressures on domestic manufacturers that rely on China and other countries for goods to produce their products. Even companies manufacturing apparel in the United States have not been spared and are subject to a 10 percent tariff for fabrics and furs from China due to the trade war.²⁰

Depending on how easily they can switch to alternative markets, each step in the production chain may shoulder some of the direct burden of the tariff through price changes, including the consumer in the United States. Additionally, the "deadweight loss" caused by any change to consumer prices could spread to the shareholders, employees, and customers of related industries such as retailers.

The Fashion Industry Adapts to Fast-Changing Consumer Tastes and Expectations

The speed of change in consumer tastes and expectations have seen a magnitude increase as generations have now grown into adulthood fueled by social media and the near-instant delivery of goods and services.

The increased use of social media, such as Instagram and Snapchat, and the role of influencers have led to new players in addition to the still powerful and influential traditional fashion publications and their respective fashion editors.²¹ The power of social media and live broadcasts have had a huge impact on Fashion Weeks around the world and have had led their event managers to re-evaluate their value proposition.²² While traditional media outlets still retain enormous circulation and influence, it is primarily with an older demographic, while younger consumers tend to flock to social media channels.²³ One study finds that 41 percent of young people say they rely on influencers and bloggers, compared with just 20 percent who put their faith in store employees.²⁴

Social media and mobile technologies have fueled the rise of the ‘street-style’ global phenomenon, where consumers take their style cues from viral photographs and video of street fashionistas on social media from around the world. Street-style has led to the implementation of a visual search feature which allows a viewer to identify a specific piece of apparel from social media and direct them to where it can be purchased.²⁵

The proliferation of pictures and video generated by social media has sped up the development, purchase and disposal cycle, as social media producers and consumers constantly seek the next new thing. As a result, apparel manufacturers have had to adapt from a ‘push’ model based on market forecast and sales estimates, to a ‘pull’ model where demand data are constantly available but also constantly shifting.²⁶

This adaptation has had huge implications for manufacturers. As a result, the low cost manufacturing of enormous volumes in countries across an ocean with low labor costs no longer make economic sense, but instead forces the entire supply chain to focus on small-batch, fast-turnaround products to meet fast-changing consumer tastes. The opportunities now lie toward re-shoring the manufacturing in the same country where the item is purchased or, if that is not economically viable, ‘near-shoring’ in a country immediately bordering the country market where the item will be consumed, such as Mexico to the U.S. market.²⁷

The re-shoring and near-shoring trend is not only being shaped by consumer demand, but advances in material science and manufacturing technology. Manufacturers are now testing completely automated sewing machines that require no human labor.²⁸ Athletic footwear that requires only two types of material, a single factory to produce them, and a reduction in manufacturing time from months to days, is currently sold in retail outlets across the United States.²⁹ Body scanning and 3-D printing of seamless knitwear garments that require no post-production labor are now becoming a reality³⁰.

The rise of millennials (born between 1981 and 1996) and Generation Z (born between 1997 and 2012) purchasing power as they begin to comprise the prime consumer purchasing demographic of 25-54 has the potential to reshape the market based on their experiences and preferences.³¹ Together, millennials and Generation Z consumers represent about \$350 billion of spending power in the U.S. Generation Z alone will account for 40 percent of global consumers by 2020.³²

Not only are these generations more likely to use social media, but polls indicate that they also are more likely to experiment with emerging brands that they believe have both an economic and social value in line with their own.³³ They are also more likely to embrace direct-to-consumer apparel manufacturers, like Warby Parker or use apparel subscription models, like Rent the Runway and Stitch Fix.³⁴ In 2017, direct-to-consumer sales increased by 34 percent and represented 13 percent of all e-commerce sales.³⁵ Part of the appeal of direct-to-consumer model is transparency where a company can provide insight into their supply chain, their pricing model and their values.³⁶ Slightly over half of millennials say that they always research background information about a brand before buying, compared to 45 percent of Generation Z and 41 percent of Baby Boomers.³⁷

Conclusion

Fashion is a sophisticated, thriving industry that looks very different from it did 20 years ago and will look vastly different 20 years from now. The United States now focuses on the high-value parts – research and development, design and marketing. Jobs in these fields pay well, and demand for these skills is growing. The rapidly changing landscape rewards companies that are nimble, responsive to shifting market conditions and able to move quickly to address unmet needs. Those who are able to engage millennials and Generation Z will be well positioned for the next chapter of this industry’s evolving story.

Endnotes

- ¹ McKinsey & Company, "[The State of Fashion 2019](#)" (November 29, 2018)
- ² Bureau of Economic Analysis, "[Table 2.4.5 Personal Consumption Expenditures by Type of Product](#)," line 30 (last revised July 31, 2018); for the purposes of this calculation, fashion is defined as apparel (clothing) and footwear products.
- ³ JEC Democratic staff calculations based on data from the Bureau of Labor Statistics, "[May 2017 National Industry-Specific Occupational Employment and Wage Estimates](#)" (March 2018). This includes employees working in the following industries: textile mills; apparel manufacturing; footwear manufacturing; apparel, piece goods, and notions merchant wholesalers; and clothing and clothing accessories stores.
- ⁴ Duke Global Value Chains Center "[The Apparel Industry - From Factories to Retail: A GVC Analysis Countries](#)," United Nations Industrial Development Organization (March 2017)
- ⁵ JEC Democratic staff calculations based on data from the Bureau of Labor Statistics, "[Occupational Employment and Wages, May 2017](#)," 27-1022 Fashion Designers (March 2018)
- ⁶ New York City Economic Development Corporation, based on updated data sent to JEC Democratic staff (delivered February 7, 2019)
- ⁷ JEC Democratic staff calculations based on data from Vivian Hendriksz "[Key Numbers: How much money New York Fashion Week makes](#)", Fashion United (February 8, 2017); Marcelino Benito, "[Economic study: Super Bowl LI had \\$347M net impact on Houston](#)", KHOU.com (May 25, 2017); Vivian Hendriksz, "Money-Makers: What Paris earns from Paris Fashion Week", FashionUnited.com (Tuesday, February 28 2017)).
- ⁸ Bureau of Labor Statistics, "[May 2017 Occupational Employment Statistics NAICS 315000 - Apparel Manufacturing](#)" (March 2018)
- ⁹ Bureau of Labor Statistics, "[May 2017 Occupational Employment Statistics NAICS 315000 - Apparel Manufacturing](#)" (March 2018)
- ¹⁰ Bureau of Labor Statistics, "[May 2017 Occupational Employment Statistics NAICS 315000 - Apparel Manufacturing \(NAICS 315100, 315200, and 315900\)](#)" (March 2018)
- ¹¹ Vivian Hendriksz, "[How much money New York Fashion Week makes](#)", FashionUnited.uk (February 8, 2017)
- ¹² Vivian Hendriksz, "[How much money New York Fashion Week makes](#)", FashionUnited.uk (February 8, 2017)
- ¹³ JEC Democratic staff calculations based on data from "[All you need to know about Fashion Week](#)", New York Times Magazine (updated February 7, 2017)
- ¹⁴ Based on data from Instagram.com as of February 8, 2019.
- ¹⁵ JEC Democratic staff calculations based on enrollment data from [Parsons](#), [FIT](#), and [Pratt](#).
- ¹⁶ JEC Democratic Staff calculations based on [U.S. Census Trade Data 5-Digit End Use Code \(40000, 40010, 40020, 40030, 40040, 40050\) for 2017](#)
- ¹⁷ JEC Democratic Staff calculations based on [U.S. Census Trade Data 5-Digit End Use Code \(40000, 40010, 40020, 40030, 40040, 40050\) for 2017](#)
- ¹⁸ Organization for Economic Co-operation and Development (OECD), "[Trade in Value-Added: Concepts, Methodologies and Challenges \(Joint OECD-WTO Note\)](#)," (accessed August 30, 2016); Andrew Batson, "[Not Really 'Made in China'](#)," *The Wall Street Journal* (December 15, 2010); Michael Sposi and Janet Koech, The Federal Reserve Bank of Dallas, "[Value-Added Data Recast the U.S.-China Trade Deficit](#)," (July 2013); Nadim Ahmad, "[Measuring Trade in Value Added, and Beyond](#)," *OECD* (February 2013).
- ¹⁹ [2017 Reshoring Initiative Data Report](#)
- ²⁰ Deborah Belgum, "[How to Tackle the China Trade-War Challenges](#)", Apparelnews.net (Thursday, January 31, 2019)
- ²¹ McKinsey & Company, "[The State of Fashion 2019](#)" (November 29, 2018)
- ²² NJ Goldston, "[New York Fashion Week Is Changing and This is Why It Matters in the Marketing Landscape](#)", *Forbes* (February 22, 2018)
- ²³ Valerie Moatti, Celine Abecassis-Moedas "[How Instagram Became the Natural Showcase For the Fashion World](#)", *The Independent* (June 24, 2018)
- ²⁴ McKinsey & Company, "[The State of Fashion 2019](#)" (November 29, 2018)
- ²⁵ Jenna Ignéri, "[Thanks to Style Match, Its New Visual Search Feature](#)", *Nylon* (March 9, 2018)
- ²⁶ McKinsey & Company, "[The State of Fashion 2019](#)" (November 29, 2018)
- ²⁷ Johanna Andersson, Achim Berg, Saskia Hedrich, and Karl-Hendrik Magnus, "[Is apparel manufacturing coming home?](#)", McKinsey & Company (October 2018)

-
- ²⁸ Rain Noe, "[The Sewbot, a Fully Automated Sewing Machine, is Cool. It's Also Bad News for Garment Workers](#)", *Core77.com*, (August 15, 2017)
- ²⁹ Marc Bain, "[Adidas: A German company built a "Speedfactory" to produce sneakers in the most efficient way](#)" *Quartz.com* (accessed February 7, 2019)
- ³⁰ Michael Reilly, "[3-D Knitting Brings Tech to Your Sweaters—for a Price](#)", *MIT Technology Review* (April 6, 2017)
- ³¹ Michael Dimock, "[Defining generations: Where Millennials end and Generation Z begins](#)", Pew Research Center (January 17, 2019)
- ³² McKinsey & Company, "[The State of Fashion 2019](#)" (November 29, 2018)
- ³³ Neil Howe, "[Are Millennials Killing Name Brands?](#)", *Forbes* (Nov 20, 2018)
- ³⁴ Alejandra Reyes-Velarde, "[As millennials embrace renting over owning — even clothes — stores are taking notice](#)", *Los Angeles Times*, (December 20, 2017)
- ³⁵ David Kilimnik, "[How Direct-To-Consumer Brands Are Setting The Standard For A Better Retail Experience](#)", *Forbes*, Oct 2, 2018
- ³⁶ Adele Chapin, "[What Is the Direct-to-Consumer Sales Model and Why Should You Care?](#)" (Aug 11, 2016)
- ³⁷ McKinsey & Company, "[The State of Fashion 2019](#)" (November 29, 2018)