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New Report – U.S. Workers Play Critical Role in Today’s U.S. Apparel Global Value Chains

Washington, D.C. – Today’s global value chains used by U.S. apparel companies offer job creation opportunities in the United States, according to *Analyzing the Value Chain for Apparel Designed in the United States and Manufactured Overseas*, a new report published today by Moongate Associates, Inc. The study, which examines where and how American workers contribute to the value of apparel products manufactured globally, found that U.S. workers account for more than two-thirds of the retail value of apparel products sold in the U.S. market even though the actual production of those products occurs outside the United States.

“American consumers and policymakers tend to look at clothes and finished products and put them into one of two categories, either imported or Made in America,” said Moongate Associates Managing Partner Susan Hester, Ph.D., the report’s lead author. “This approach is outdated and inaccurate. The study we published today indicates U.S. workers are extremely valuable in delivering affordable clothes to American families.”

Key Findings Unveiled in the Report

- Today’s global value chains (GVCs) utilized by U.S. apparel brands, manufacturers, and retailers include a full range of activities that firms and workers do to bring a product from its conception to the final consumer.
- This study found that the U.S. value-added as a percentage of the final retail price for a variety of product categories – from shirts to pants in a variety of price points– averaged 70.3 percent, meaning 70.3 percent of the retail value of a garment is directly related to business activities executed by U.S. workers.
- U.S. value-added stems chiefly from U.S. workers – both blue collar and white collar – in product design, research and development, transportation, logistics, distribution, product safety compliance, customs compliance, quality assurance, social compliance, environmental monitoring, labor compliance, legal support, marketing, merchandising, and sales.
- An analysis of publically available data for the respondent companies revealed single digit profit margins for all companies and a group average of four percent in 2011.
- U.S.-based activities related to selling products supported 2.6 million U.S. workers in 2011 and total U.S. apparel employment from the beginning of the value chain through sales to the consumer total 2.9 million U.S. workers during the same year.

General Conclusions

- The positive ratio of U.S.-value-added to foreign value-added translates directly into U.S. jobs. These jobs are primarily medium- to high-skilled positions, and many are professional and managerial.
- Removing tariffs under trade agreements would lower prices to consumers, increase demand, and create jobs and profits all along the apparel global value chain, especially in the United States.
- Efforts to support these global strategies by American apparel companies will contribute to their success and growth, and these will in turn lead to a more competitive marketplace that will benefit hardworking American families and create new high-quality jobs for American workers throughout the global value chain.

Notes on the Study Methodology and Analysis

The goal of *Analyzing the Value Chain for Apparel Designed in the United States and Manufactured Overseas* was to capture the actual experience of American companies and determine the U.S. value for specific apparel products. Data were gathered on five specific products: men's and women's cotton knit shirts, men's and women's woven cotton trousers (included denim and non-denim), and women's man-made fiber outerwear (including water-resistant and non-water-resistant).

Respondents included seven U.S.-headquartered apparel and retail companies that together employ more than 500,000 people globally and 350,000 in the United States. Combined retail sales in 2011 totaled more than \$92 billion. Total U.S. apparel retail sales totaled more than \$270 billion in 2011.

The findings included in this report mirror similar findings in other recent studies related to global value chains for non-apparel products.

About Moongate Associates, Inc. and Susan Hester

Moongate Associates is an international consulting firm based in Seattle, Washington. Susan Hester, Ph.D., is the Managing Partner of Moongate Associates, Inc. She has extensive experience in the formulation and analysis of international trade policy and practice. Susan Hester's career has encompassed work in the public and private sectors, as well as education and training in more than a dozen countries. Her public sector experience includes working as an international trade specialist in the Office of Textiles and Apparel in the Department of Commerce, as well as an international economist in DOC's Trade Policy Information Division. After teaching and doing research at Cornell University, Dr. Hester returned to Washington to join the international trade practice of Dewey Ballantine where she analyzed trade issues in a variety of industries, including textiles and apparel, for more than 15 years.

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