

SOCIO-ECONOMIC CONTRIBUTION OF THE EUROPEAN COSMETICS INDUSTRY 2018



Cosmetics Europe
the personal care association

Socio-Economic Contribution of the European Cosmetics Industry

May 2018

First published in June 2016 and updated with industry economic data in May 2018.
To explore contributions for environmental sustainability, please refer to Cosmetics Europe Environmental Sustainability Report.



Contents

Introduction	4
Executive Summary	5
1. Touching People's Lives	8
1.1 Use of cosmetics	9
1.2 Expenditure on cosmetics	9
1.3 Functional benefits	10
1.4 Emotional benefits	13
2. Supporting Jobs & Growth in Europe	15
2.1 The European cosmetics market	15
2.2 The cosmetics value chain	17
2.3 Enterprises in the cosmetics value chain	17
2.4 Contribution to Europe's GDP (GVA)	20
2.5 Job creation	21
2.6 Wages and salaries	23
2.7 Employment taxes	23
2.8 Responsible employer	24
3. Advancing Innovation & Science in Research	27
3.1 R&D in the European cosmetics industry	27
3.2 Working with the scientific community	30
3.3 New opportunities in the digital economy	31
4. Contributing to European Economic Welfare	32
4.1 Leveraging European internal market	32
4.2 Exports from Europe	32
4.3 Development of global intangible assets	33
4.4 Support for world-leading marketing services cluster	34
4.5 Inward investment by non-EU multinational corporations	34
5. Securing a Sustainable Future	35
5.1 Sustainability in action	35
5.2 Working with local communities	37
6. Conclusions	39
7. Abbreviations and list of references	40

Introduction

The cosmetics and personal care industry makes a **significant social and economic contribution** to national and regional economies across the EU. Through the purchase of goods and services and the payment of taxes and employee wages, the cosmetics industry generates multiple rounds of economic spending and re-spending that benefits the European economy and its citizens.

This report, **prepared by Cosmetics Europe with the support of Risk & Policy Analysts Ltd (RPA)**, provides a comprehensive evaluation of the socio-economic contribution made by the European cosmetics industry (covering the EU-28 plus Norway and Switzerland). Based on a top-down analysis of the cosmetics supply chain, starting from raw material inputs, through manufacturing, distribution and wholesale, to retail and the beauty services industry, this report seeks to illustrate the socio-economic importance of the European cosmetics industry, considering indicators such as employment (jobs and wages), social security contributions and Gross Value Added (GVA).

The research for this report is based on a combination of literature review and consultation with companies and industry associations operating in the sector. Conservative estimates have been used throughout to ensure that benefits are not overstated. While the focus of this study has been on producing quantitative (economic) information, some of the wider, qualitative, benefits of the sector are also discussed. In particular, consideration is given to the various ways in which cosmetics (through satisfying individuals' various physical and emotional needs) tangibly improve people's lives. By combining quantitative data on the economic benefits of the European cosmetics industry with qualitative information on the wider catalytic impacts of cosmetics, this study aims to capture the full effect of the cosmetic products industry across its entire value chain.

SOCIO-ECONOMIC CONTRIBUTION OF THE EUROPEAN COSMETICS INDUSTRY

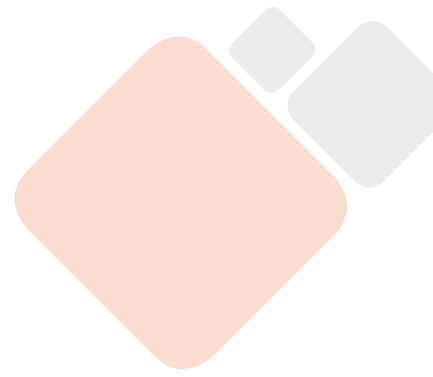
The economic contribution made by the European cosmetics industry can be divided into three main types:

- **Direct impact:** Where this corresponds to the contribution to the European economy created by the **manufacture** of cosmetic products.
- **Indirect impact:** Where this results from the purchase of goods and services by firms directly involved in the manufacture of cosmetic products. These **impacts accrue both 'up-stream' in the supply chain** (e.g. when companies manufacturing cosmetic products purchase raw materials, packaging components and other goods and services (e.g. IT equipment, business services) from their suppliers) **as well as 'downstream' in the supply chain** (e.g. in the distribution, wholesale and retail sale of cosmetic products and in the beauty services sector).
- **Induced impact:** Where this is defined as the additional contribution to the economy resulting from increased **expenditure by the workforce** employed directly and indirectly by the cosmetics industry. The income earned by the workers is spent on various goods and services, leading to further economic activity and employment.

In addition to the above, the cosmetics industry also has a number of 'catalytic' impacts:

- Cosmetic products have important functional and emotional benefits. When consumers use cosmetic products their **quality of life** is enhanced.
- Over recent years, Europe has faced a myriad of financial difficulties. By attracting investment from outside of the EU, developing intangible assets (e.g. brands) and investing in R&D, the cosmetic industry is helping to **enhance the competitiveness of the European economy** and contributing to the **future prosperity** of Europe and its citizens.

Environmental and social responsibility are also a key concern for the cosmetics industry and the sector makes significant investments to ensure its products are **ethical** and **sustainable**.



Executive Summary

The cosmetics and personal care industry includes **a wide range of products** dedicated to health, beauty and well-being. Ranging from hair care, skin care, oral and body care to perfumery and decorative cosmetics, cosmetic products are an important part of people's every day life. **The use of cosmetic products brings important functional and emotional benefits.** For example, brushing our teeth with toothpaste helps us to maintain good oral health, while washing our hands with soap can help to prevent the spread of disease. The use of cosmetics can also improve our mood, enhance our appearance and create positive self-esteem, as well as provide a means of social expression.

Europe is the **global flagship producer of cosmetic products.** In 2017, the European cosmetics market was valued at **€77.6 billion**, making Europe the largest market for cosmetic products in the world. Trade is a critical component of the industry, with trade in cosmetic products and ingredients (within the EU30) exceeding €35 billion. Over €20 billion worth of cosmetic products were exported from Europe in 2017. Such exports are particularly important in countries strongly affected by the Euro crisis (such as Spain and Italy) where the cosmetics sector is helping to secure national economic recovery.

The industry makes a significant contribution to the European economy across its value chain. It is estimated that the cosmetics industry brings at least €29 billion in added value to the European economy every year, of which approximately €11 billion is contributed directly by the manufacture of cosmetic products (the remaining €18 billion is generated indirectly through the supply chain).

SMEs are key drivers of innovation and economic growth. More than **5,500 SMEs** are involved in the manufacturing of cosmetics in Europe. In addition, there are **over 100 companies manufacturing cosmetic ingredients in Europe, 23,000 enterprises involved in the wholesale of cosmetics and 46,400 specialist stores** retailing cosmetics. Furthermore, about half a million hairdressing and beauty salons (the majority of which are also SMEs or micro-enterprises) rely on the use of cosmetics. The number of European spas is also growing and may be a source of inward investment to Europe in the form of "wellness tourism".

The cosmetics industry is a science-driven, fast-paced and a highly innovative sector which makes large investments in R&D. Assuming that companies in the cosmetics industry spent just 5% of their annual turnover on R&D in 2017, **total expenditure on R&D** in Europe would have been **circa €2.35 billion.** There are at least **77 innovation facilities** in Europe carrying out research in relation to cosmetics and around **27,900 scientists** are employed by the European cosmetics industry.

The industry supports millions of jobs. Including direct, indirect and induced economic activity, the industry supports over 2 million jobs. Of these, 165,750 workers are employed directly in the manufacture of cosmetic products, and around 1.64 million workers are employed indirectly in the cosmetics value chain. For every 10 workers employed (directly or indirectly) by the European cosmetics industry, at least two further jobs are generated in the wider economic value chain (as a result of employees spending their wages on goods and services). It is estimated that between 366,200 and 549,400 workers are employed thanks to these 'induced' employment effects.

Cosmetics Europe and its members have a common belief that sustainability and business success go hand in hand. Cosmetics Europe plays a key role in bringing its members together and developing a forward-looking common sustainability agenda with the aim to jointly improve the sustainability profile of the sector. For example, Cosmetics Europe has developed guidance documents to assist companies (particularly SMEs) to become more sustainable and has engaged, together with four other European associations, in the development of Best Practice for the cosmetics industry in the field of compliance with legislation regarding access to genetic resources and the fair and equitable sharing of benefits derived from their utilisation. Cosmetics Europe is open and committed to collaboration with all relevant stakeholders, throughout the value chain.

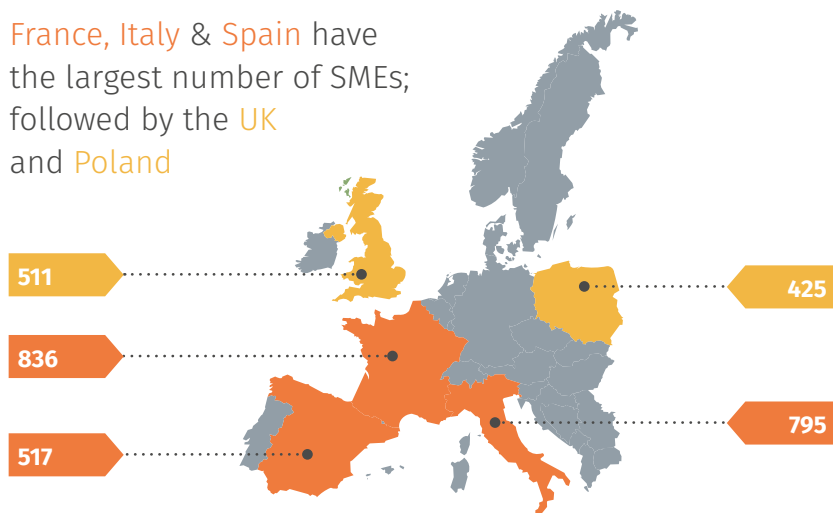
Socio-Economic Contribution of the European Cosmetics Industry 2017

SMEs & big companies are key drivers of innovation & economic growth in the industry

>5,500 SMEs
The number is growing

- +100 companies manufacturing cosmetics ingredients
- 23,000 enterprises involved in the wholesale of cosmetics
- 46,400 specialist stores retailing cosmetics
- 500,000 hairdressing and beauty salons

France, Italy & Spain have the largest number of SMEs; followed by the UK and Poland



The industry supports millions of European jobs up & down the value chain

Over **2 MILLION JOBS** across Europe

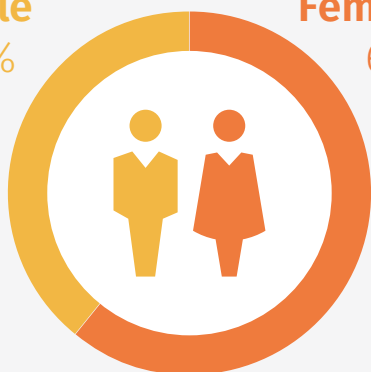


195,000 people employed directly
1.64 million people employed indirectly
>366,000 people employed through induced effects

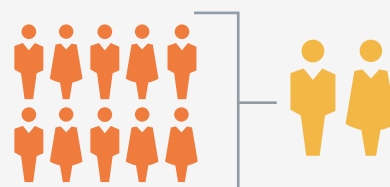
165,750 workers employed in the manufacture of cosmetics

GENDER DISTRIBUTION IN THE EUROPEAN COSMETICS INDUSTRY

Male 39% **Female** 61%



Every 10 workers employed in the cosmetics value chain will support at least **two jobs** in the wider economy

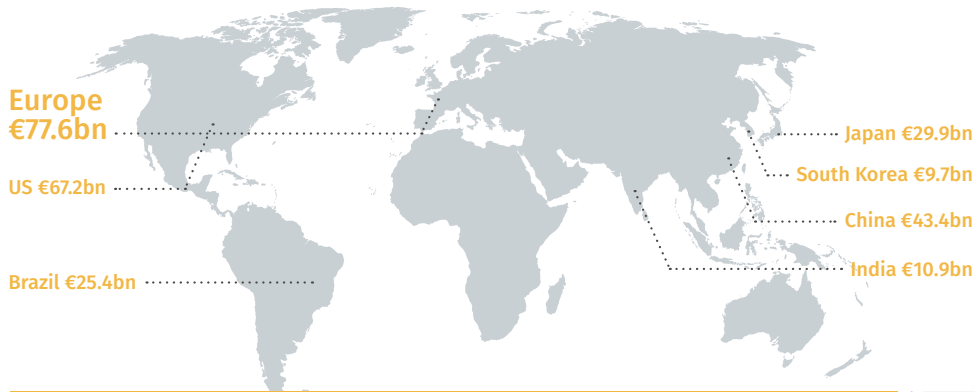


~1,000,000 people active in the hairdressing sector

7,000 people employed directly in the fragrance industry



Europe is the global flagship producer of cosmetic products



> 35bn

trade in cosmetic products & ingredients within the EU30

20.2bn

total exports of cosmetic products from Europe (i.e. extra EU-30)

Skin care & toiletries: largest share of the European market (2017)

€20.07bn

Skin Care

€19.64bn

Toiletries

€14.84bn

Hair Care

€11.93bn

Fragrances & Perfumes

€11.17bn

Decorative Cosmetics

France & Germany: Europe's main exporters
50% of total global exports from Europe

A science-driven & highly innovative industry



Expenditure on R&D in Europe
€2.35bn



At least **77 scientific innovation facilities** in Europe



> 27,900 scientists employed in the sector

The industry is about taking care of people



72% of consumers

feel the cosmetics and personal care products they use improve their quality of life



80% of consumers

identify cosmetics and personal care products as important or very important in building up self-esteem



Handwashing with soap: reduces risk of diarrhoea by **~44-47%** & acute respiratory illness by **23%**



The industry places a strong emphasis on ensuring environmental responsibility and supporting proactive voluntary and self-regulatory initiatives

2015: Cosmetics Europe recommendation to discontinue the use of solid plastic micro particles for cleansing and exfoliating in wash-off cosmetic and personal care products (plastic microbeads).

2016: Cosmetics Europe membership survey found a rapid and substantial 82% reduction, between 2012 and 2015, in the use of plastic microbeads for exfoliating and cleansing purposes in wash-off cosmetic and personal care products.

2018: The strength and effectiveness of the Cosmetics Europe recommendation and the industry voluntary action were reconfirmed. New data showed that between 2012 and 2017, 97.6% of plastic microbeads used for cleansing and exfoliating in wash-off cosmetic and personal care products were phased out.

1. Touching People's Lives

The vast majority of Europe's 500 million consumers use cosmetic and personal care products (hereafter 'cosmetics') contributing to well-being and healthy lifestyles, and positive self-esteem every day. Ranging from antiperspirants, fragrances, makeup and shampoos, to soaps, sunscreens and toothpastes, cosmetics play an essential role in all stages of our life (Cosmetics Europe, 2017).

COSMETICS ARE AN IMPORTANT PART OF PEOPLE'S EVERYDAY LIFE

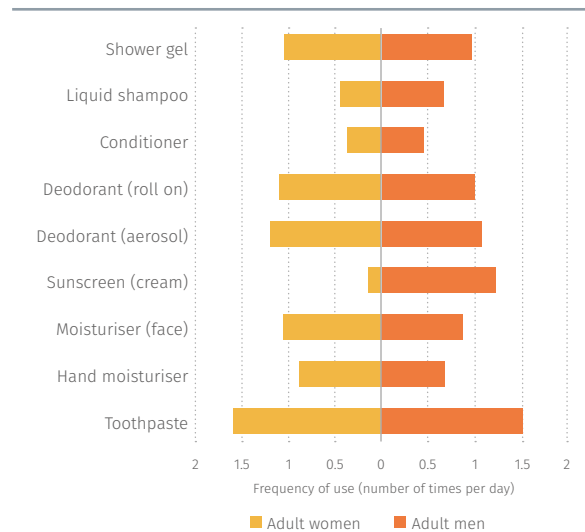


1.1 Use of cosmetics

The market penetration of some cosmetic products is likely to be near 100%. For instance, deodorant penetration is close to total in the UK, whereas results from a 2017 survey show that 90% of young women (18-29 years old) use deodorant every day (Statista, 2018a). In France, 98% of adult women and 94% of adult men use liquid shampoo (Ficheux et al., 2015).

In terms of the frequency with which cosmetic products are used, differences can be observed across countries, between people of different genders and ages and for different cosmetic products. A sample of data for some of the most widely used cosmetic products is given in the diagram to the right. In a detailed survey of French consumers, the most frequently used cosmetic product was toothpaste, which adult women used 1.59 times per day on average. Adult men used toothpaste 1.52 times per day on average.

FREQUENCY OF USE (NUMBER OF TIMES PER DAY) FOR A SAMPLE OF COSMETIC PRODUCTS (FICHEUX ET AL., 2015)

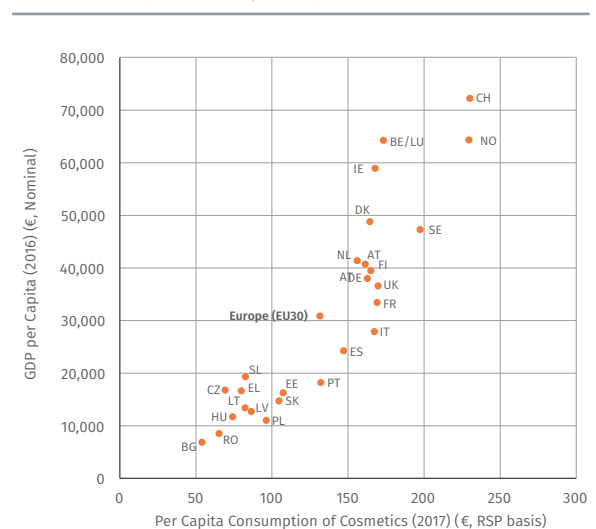


1.2 Expenditure on cosmetics

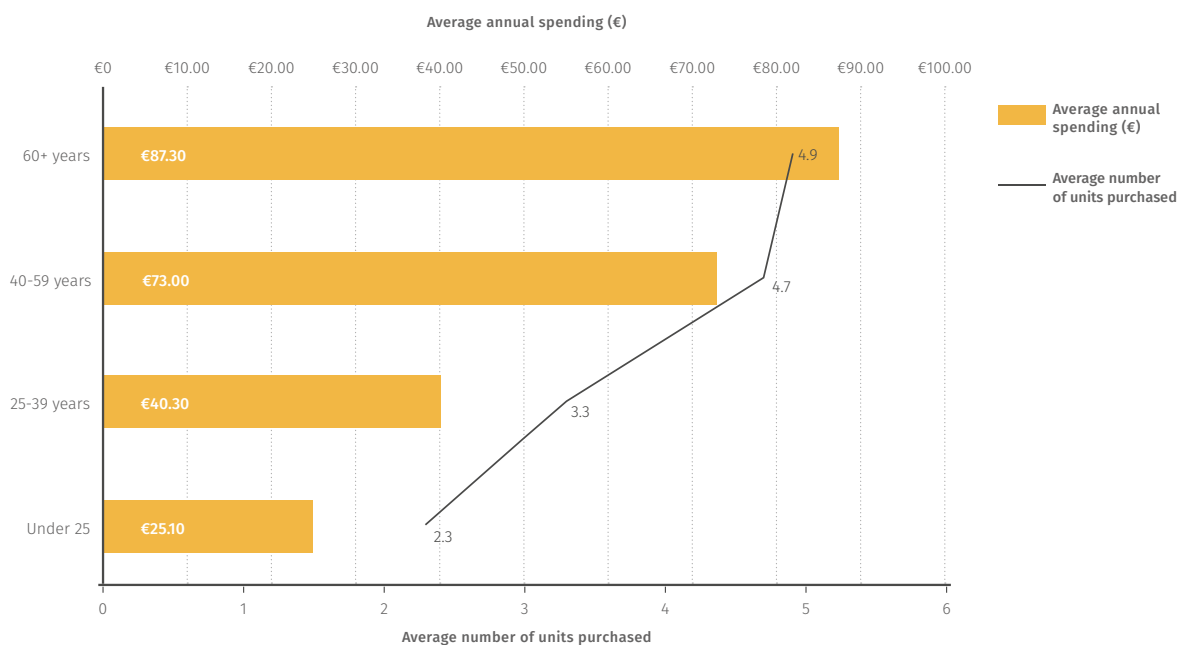
European consumers spend, on average, €132 per year purchasing cosmetic products. A close relationship can be observed between expenditure on cosmetics and GDP, as shown in the figure overleaf. In 2017, consumers in Switzerland and Norway spent the most on cosmetics (around €230 per year), which is unsurprising given that these countries have the highest per capita GDP. Consumers in Bulgaria spent the least on cosmetics – at €54 per year.

Information from the literature review indicates that average annual spend on cosmetics increases by age, such that **older consumers spend considerably more than their younger counterparts.** In the UK, for example, consumers aged over 65 spend more than three times as much on 'health and beauty' as consumers aged 19-24 (Kantar Worldpanel, 2014, as reported by Statista, 2015). European women over the age of 60 spend three times as much on skincare as women under 25 (Credit Suisse, 2013).

COMPARISON BETWEEN PER CAPITA EXPENDITURE ON COSMETICS (COSMETICS EUROPE, 2017) AND PER CAPITA GDP (EUROSTAT, 2016)



EUROPEAN WOMEN'S AVERAGE ANNUAL EXPENDITURE ON SKINCARE, BY AGE GROUP (CREDIT SUISSE, 2013)



1.3 Functional benefits

Cosmetics contribute to well-being and healthy lifestyles. As our hands are vectors for disease, carrying pathogens from contaminated sources to susceptible hosts, simple tasks such as washing hands with soap can help prevent serious illness. Multiple studies have shown that the leading causes of child mortality in developing countries, diarrhoeal disease and respiratory infections, can be prevented by handwashing with soap. Indeed, a recent literature review by Ensink (2015) reveals that handwashing with soap can reduce the risk of diarrhoea by around 44% to 47% and acute respiratory illness by 23% (Ensink, 2015).

Many cosmetic products contain herbs and essential oils that can provide additional benefits to our wellbeing. For example, lavender oil is often added for its calming and relaxing properties, while citrus oils may be added because they are uplifting (Deckard, 2015).

The use of toothpaste in industrialised countries has been proven to reduce the prevalence of dental caries, particularly toothpaste with fluoride. Toothpaste

reduces plaque and tartar which can lead to tooth damage and gum disease. Brushing teeth with toothpaste is not only important for oral health but there is evidence that there is a link between gum disease and cardiovascular disease (de Oliveira et al., 2010). Dental care can be a significant economic burden for high-income countries, where 5-10% of public health expenditure is related to oral health (WHO, 2012). There is strong evidence that the benefits of preventing tooth decay far exceed the costs of treatment (Patel, 2012). In 2012, EU27 expenditure (public and private) on oral health totalled €79 billion and is anticipated to reach €93 billion by 2020 (Patel, 2012). If we assume that, without toothpaste, total expenditure on oral health would be just 5% higher than today, then the **total benefits of using toothpaste (in terms of avoided costs) would be approximately €4.5 billion per annum.**



Exposure to ultraviolet radiation is the only established exogenous causal factor for melanoma (a type of skin cancer that can spread to other organs of the body) (Williams & Dienes, 2014). Recent studies have shown that consistent and optimal use of sunscreen may prevent the incidence of melanoma. For example, one study carried out between 1992 and 2006 examined the cancer rates of two groups of adults, aged between 25 and 75 years old (Green et al., 2011). In this study, one group used sunscreen daily and the other used sunscreen at their discretionary frequency.

It was found that invasive melanoma was reduced by 75%, for approximately 15 years after trial cessation, in the group who applied sunscreen daily. Regular application of SPF 15+ sunscreen appeared to reduce the incidence of new primary melanomas for up to 10 years after the trial cessation.

72%

OF CONSUMERS FEEL THE
COSMETICS AND PERSONAL
CARE PRODUCTS THEY USE
IMPROVE THEIR QUALITY
OF LIFE



1.4 Emotional benefits

Cosmetics can help to improve our mood, enhance our appearance and create positive self-esteem. They can also help to exhibit personal style and, as such, are an important means of social expression.

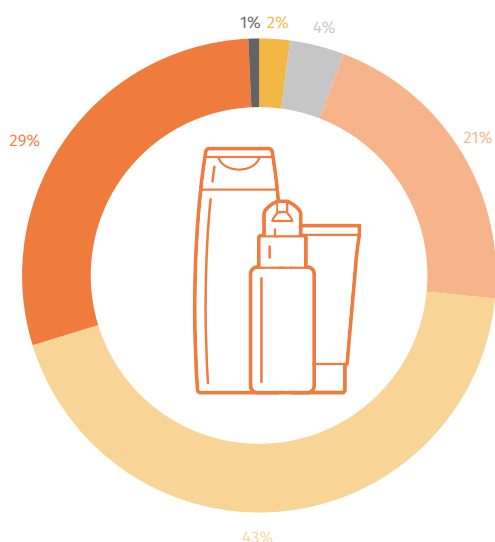
A recent Consumer Insights survey by Cosmetics Europe has shown that 72% of people believe that cosmetics improve their quality of life, while 74% of people believe cosmetics help them to build up their self-esteem.

Oral care products (including items such as toothpaste, mouthwash and dental floss) are perceived as being particularly important. In the Consumer Insights survey, 94% of consumers said that oral care products were 'important' or 'very important' to their daily lives. As shown in the bar chart on the next page, body care products were perceived as 'important' or 'very important' by 90% of consumers, while 85% said that hair care products were 'important' or 'very important' to their daily lives. The survey also found some regional

differences in how various cosmetic and personal care products are perceived. For example, 75% of Southern European consumers considered sun care products as being important or very important, while only 32% of Nordic consumers agreed.

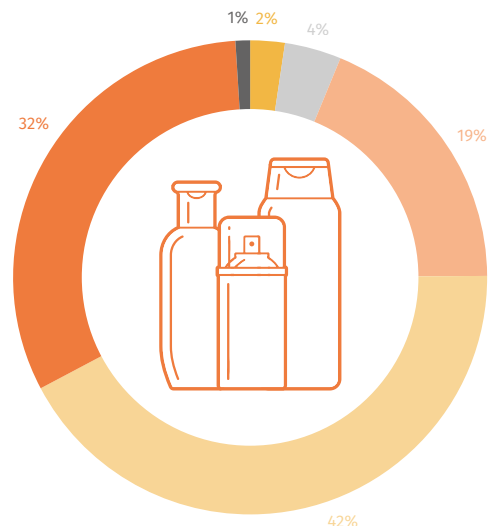
In Germany, IKW has conducted a study on the development of self-esteem in young people aged between 14 and 21 years old (IKW, 2018). The results show that young people invest a lot in their appearance; for example, 96% of survey respondents indicated that they use toothpaste every day, while 83% use deodorant daily. A large majority (85%) of young people indicated that cosmetic products make them "feel safer" (e.g. because they do not smell badly or break out in spots), while 53% use cosmetic products because they want to "feel more like a young man/woman". In a 2015 survey by FEBEA, more than 60% of people said that cosmetics have a positive impact on their well-being, image, self-confidence and mood (FEBEA, 2015).

THE PERSONAL CARE AND COSMETIC PRODUCTS THAT I USE IMPROVE MY QUALITY OF LIFE (COSMETICS EUROPE, 2017)



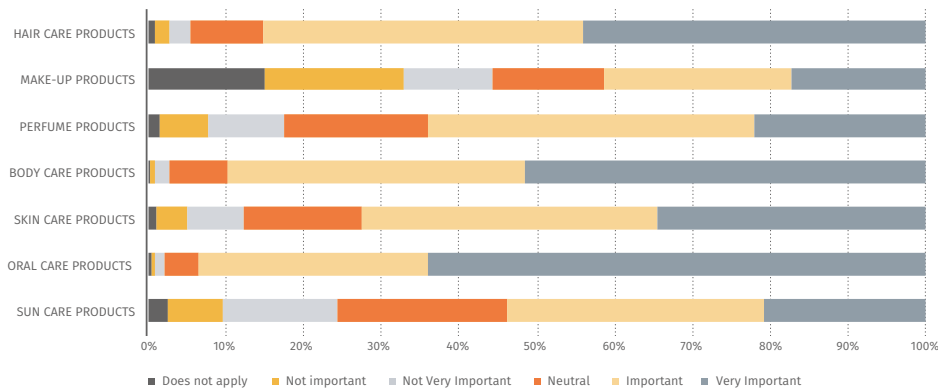
■ Strongly disagree ■ Somewhat agree
■ Somewhat disagree ■ Strongly agree
■ Neither agree nor disagree ■ Does not apply

THE PERSONAL CARE AND COSMETIC PRODUCTS THAT I USE HELP ME TO BUILD UP MY SELF-ESTEEM (COSMETICS EUROPE, 2017)



■ Strongly disagree ■ Somewhat agree
■ Somewhat disagree ■ Strongly agree
■ Neither agree nor disagree ■ Does not apply

IMPORTANCE OF PERSONAL CARE AND COSMETIC PRODUCTS IN YOUR DAILY LIFE (IN %) (COSMETICS EUROPE, 2017)



Low self-image and self-esteem can have a negative effect on our health. A study by the Renfrew Center Foundation (2012), which surveyed 1,292 women (aged 18+), found that almost half of women have negative feelings when they don't wear make-up. Of those surveyed, 16% felt unattractive, 14% felt self-conscious and 14% felt that without wearing make-

up they were "naked / as though something was missing". The study found that women wear make-up because they like the way it makes them look (48% of respondents), and because cosmetic use makes them feel good (32%).



Look Good Feel Better (LGFB) is a charity dedicated to improving the self-esteem, confidence and well-being of women and teenagers undergoing cancer treatment. The charity is supported by over 50 leading companies and brands from

the cosmetics industry. LGFB helps to improve self-image and appearance through free group and self-help skincare and make-up workshops. The service is available in 26 countries worldwide and over 1.87 million people have been supported to date. A major research initiative highlighted that 97% of respondents felt more confident after attending a LGFB workshop and that the effects of this are enduring, with 96% of respondents still feeling more confident three months later (out of 2,000 beneficiaries contacted).

Source: Look Good Feel Better, UK (2018)

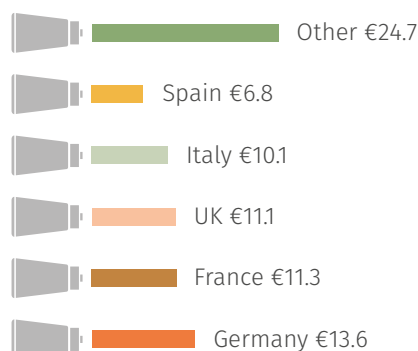
2. Supporting Jobs & Growth in Europe

2.1 The European cosmetics market

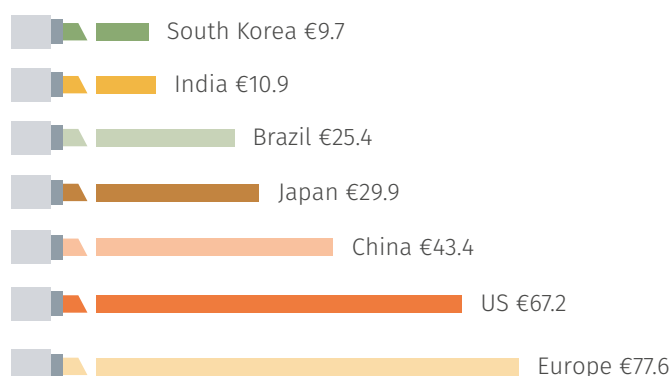
In 2017, the European cosmetics market was valued at **€77.6 billion**, making Europe the largest cosmetics market in the world. Among the European countries, **Germany has the largest market for cosmetic products, valued at €13.6 billion in 2017**, followed by France (€11.3 billion), the UK (€11.1 billion), Italy (€10.1 billion) and Spain (€6.8 billion). In terms of products, **skin care and toiletries occupy the largest share of the**

European market, with retail sales for both product groups worth approximately €20 billion in 2017 (see graph below). Retail sales of haircare products totalled €14.8 billion in 2017, while sales of fragrances/perfumes and decorative cosmetics totalled €11.9 billion and €11.2 billion respectively.

EUROPEAN MARKET FOR COSMETIC PRODUCTS
(RSP BASIS, € BILLION) (COSMETICS EUROPE, 2017)



GLOBAL MARKET FOR COSMETICS PRODUCTS
(€ BILLION) (COSMETICS EUROPE, 2017)



EUROPEAN MARKET BY PRODUCT
CATEGORY (RSP BASIS, € BILLION)
(COSMETICS EUROPE, 2017)



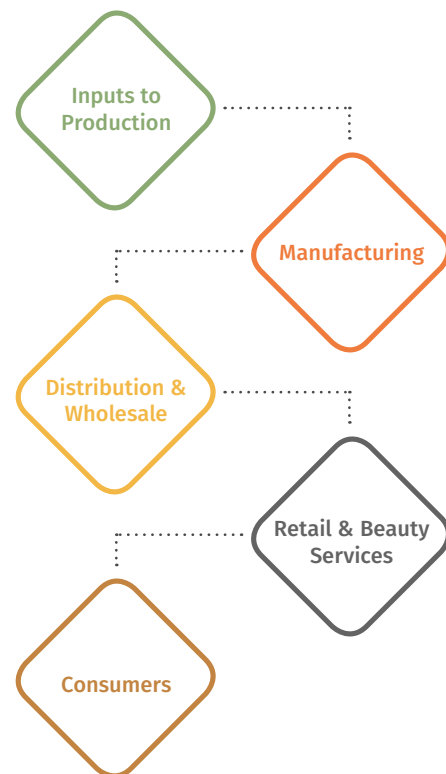


**EUROPE IS THE GLOBAL
FLAGSHIP PRODUCER OF
COSMETIC PRODUCTS**

2.2 The cosmetics value chain

The industry value chain can be segmented into five main stages. As shown in the figure, the first stage in the value chain comprises the companies that provide the raw materials required to make cosmetic products. These include companies manufacturing the ingredients used in the production of cosmetics, but also companies developing and manufacturing packaging components and R&D activities (e.g. market research, product formulation and industrial design). The next step of the value chain (manufacturing) is made up of manufacturers. Socio-economic benefits are created through production, but also through supporting activities (e.g. marketing and advertising, IT, accounting and legal services and business administration). The finished cosmetic product may then pass through distribution and/or wholesale. The final stage of the value chain involves the retail sale and purchase of cosmetics. End-consumers may buy cosmetic products through a range of channels, including grocery stores supermarkets, department stores, pharmacies, online stores and beauty salons. Beauty salons (e.g. nail salons, hair salons, spas, etc.) also purchase, use and sell cosmetic products.

THE COSMETICS VALUE CHAIN



2.3 Enterprises in the cosmetics value chain

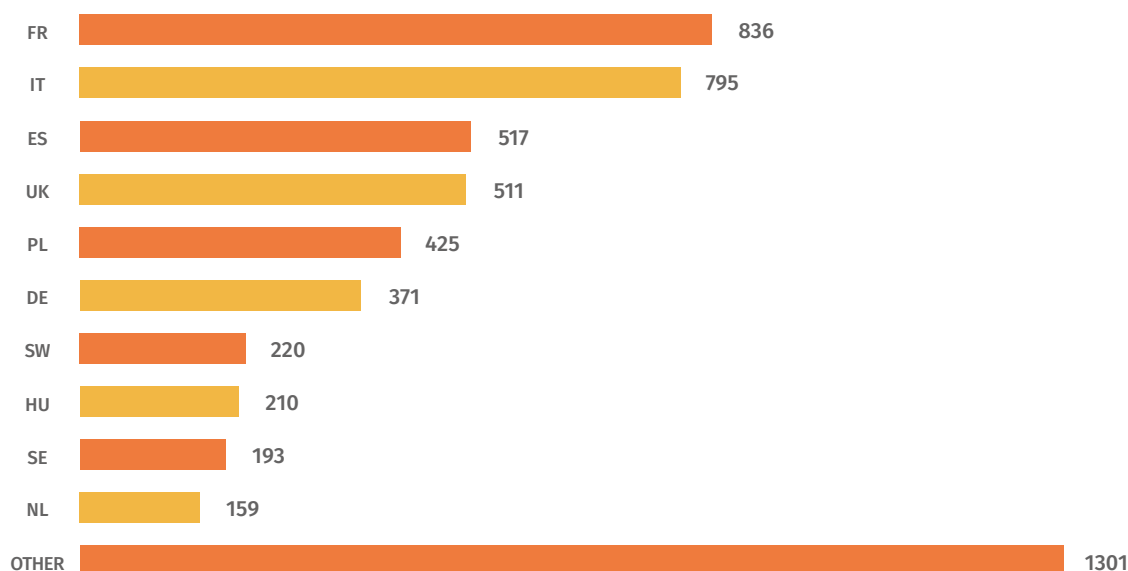
While the vast majority of companies in the cosmetics industry are SMEs, the strength of the sector lies in the co-existence of both large and small companies.

In some countries (e.g. France) SMEs make up more than 80% of all cosmetic manufacturers (FEBEA, 2015b). According to data provided by Euromonitor International (2018), there were **5,500 SMEs manufacturing cosmetic products in Europe in 2017**. Many SMEs in the cosmetics industry employ less than 10 workers and thus qualify as a micro-enterprise (unfortunately, specific data on the number of micro-businesses manufacturing cosmetics are not available).

SMEs ARE KEY DRIVERS OF INNOVATION AND ECONOMIC GROWTH.

THERE ARE MORE THAN 5,500 SMEs MANUFACTURING COSMETICS IN EUROPE.

NUMBER OF SMEs MANUFACTURING COSMETICS BY COUNTRY IN 2017 (EUROMONITOR INTERNATIONAL, 2018)



In terms of inputs to production, there are **over 100 companies manufacturing cosmetic ingredients** in Europe (EFFCI, 2018) and it is likely that a large number of enterprises are also involved in the manufacture of cosmetic packaging and packaging components. Indeed, it is estimated that **in 2009 the European cosmetics industry consumed \$5,506 million (€4,317 million) of packaging**, which gives an indication of the scale of this industry in Europe (Pira International, as reported by Statista, 2015).

In 2015, there were approximately **23,000 enterprises involved in the wholesale of cosmetics** in Europe, the majority of which were located in Italy (17%), Spain (15%) and France (10%) (Eurostat, 2015).

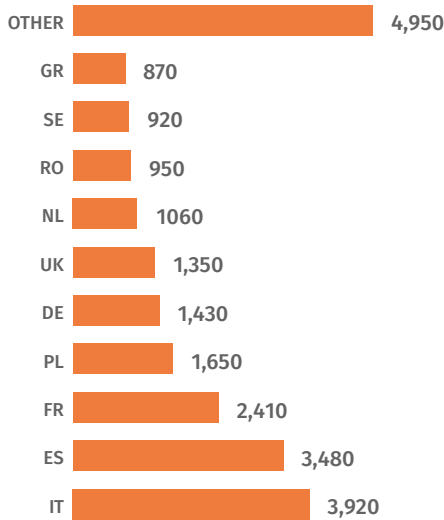
Cosmetics are distributed to consumers through a wide variety of different channels, including supermarkets, pharmacy and drug stores, department stores, direct selling, speciality stores, beauty salons and, increasingly, internet retailing. In 2015, there were approximately **46,400 specialist stores retailing cosmetic products** in Europe (Eurostat, 2015). Our research indicates that specialist stores make up less than 26% of total cosmetic sales; which implies that the total number of retail outlets selling cosmetic products is likely to be considerably higher than 46,400.

COSMETIC SALES BY DISTRIBUTION CHANNEL (BY VALUE OF SALES)

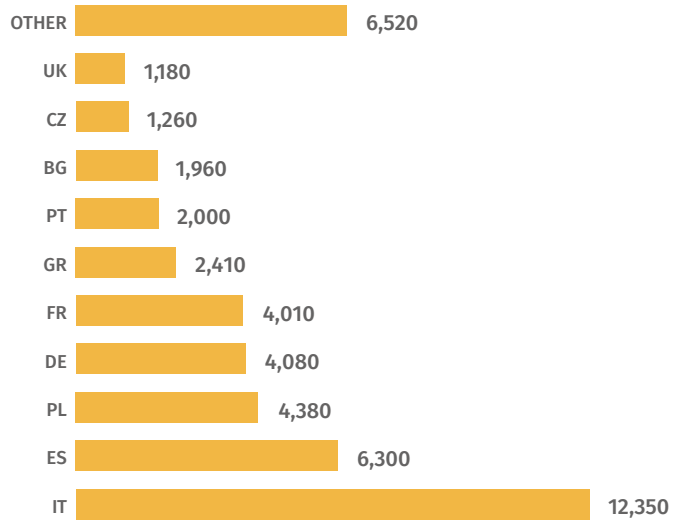
Supermarket / hypermarket	<36%
Pharmacy / drug store	<57%
Department store	<15%
Direct selling	<5%
Specialist cosmetics store / perfumery	<26%
Hairdressing and beauty salon	<8%
Online	<10%

Based on partial data from Croatia, Germany, Italy, Spain and the UK. The uncertainty in these figures represents variations between countries.

NUMBER OF ENTERPRISES INVOLVED IN THE WHOLESALE OF COSMETICS BY COUNTRY (EUROSTAT, 2015)



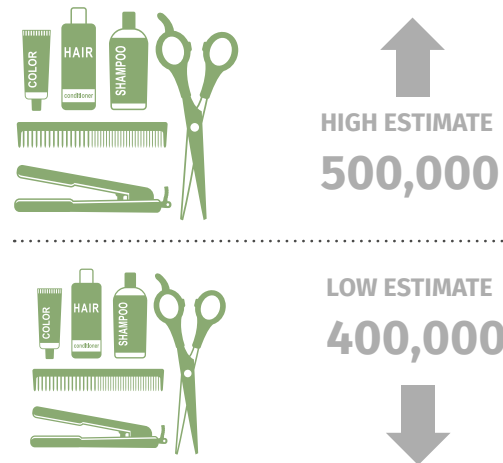
NUMBER OF ENTERPRISES INVOLVED IN THE RETAIL SALE OF COSMETICS BY COUNTRY (SPECIALISED STORES ONLY) (EUROSTAT, 2015)



The beauty services sector (which includes hairdressing salons and other personal grooming establishments) relies heavily on the use of cosmetic products and a growing number of enterprises in the sector actively sell cosmetic products. Data are not available on the total number of beauty salons using and selling cosmetics in Europe, although information from five countries (France, Germany, Italy, Spain and the UK) indicates that there are **at least 77,750 beauty salons** (Clarke, 2009).

It has been estimated that there are **between 400,000 and 500,000 hairdressing establishments** in the EU, with the largest number in Italy (73,000 in 2012), Germany and France (over 65,000 businesses per country) (ICF GHK, 2014). The sector is also sizable in terms of number of businesses in the Czech Republic, Poland, Spain and the UK (more than 35,000 businesses respectively). **The hairdressing sector is dominated by SMEs and micro-enterprises**, with the average businesses consisting of five hairdressers (often one owner operator and four staff members). ICF GHK (2014) report that, in recent years, the share of micro-enterprises in the sector (ranging from companies run by owner operators to those having up to two employees) and franchised salons has grown at the expense of what can be considered 'small' businesses (between three and ten employees). This can, in part, be attributed to policies to support self-employment.

NUMBER OF HAIRDRESSING ESTABLISHMENTS IN THE EU (ICF GHK, 2014)



The number of European spas is also growing and may be a source of inward investment to Europe in the form of "wellness tourism".

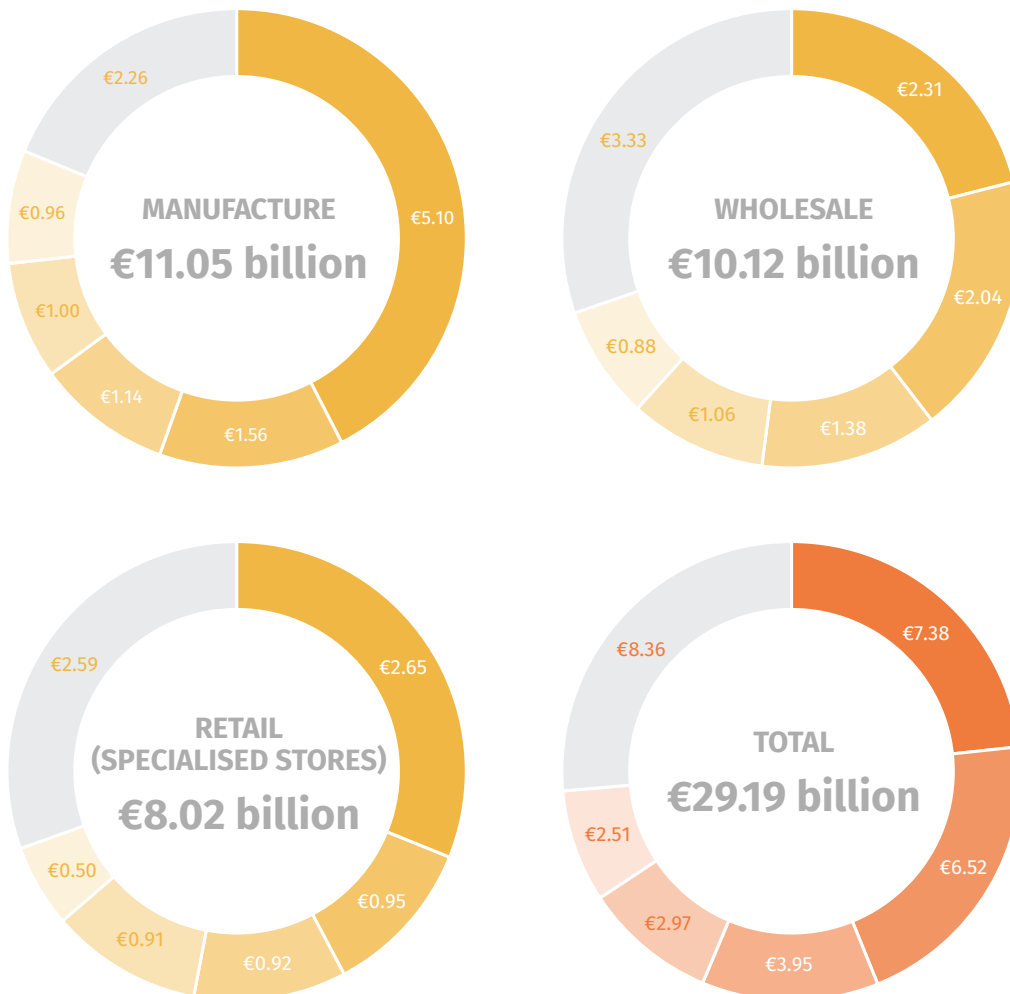
Although specific data are not available, numerous other types of enterprises are also involved indirectly in the cosmetics value chain. For example, distribution is a key business area in the cosmetics value chain. Many enterprises are also likely to be involved in advertising and the provision of business services (IT, legal services, accountancy, utilities, property, etc.).

2.4 Contribution to Europe's GDP (GVA)

The manufacture of cosmetic products contributes (directly) around **€11.05 billion in GVA** to the European economy each year. In terms of indirect impacts, the wholesale and retail sale of cosmetics also contribute to Europe's GDP. Data from Eurostat indicates that, in 2015, these activities contributed at least **€18.14 billion in GVA** to the European economy. Note that data are missing or incomplete for some countries (namely the Czech Republic, Ireland, the Netherlands, Slovenia and Switzerland) and that other indirect impacts along the supply chain have not been included in this estimate. A total of **€29.19 billion** is therefore likely to represent an underestimate of the total GVA contributed by the European cosmetics industry.

THE COSMETICS INDUSTRY
CONTRIBUTES TO THE
FUTURE PROSPERITY
OF EUROPE.

GVA IN THE COSMETICS VALUE CHAIN (€ BILLION, 2015) (EUROSTAT, 2015)



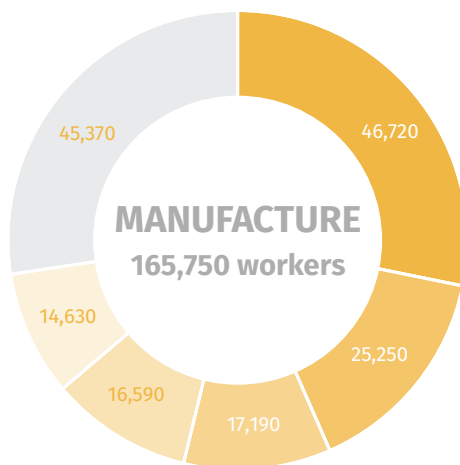
2.5 Job creation

Including direct, indirect and induced employment, the European cosmetics industry is estimated to support **over 2 million jobs**.

Direct employment

Data from Eurostat for 2015 indicates that more than 138,000 people (FTE units) are employed directly in the manufacture of cosmetic products. France, Germany, Poland, the UK and Spain account for the majority (77%) of these jobs. Taking into account growth in the sector in recent years and accounting for data gaps in the Eurostat database, Cosmetics Europe calculate that, in 2017, **total employment in the manufacture of cosmetic products was 165,750 workers**.

NUMBER OF WORKERS EMPLOYED IN THE MANUFACTURE OF COSMETIC PRODUCTS IN EUROPE (COSMETICS EUROPE, 2017)

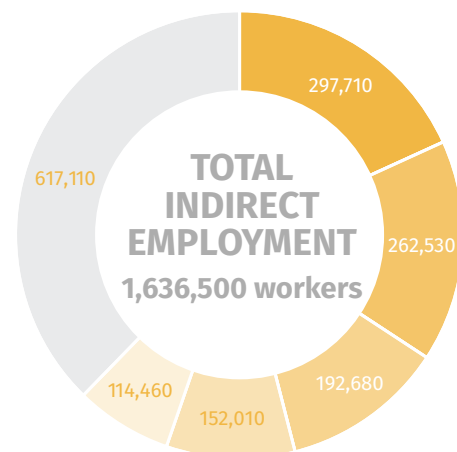


Indirect employment

In 2015, at least 441,300 people were employed indirectly (downstream) in the European cosmetics value chain, where this includes employment in the wholesale and retail sale of cosmetic products in specialist stores (Eurostat 2015). As explained previously, specialist stores only make up a small proportion of total cosmetics sales and so the total number of people involved in the retail sale of cosmetic products is likely to be considerably higher.

THE COSMETICS INDUSTRY GENERATES MILLIONS OF JOBS THROUGHOUT THE EUROPEAN SUPPLY CHAIN.

TOTAL INDIRECT (DOWNSTREAM) EMPLOYMENT IN THE COSMETICS VALUE CHAIN (COSMETICS EUROPE, 2017)



Taking into account recent growth in the European cosmetics industry and employment relating to the distribution of cosmetic products and beauty services, Cosmetics Europe calculate that **total indirect employment in the European cosmetics industry was ~1.64 million workers in 2017**. This includes around 1 million individuals that are active in the hairdressing sector in the EU (ICF GHK, 2014).



It has been estimated that hairdressing makes up, on average, about 0.5% of total employment in the Member States and that Germany has the largest number of workers in the hairdressing sector (~274,000) (ICF GHK, 2014).

Note that, in reality, there are likely to be more than 1.6 million people employed indirectly in the European cosmetics industry as this figure excludes employment 'upstream' in the cosmetics supply chain (e.g. in the manufacture of cosmetic ingredients, and provision of business services, etc.). Although reliable data on the total number of people employed upstream in the cosmetics value chain does not exist, the International Fragrance Association (IFRA) has estimated that there may be in the region of 7,000 people employed directly in the European fragrance industry. Fragrances are an important ingredient used in many cosmetic products, but also find use in some household and industrial products; thus, only a proportion of these jobs can be attributed to the production of cosmetic fragrances (IFRA, 2013). It has been estimated that around 60% to 70% of the world's fully qualified perfumers reside in Europe (up to 540 to 630 people) (IFRA, 2013).

Induced employment

Our research indicates that an induced employment multiplier of 0.2 to 0.3 is appropriate for the cosmetics industry. An employment multiplier of 0.2 simply means that for every 10 jobs created directly or indirectly in the supply chain for cosmetic products, a further two jobs are created through induced employment effects. In total, it is estimated that **366,200 to 549,400 jobs are created as a result of induced employment effects in the European cosmetics industry.**

INDUCED EMPLOYMENT IN THE EUROPEAN COSMETICS INDUSTRY, NUMBER OF WORKERS (2018) (OWN ESTIMATE)



2.6 Wages and salaries

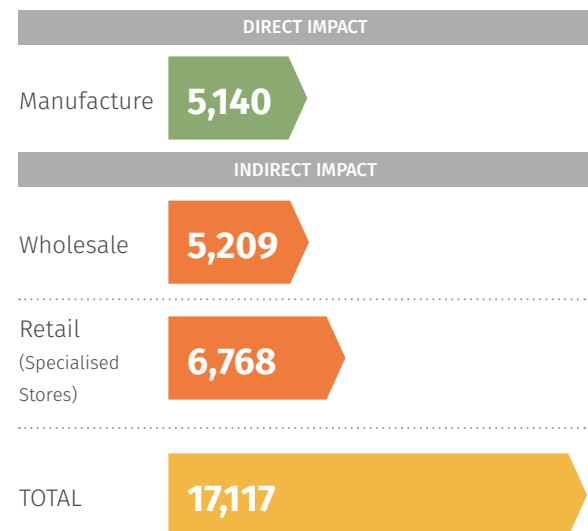
Direct employment

Over **€5.1 billion per year** is paid in wages and salaries to workers employed directly in the manufacture of cosmetic products (based on 2015 data for most countries), note that this excludes wages and salaries paid to workers in Malta, Slovenia, and Switzerland for which comparable data do not exist.

Indirect employment

Data on the total wages and salaries paid to workers employed indirectly by the cosmetics industry are only available for the wholesale and retail sale of cosmetics in specialised stores and are not available for other sources of indirect employment up and down the supply chain. The data shown in the graphs to the right therefore underestimate the total wages and salaries paid. Nevertheless, this conservative data shows that, as a minimum, **€12.0 billion is paid in wages and salaries** to workers employed indirectly in the supply chain for cosmetics.

TOTAL WAGES AND SALARIES PAID TO EMPLOYEES
(€ MILLION, 2015) (EUROSTAT, 2015)



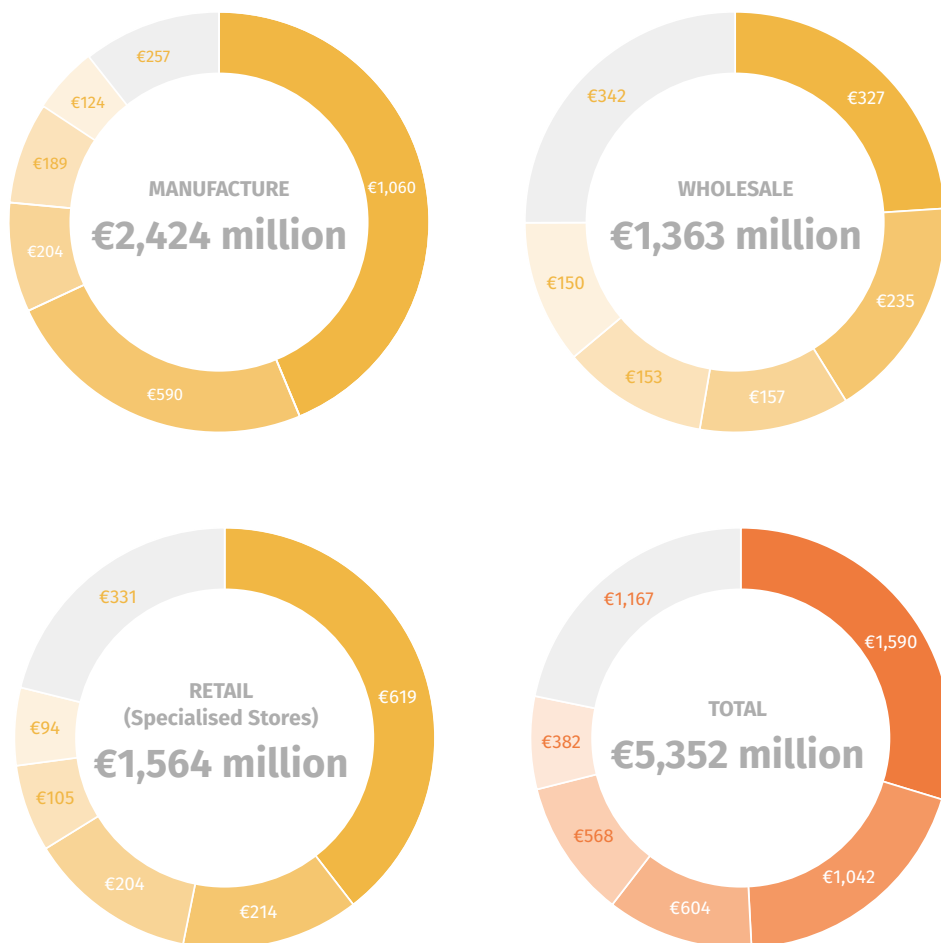
2.7 Employment taxes

Direct & indirect employment taxes

Data on the total social security contributions made by workers in the cosmetics industry are only available for the manufacture, wholesale and retail sale of cosmetics (in specialised stores). As for the data on total wages and salaries, this represents an underestimate of the total employment taxes paid by workers employed in the cosmetics industry, but provides a useful baseline, or minimum value, of the total social security contributions paid.

As indicated in the graphs below, **at least €5.3 billion in social security contributions** was made by workers employed in the cosmetics industry in 2015. Of this, approximately €2.4 billion was paid by workers employed directly in the manufacture of cosmetic products.

SOCIAL SECURITY CONTRIBUTIONS MADE BY WORKERS IN THE COSMETICS INDUSTRY
(€ MILLION, 2015) (EUROSTAT, 2015)



2.8 Responsible employer

Overall, the European cosmetics industry employs more female workers (61%) than males (39%), although there are variations between countries. For example, in France, which employs the largest number of workers, 58% of workers are male.

Data on the age distribution of workers in the cosmetics industry are not available for all countries. Nevertheless, partial information from consultation indicates that between 10% and 25% of workers (16,600 to 41,400 people) are under the age of 29, 45% to 65% of workers (74,600 to 107,700 people) are between the ages of 30 and 49 and around 15% to 35% of workers (24,900 to 58,000 people) are aged 50+.

Companies in the cosmetics industry are increasingly taking steps to increase diversity and equality in the workplace. For example, by increasing the diversity of leadership teams through increasing the number of female executives on management boards and by hiring people with disabilities.

Besides paying employee's wages and salaries, most large companies provide additional in-house benefits to their workers. For example, healthcare benefits (e.g. health check-ups, smoking-cessation programmes, influenza vaccinations, fitness programmes), maternity/paternity leave and insurance guaranteeing a payment in the event of death or disability. Companies in the cosmetics industry also invest in training to develop the skills of their employees. Information from consultation suggests that more than 32,000 workers have received in-house or external training in 2017. Companies in the cosmetics industry also provide a large number of internships, apprenticeships, work experience placements and graduate schemes. For example, more than 2,900 paid internships were provided by the European cosmetics industry in 2017.

GENDER DISTRIBUTION OF WORKERS IN THE EUROPEAN COSMETICS INDUSTRY (COSMETICS EUROPE, 2017)



NUMBER OF WORKERS EMPLOYED IN THE MANUFACTURE OF COSMETICS BY AGE GROUP (EU 30)

	Low estimate	High estimate	
<29 years	% workforce	10%	25%
	Estimated no. workers	16,600	41,400
30 to 49 years	% workforce	45%	65%
	Estimated no. workers	74,600	107,700
>50 years	% workforce	15%	35%
	Estimated no. workers	24,900	58,00

Own estimate based on data from consultation. Total number of workers employed in the manufacture of cosmetics in Europe: n = 165,750



THE COSMETICS
INDUSTRY IS
A SCIENCE-DRIVEN,
FAST PACED AND
HIGHLY INNOVATIVE
SECTOR.

3. Advancing Innovation & Science in Research

3.1 R&D in the European cosmetics industry

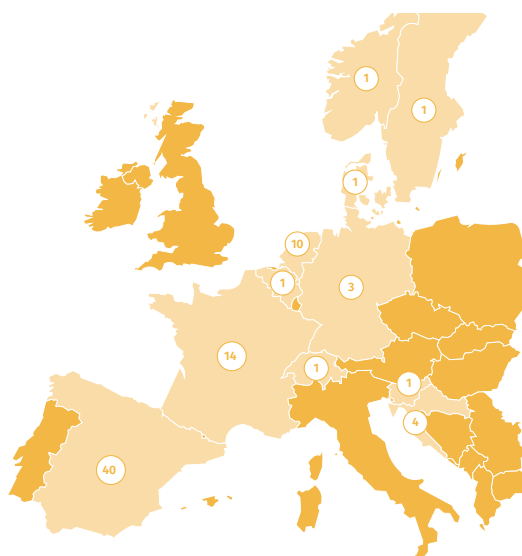
The European cosmetics industry plays a leading role in product development and is a fast-paced and highly innovative sector.

Information from consultation indicates that **there are at least 77 innovation facilities in Europe** carrying out research in relation to cosmetics. This includes partial data for Belgium, Germany, Denmark, Spain, France, Croatia, The Netherlands, Sweden, Slovenia, Switzerland and Norway and is likely to be a considerable underestimate of the total number of such facilities. Large companies operating in the European cosmetics industry often have multiple different research centres focusing, for example, on product development, market research and regulatory compliance.

THERE ARE AT LEAST 77 INNOVATION FACILITIES IN EUROPE CARRYING OUT RESEARCH IN RELATION TO COSMETICS.

NUMBER AND LOCATION OF INNOVATION FACILITIES IN EUROPE CARRYING OUT RESEARCH IN RELATION TO COSMETICS (PARTIAL DATA BASED ON CONSULTATION, COSMETICS EUROPE 2018)

- Belgium: 1
- Germany: 3
- Denmark: 1
- Spain: 40
- France: 14
- Croatia: 4
- Netherlands: 10
- Sweden: 1
- Slovenia: 1
- Switzerland: 1
- Norway: 1



On average, large companies in the cosmetics industry have a product portfolio of around 10,000 different cosmetic products and reformulate around 25% to 30% of their products every year (European Commission, 2013). Out of these reformulations, about 10% depend on ingredients that are new to the market (i.e. not used in any other sector), or are new to the cosmetics industry (i.e. already used in other sectors, but not previously used for cosmetics). Large companies introduce around 80 new ingredients to their product portfolio each year, while SMEs introduce on average 22. SMEs are thought to have around 40 to 160 products in their product portfolio.

Information from consultation indicates that large enterprises manufacturing cosmetics in Europe spend in the region of 5% of their annual turnover (sales) on R&D (within Europe). Assuming that all companies in the cosmetics industry spend 5% of

Between 2012 and 2016, Europe's top 10 make-up innovators reportedly produced over 2,750 inventions (Clarative Analytics, 2017).

It has been reported that innovation related to antiperspirants, perfumes and skin-related technology is particularly strong (Clarative Analytics, 2017). It can take over 5 years of research and formulation to bring a new product to the market.

TOTAL EXPENDITURE ON R&D
IN EUROPE IN 2017
€2.35 BILLION
(ESTIMATED)

their annual turnover on R&D, **total expenditure on R&D in Europe would have totalled €2.35 billion in 2017**. It should be noted that because the business model for carrying out research frequently involves a partnership (e.g. between a cosmetics manufacturer and a supplier and/or research institute), this figure is likely to be an underestimate.



Finding alternatives to animal testing

For more than 20 years, the cosmetics industry's best scientists, and its strategic partners, have been dedicated to supporting the development, validation and/or regulatory acceptance of alternative test methods and approaches.

Cosmetics Europe's research into alternatives to animal testing is founded on multidisciplinary partnerships between our member companies (including large as well as small and medium sized enterprises), and other parties that have a deep interest and knowledge of alternative methods and approaches for consumer safety assessment. The research partners include the international regulatory community, validating agencies, academia, research institutes, and the suppliers industry.

The main research programme, the Long Range Science Strategy (LRSS), is supported and funded by a consortium of Cosmetics Europe members. Started in 2016 and scheduled to run until 2020, it comprises a number of projects across the five most relevant areas for the safety evaluation of cosmetic ingredients: (i) eye irritation and severe eye damage, (ii) genotoxicity/mutagenicity, (iii) skin sensitisation, (iv) exposure, absorption, distribution, metabolism, and elimination (ADME), and (v) systemic toxicity. The data and outcomes generated in each of the five research areas have already allowed us to develop several robust safety assessment approaches based on alternative methods.

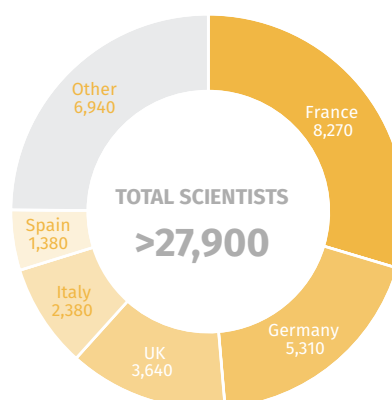
3.2 Working with the scientific community

In 2017, 27,900 scientists were employed in the European cosmetics sector, covering a diverse range of scientific disciplines - physics, microbiology, biology, toxicology, physiology, rheology, nanoscience, analytical chemistry and genetics to name a few. By attracting and training workers with specialist skills, the cosmetics industry increases the pool of talent and skilled labour for other science-led industries - such as pharmaceuticals.

Indeed, information from consultation indicates that cosmetic companies may work with several different organisations simultaneously and that many of their R&D projects are undertaken with supplier input. Such relationships allow companies to have access to (and share) technologies and knowhow that they do not have in-house and provide participants with a competitive advantage.

>27,900 SCIENTISTS
ARE EMPLOYED IN THE EUROPEAN
COSMETICS INDUSTRY
(COSMETICS EUROPE, 2018)

TOTAL NUMBER OF SCIENTISTS EMPLOYED
IN THE EUROPEAN COSMETICS INDUSTRY
(COSMETICS EUROPE, 2017)



Companies operating in the cosmetics industry frequently collaborate with other organisations when they undertake research, where this includes European universities, scientific research institutes, NGOs and start-ups. Research projects in the cosmetics industry may have a variety of partner configurations (private/private, private/public, or public/public) (Bretonès & Scheel, 2011).



SOCIETY OF COSMETIC SCIENTISTS

The Society of Cosmetic Scientists provides professionals working in the cosmetics industry with the opportunity to disseminate their research and exchange knowledge pertinent to cosmetics and related sciences. It does this through activities including publications, educational programmes and scientific meetings. Through this type of activity, the cosmetics industry creates 'knowledge spill-over effects' which benefit consumers and other sectors of the economy.

Source: SCS (2015)



COSMETIC VALLEY (FRANCE)

"Cosmetic Valley" is a world-leading technopol, situated across three regions of Northern France: Centre, Ile-de-France and Upper Normandy. Officially designated a "competitiveness cluster" in 2005, it is the most important French business cluster specialized in the production of consumer goods. The Cosmetic Valley cluster comprises 400 member companies, has an annual turnover of €26 billion and creates approximately 90,000 jobs. As of December 2015, the Cluster had officially backed more than 175 R&D projects, worth €280 million. Eight universities, 226 state laboratories and 8,200 researchers (public and private) participate in Cosmetic Valley.

Source: Cosmetic Valley (2018)

3.3 New opportunities in the digital economy

The digital economy is developing rapidly and is the single most important driver of European innovation, competitiveness and growth (European Commission, 2015). Although e-commerce only accounts for a relatively small proportion of overall cosmetics sales, the quantity, value and overall proportion of cosmetic products sold online in Europe is expected to grow substantially over the coming years. In Germany, for example, online beauty and cosmetics sales increased by 14% in 2017, faster than the overall online retail market (Rigby, 2018).

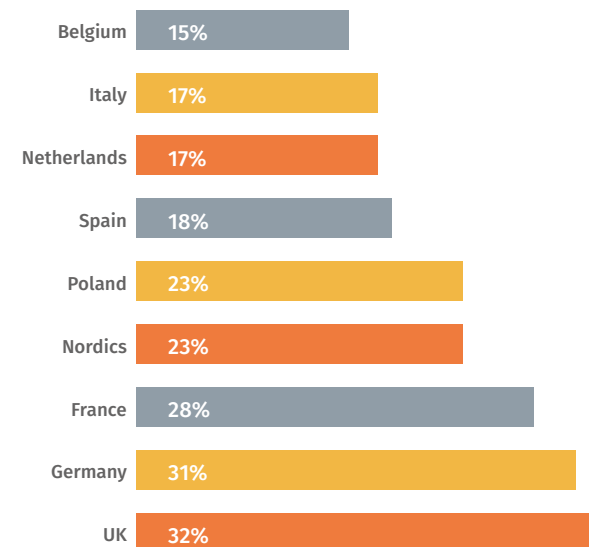
The cosmetics industry is at the forefront of stimulating new online retail formats and the digital economy will increasingly impact the way the industry communicates with people and distributes its products. Embracing new online retail formats will be essential, alongside maintaining traditional distribution channels, such as selective distribution and in-store product experiences. New technologies may bring with them new modes of diagnosis, more effective methods of delivery or production, and improved product functionality.

The cosmetics industry has developed a number of new initiatives to encourage consumers to shop online, including flexible delivery options and editorial content and advice lines that encourage browsing. One company has created an app that allows internet users to try cosmetic products via the camera on their phone, without using any make-up samples. Consumers are subsequently able to purchase the cosmetics online directly via the app. The innovation generated by online and multi-channel retailers is likely to make a significant contribution to the competitiveness of the European economy, for

example, by spurring innovation in business models and enabling greater access to international markets.

Beauty bloggers and vloggers are also changing the face of the cosmetics industry, with some making successful careers for themselves by posting commentaries and tutorials on platforms such as YouTube or Instagram.

PROPORTION OF SHOPPERS THAT BOUGHT COSMETICS, SKINCARE AND/OR HAIRCARE PRODUCTS ONLINE IN 2016 (POSTNORD, 2016)



4. Contributing to European Economic Welfare

4.1 Leveraging European internal market

Trade in cosmetic products and ingredients within the EU30 exceeded €35 billion in 2016. France and Germany were the main exporters, exporting €7.56 billion and €6.03 billion respectively to the EU30 in 2016. Germany was the main destination for cosmetic products and ingredients made in France, while the UK was the main destination for cosmetic products and ingredients made in Germany. The UK, Ireland and Italy are also key exporters of cosmetic products and ingredients, exporting €3.47 billion, €3.18 billion and €2.73 billion respectively to the EU30 in 2016.

TRADE IN COSMETIC PRODUCTS AND INGREDIENTS WITHIN THE EU30 EXCEEDED €35 BILLION IN 2016
(UN COMTRADE DATABASE, 2016)

SUM OF TRADE VALUE IN 2016 (€ BILLION) (UN COMTRADE DATABASE, 2016)

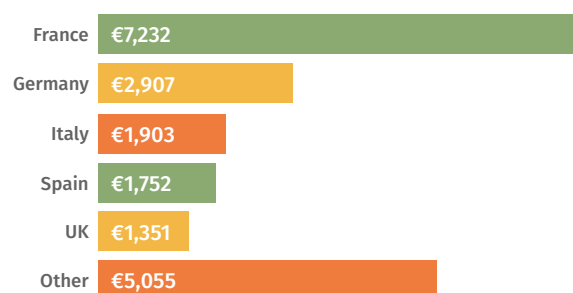
		Exported to						
		France	Germany	UK	Ireland	Italy	Other	TOTAL
Exported from	France		1.85	1.14	0.05	1.03	3.50	7.56
	Germany	0.74		0.81	0.06	0.49	3.92	6.03
	UK	0.34	0.63		0.80	0.14	1.56	3.47
	Ireland	0.44	0.50	0.67		0.21	1.37	3.18
	Italy	0.48	0.58	0.36	0.02		1.30	2.73
	Other	1.56	2.42	1.60	0.09	0.92		12.75
	Total	3.56	5.98	4.58	1.01	2.79	17.80	35.73

4.2 Exports from Europe

In 2017, exports of cosmetic products from Europe (i.e. extra EU30) totalled €20.2 billion. France and Germany were Europe’s main exporters, exporting more than €10 billion between them and accounting for 50% of total global exports from Europe.

VALUE OF COSMETIC EXPORTS FROM EUROPE (EU30), BY EXPORT COUNTRY (€ BILLION) (COSMETICS EUROPE, 2017)

EXPORTS OF COSMETIC PRODUCTS FROM EUROPE WERE VALUED AT €20.2 BILLION IN 2017
(COSMETICS EUROPE, 2018)



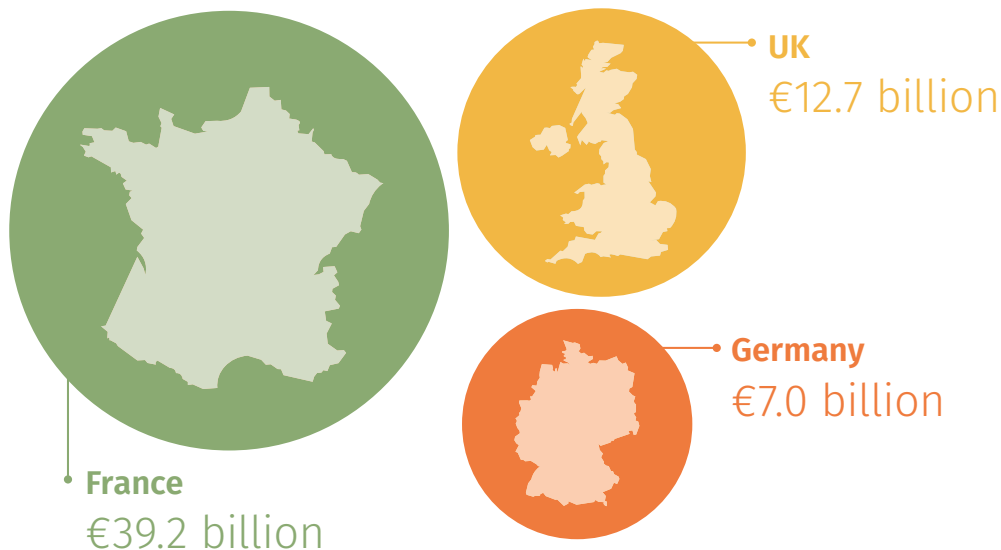
4.3 Development of global intangible assets

Intangible assets are defined as identifiable non-monetary assets that cannot be seen, touched or physically measured. Examples of intangible assets include patents, trademarks and the value of a company's brand name.

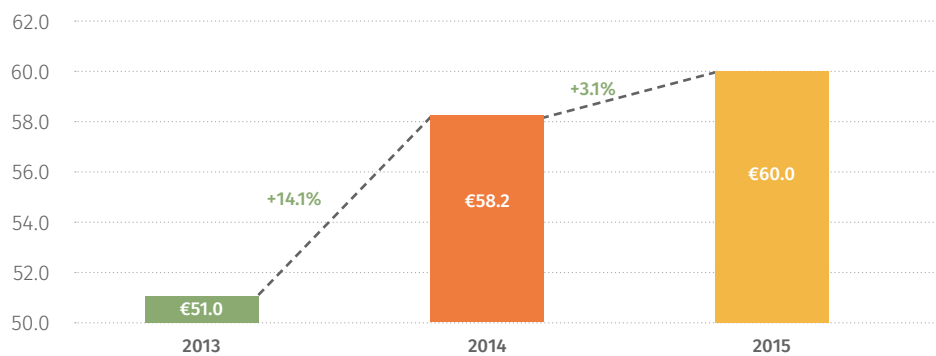
The total value of Europe's leading cosmetics brands is estimated to exceed €59 billion and has grown

by 17.6% between 2013 and 2015. Of the world's 50 leading cosmetic brands, 22 are domiciled in Europe (BrandFinance, 2017). France is an important player in terms of global cosmetic brands, with brands worth approximately €39 billion in 2015. Cosmetic brands in the UK and Germany were worth an estimated €12.7 billion and €7.0 billion respectively in 2015.

BRAND VALUE OF EUROPE'S LEADING COSMETIC BRANDS, BY COUNTRY 2015 (€ BILLION) (BRANDFINANCE 2017)



BRAND VALUE OF EUROPE'S LEADING COSMETIC BRANDS, 2013 TO 2015 (€ BILLION) (BRANDFINANCE, 2017)



The data presented in the figures on this page are based on an analysis by BrandFinance (2017) of the world's 50 leading cosmetic brands and thus represents an underestimate of the total value of cosmetic brands in Europe, as the value of smaller brands has been excluded. Discrepancies between the values shown in the graph are due to rounding.

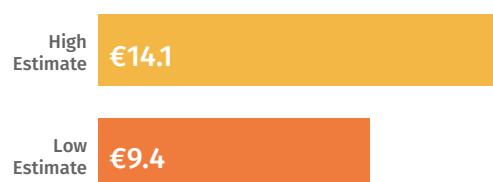
4.4 Support for world-leading marketing services cluster

Information from consultation indicates that Europe’s largest cosmetic companies may spend in the region of 20% to 30% of their annual turnover (sales) on marketing. Taking this data into account, together with data on the total value of cosmetics produced in Europe, it is estimated that **the European cosmetics industry invested between €9.4 billion and €14.1 billion in marketing in 2017.**

The industry supports responsible marketing practices and proactively drives self-regulatory initiatives in advertising. Cosmetics Europe launched a ‘**Charter and Guiding Principles on responsible advertising and marketing communication**’ in 2012 in response to the accepted best practice model for effective advertising self-regulation. This Charter sets out the benchmark for the responsible advertising of cosmetic products in Europe. The industry has also undergone its **first independent audit conducted by the European Advertising Standards Alliance (EASA).**

A total of 1,861 advertisements were reviewed, including 577 television and 1,284 print advertisements aired/published in six representative markets over a three month period – September 2014, March and June 2015. It showed that 91% of the advertisements of cosmetic products were in compliance with all relevant advertising codes/laws.

TOTAL EXPENDITURE ON MARKETING FOR COSMETICS IN THE EU30 IN 2017 (€ BILLION) (OWN ESTIMATE)



4.5 Inward investment by non-EU multinational corporations

Inward investment plays a crucial role in enhancing the competitiveness of Europe within the global economy and leads to the creation of jobs for European workers, increased tax revenues and the inward flow of new technologies and skills. For example, in 2009, a company from outside of Europe opened a new cosmetics production plant in Central Poland. The plant, which is estimated to have cost

US\$50 million (€39 million) to build, was anticipated to offer employment to over 300 workers. Cosmetics manufactured at the site are exported to markets in Europe, the Middle East and Africa.

5. Securing a Sustainable Future

The United Nations General Assembly adopted in September 2015 the 2030 Agenda for Sustainable Development. This Agenda contains **17 Sustainable Development Goals (SDGs)** and **169 targets** which all seek to build on the Millennium Development Goals (established in 2000) and complete what they did not achieve.

Of the 17 SDGs - which balance the environmental, social and economic dimensions of sustainable development - those that resonate the most with the cosmetics industry are: (3) good health and well-being; (8) decent work and economic growth; (9) industry, innovation and infrastructure and (12) responsible consumption and production.

The European Commission has committed to take this agenda forward, across many relevant policy areas, for example through initiatives such as the Circular Economy Strategy which is designed to address more sustainable patterns of production and consumption.

Cosmetics Europe has engaged actively and voluntarily in areas included in the Commission's Circular Economy action plan, such as environmental claims, product environmental footprint, plastic marine litter; it is considering additional voluntary initiative opportunities.

5.1 Sustainability in action

THE COSMETICS INDUSTRY PLACES A STRONG EMPHASIS ON ENSURING CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY AND SUPPORTING PROACTIVE VOLUNTARY AND SELF-REGULATORY INITIATIVES.

“SUSTAINABLE DEVELOPMENT IS DEVELOPMENT THAT MEETS THE NEEDS OF THE PRESENT WITHOUT COMPROMISING THE ABILITY OF FUTURE GENERATIONS TO MEET THEIR OWN NEEDS.”
(BRUDTLAND COMMISSION, 1987)

“Sustainable development” can be defined and interpreted in many different ways, but at its core is a focus on development that seeks to balance the different, and often competing, needs of the environment, society and economy - both now and in the future.

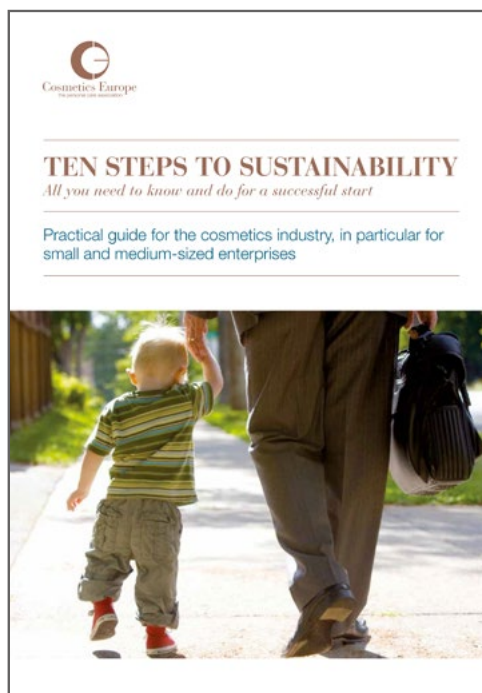
Cosmetics Europe fully supports the principles and objectives of sustainable development and its members' commitment to sustainability is embedded in its mission statement:

“COSMETICS EUROPE'S MISSION IS TO SHAPE A EUROPEAN OPERATING ENVIRONMENT CONDUCIVE TO LONG TERM GROWTH AND A SUSTAINABLE FUTURE”

To this end, Cosmetics Europe has developed two useful guidance documents to encourage companies (particularly SMEs) to become more sustainable:



“Good Sustainability Practice for the cosmetics industry” which provides practical advice on how senior decision makers in a small, medium or large cosmetics company can develop and implement an effective sustainability strategy.



“Ten Steps to Sustainability: all you need to know and do for a successful start” which has been developed to assist companies (particularly SMEs) in the cosmetics sector to kick-start their sustainability efforts.

In line with the United Nations Global Compact (2015), some of the largest cosmetics companies in Europe have created codes of conduct for their suppliers in order to establish harmonised criteria in the areas of corruption, human rights and environmental protection, which must be met if they are to work together.

Recently, Cosmetics Europe has focused its sustainability-related activities on a study into the Product Environmental Footprint Category Rules for shampoo, which is a voluntary pilot aimed at mirroring the development of the European Commission’s pilots in this field.

Cosmetics Europe has also engaged, together with four European supplier industry associations, in the development of best practice for the cosmetics industry in the field of compliance with legislation pertaining to access to genetic resources and the fair and equitable sharing of benefits derived from their utilisation (implementation in EU law of the Nagoya Protocol on the conservation of biodiversity).

5.2 Working with local communities

The European cosmetics industry has invested heavily in community programmes covering a broad range of different themes. These include education programmes (particularly for young people, and around the topic of 'health'), aiding the unemployed to get back into work, providing support to the vulnerable, and programmes for disaster relief and promoting fair trade. Some examples of community programmes in the cosmetics industry are provided in the boxes below.

HEALTH EDUCATION

In an effort to reduce the impact of oral disease, one company has introduced a programme which seeks to educate children around the world about oral health. Another company has introduced a handwashing education programme, which teaches children in the lower grades of elementary school how to wash their hands properly.

FOR WOMEN IN SCIENCE



The 'For Women in Science' programme is jointly founded by UNESCO and has been running for over 17 years to promote and highlight the importance of the participation of women in science. Annually, the programme recognises the achievements of exceptional female scientists and awards them with Fellowships to help further their research.

FAIR TRADE



Shea butter is used increasingly in cosmetic products and the fair trade of shea nut produce is key to creating a stable income and social autonomy for female workers in Burkina Faso. Several companies have schemes to promote the fair trade of shea products.

EMPLOYMENT OPPORTUNITIES

Several companies have schemes aimed at helping people from underprivileged communities, people with disabilities or from under-represented socio-ethnic groups get into work. For example, one company has a scheme which teaches youths' basic hairdressing techniques with the aim of providing them with a vocation. They also have a programme in Poland which has helped 60 long-term unemployed women to successfully re-enter the job market.

EDUCATION OPPORTUNITIES

The education of young people is a theme which runs through many cosmetic companies' community programmes.

One company has provided training to **180** teachers in Indonesia, who are subsequently providing access to education for **6,000** children. Another company is working with the Hand in Hand for Haiti Foundation to build a school and sports complex which will house 720 children. Enrolment is free and all students have access to psychological support, a full-time nurse and two meals a day. The school also provides employment for 90 people. Another company is building libraries for children in Vietnam to provide them with access to learning resources. In Germany and France, companies in the cosmetics industry are helping to provide higher education for students from disadvantaged backgrounds.

HEALTH RESEARCH

Many cosmetic companies make significant investments to help improve people's health and wellbeing. For example, two companies work with research institutions and health care professionals to improve access to quality medication and health care for patients with sickle cell anaemia. One company provides finance for research and clinical studies into atopic dermatitis, while another company has established consultations for children and their families with the illness and donates medical skin care products.

One company has provided beauty treatments for over 10,000 people suffering from physical or psychological damage as a result of illness, accidents, major medical treatments and social distress. Cosmetic companies have also set up schemes to provide water purifier packets (clean drinking water) and vaccinations for women and children in developing countries.

MICA MINERALS



Mica is a group of minerals that can be found in a large variety of consumer goods and industry materials, from cosmetics to car paint, electronic components and construction materials.

India is one of the largest producer of mica, mainly collected informally from the top soil by local families, using simple hand tools. A large part of this informal collection is located in the North-eastern districts of Bihar and Jharkhand. Because of the remoteness and lack of vital resources of this area, local populations mainly rely on mica collection to maintain a livelihood, despite harsh working conditions.

The Responsible Mica Initiative is a cross-industry **Do-Tank** which aims to:

- Implement fair, responsible and sustainable good practices and increase traceability all along the Indian mica supply chain,
- Empower local communities to ensure long lasting change thanks to the implementation of inclusive and holistic empowerment programs,
- Build a legal and liveable environment for local communities by working hand-to-hand with the Indian government.

6. Conclusions

The cosmetics and personal care industry includes **a wide range of products** dedicated to health, beauty and well-being. Ranging from hair care, skin care, oral and body care to perfumery and decorative cosmetics, cosmetic products are an **important part of people's everyday life. The use of cosmetic products brings important functional and emotional benefits.** For example, brushing our teeth with toothpaste helps us to maintain good oral health, while washing our hands with soap can help to prevent the spread of disease. The use of cosmetics can also improve our mood, enhance our appearance and create positive self-esteem, as well as provide a means of social expression.

Europe is the **global flagship producer of cosmetic products.** In 2017, the European cosmetics market was valued at **€77.6 billion**, making Europe the largest market for cosmetic products in the world. Trade is a critical component of the industry, with trade in cosmetic products and ingredients (within the EU30) exceeding €35 billion. Over €20 billion worth of cosmetic products were exported from Europe in 2017. Such exports are particularly important in countries strongly affected by the Euro crisis (such as Spain and Italy) where the cosmetics sector is helping to secure national economic recovery.

The industry makes a significant contribution to the European economy across its value chain. It is estimated that the cosmetics industry brings at least €29 billion in added value to the European economy every year, of which approximately €11 billion is contributed directly by the manufacture of cosmetic products (the remaining €18 billion is generated indirectly through the supply chain).

SMEs are key drivers of innovation and economic growth. More than **5,500 SMEs** are involved in the manufacturing of cosmetics in Europe. Along the value chain, a wide variety of different types of enterprises are involved indirectly in the cosmetics industry. For example, there are **over 100 companies manufacturing cosmetic ingredients in Europe, 23,000 enterprises involved in the wholesale of cosmetics and 46,400 specialist stores** retailing cosmetics. About half a million hairdressing and beauty salons (the majority of which are also SMEs or micro-enterprises) also rely on the use of cosmetics and the number of European spas is also growing and may be a source of inward investment to Europe in the form of "wellness tourism".

The cosmetics industry is a science-driven, fast-paced and a highly innovative sector which makes large investments in R&D. Assuming that companies in the cosmetics industry spent just 5% of their annual turnover on R&D in 2017, **total expenditure on R&D** in Europe would have been **circa €2.35 billion.** There are at least **77 innovation facilities** in Europe carrying out research in relation to cosmetics and the European cosmetics industry employs more than 27,900 scientists.

The industry supports millions of jobs. Including direct, indirect and induced economic activity, the industry supports over 2 million jobs. Of these, 165,750 workers are employed directly in the manufacture of cosmetic products, and around 1.64 million workers are employed indirectly in the cosmetics value chain. For every 10 workers employed (directly or indirectly) by the European cosmetics industry, a further two to three jobs are generated in the wider economic value chain (as a result of employees spending their wages on goods and services). It is estimated that between 366,200 and 549,400 workers are employed thanks to these 'induced' employment effects.

Cosmetics Europe and its members have a common belief that sustainability and business success go hand in hand. Cosmetics Europe plays a key role in bringing its members together and developing a forward-looking common sustainability agenda with the aim to jointly improve the sustainability profile of the sector. For example, Cosmetics Europe has developed guidance documents to assist companies (particularly SMEs) to become more sustainable and has engaged, together with four other European associations, in the development of Best Practice for the cosmetics industry in the field of compliance with legislation regarding access to genetic resources and the fair and equitable sharing of benefits derived from their utilisation. Cosmetics Europe is open and committed to collaboration with all relevant stakeholders, throughout the value chain.

7. Abbreviations and list of references

ACRONYMS

CAGR	Compound Annual Growth Rate
FTE	Full-time equivalent
FEBEA	La Fédération des Entreprises de la Beauté
GDP	Gross Domestic Product
GVA	Gross Value Added
MNC	Multinational Corporation
R&D	Research and development
SEA	Socio-economic analysis
SMEs	Small and medium sized enterprises
UNGC	United Nations Global Compact

GEOGRAPHIC ABBREVIATIONS

AT	Austria	PT	Portugal
BE	Belgium	RO	Romania
BG	Bulgaria	SE	Sweden
CY	Cyprus	SI	Slovenia
CZ	Czech Republic	SK	Slovakia
DE	Germany	UK	United Kingdom
DK	Denmark	EU28	The 28 Member States of the European Union
EE	Estonia	EU30	The 28 Member States of the European Union, plus Norway and Switzerland
EL	Greece		
ES	Spain		
FI	Finland		
FR	France		
HR	Croatia		
HU	Hungary		
IE	Ireland		
IT	Italy		
LU	Luxembourg		
LV	Latvia		
MT	Malta		
NL	Netherlands		
PL	Poland		

Bibliography

- BrandFinance (2017): Global top 50 brands, 2015. Article available at: https://www.cosmeticsbusiness.com/technical/article_page/Global_top_50_brands_2015/107330
- Bretonès D & Scheel C (2011): Transforming an Industrial District into a High-Tech Cluster: Assessing the Cosmetic Valley's Readiness and Benefits, *International Business Research*, Vol 4, No. 4. pp. 3-14. Journal article available at: <http://ccsenet.org/journal/index.php/ibr/article/view/12359>
- Centers for Disease Control and Prevention (2015): Handwashing, clean hands save lives. Webpage available at: <http://www.cdc.gov/handwashing/>
- Clarative Analytics (2017): The state of innovation report 2017, The relentless desire to advance, available at: www2.caict.ac.cn/zscp/qqzkgz/qqzkgz_zdzsq/.../P020171103309811991138.pdf
- Clarke J (2009): Global Spa Summit, May 2009, Diagonal Reports. Presentation available at: <http://www.globalwellnesssummit.com/2009/postsummit/files/pdf/Tuesday/Afternoon%20Breakout%20Sessions/B.%20Beauty%20Industry%20Developments/Beauty.Industry.Developments.Spa.Wellness.GSS.pdf>
- Colgate-Palmolive (2017) Sustainability. Available at: <https://www.colgatepalmolive.com/en/us/corp/core-values/sustainability>
- Cosmetics Europe (2016): Study into the product environmental footprint category rules for shampoo. Available at: <https://www.cosmeticseurope.eu/how-we-take-action/driving-sustainable-development/>
- Cosmetics Europe (2017): Consumer Insights 2017, available at: <https://www.cosmeticseurope.eu/cosmetic-products/consumer-insights/>
- Cosmetic Valley (2018): Key figures for Cosmetic Valley. Webpage available at: <http://www.cosmetic-valley.com/page/presentation/chiffres-cles/>
- COTY (2017) Sustainability. Available at: <https://www.coty.com/tags/sustainability>
- Credit Suisse (2013): Global Beauty Industry. Report available at: https://doc.research-and-analytics.csfb.com/docView?language=ENG&source=emfromsend-link&format=PDF&document_id=1025509521&extdocid=1025509521_1_eng_pdf&serialid=xabsnH6scTqef2MQX-cNkDTL3SzdjdwD2yrK%2fWThr4E%3d#page=9&zoom=auto,-265,40
- Danish Environmental Protection Agency (2015): Survey and exposure assessment of methylisothiazolinone in consumer products. Survey of chemical substances in consumer products No, 134, 2015
- Deckard A (2015): Essential oils for soap. Article available on Healthy Focus website, available at: <http://healthyfocus.org/essential-oils-for-soap/>
- de Oliveira C et al. (2010): Toothbrushing, inflammation, and risk of cardiovascular disease: results from Scottish Health Survey. *British Medical Journal* (Online), available at: <http://www.bmj.com/content/340/bmj.c2451>
- Dental Health Foundation Ireland (2015): Effective Toothbrushing. Webpage available at: <http://www.dentalhealth.ie/dentalhealth/teeth/effectivetoothb.html>
- EFFCI (2018): About us. Webpage available at: <http://effci.com/about-us/>
- Ensink J (2015): Well Factsheet: Health impact of handwashing with soap. Webpage available at: <http://www.lboro.ac.uk/well/resources/fact-sheets/fact-sheets-htm/Handwashing.htm>
- Essel R et al (2015): Sources of micro plastics relevant to marine protection in Germany, Umwelt Bundesamt, available at: http://www.umweltbundesamt.de/sites/default/files/medien/378/publikationen/texte_64_2015_sources_of_microplastics_relevant_to_marine_protection.pdf
- Estee Lauder (2017) Sustainability. Available at: <https://www.elcompanies.com/our-commitments/sustainability>
- Euromonitor International (2017): Number of SMEs per country in 2017, data provided to RPA by Cosmetics Europe

European Commission (2013): Commission Staff Working Document, Impact Assessment on the Animal Testing Provisions in Regulation (EC) 1223/2009 on Cosmetics, Accompanying the document – Communication from the Commission to the European Parliament and the Council on the animal testing and marketing ban and on the state of play in relation to alternative methods in the field of cosmetics, (COM(2013) 135 Final). Working document available at: http://ec.europa.eu/consumers/sectors/cosmetics/files/pdf/animal_testing/ia_at_2013_en.pdf

European Commission (2015): The importance of the digital economy, DG GROWTH. Webpage available at: http://ec.europa.eu/growth/sectors/digital-economy/importance/index_en.htm

Eurostat (2015): Annual detailed enterprise statistics for trade, [sbs_na_dt_r2]. Data available at: <http://ec.europa.eu/eurostat/data/database>

FEBEA (2015): L'image des produits et de l'industrie cosmétique. Document provided to RPA by FEBEA

Ficheux AS et al. (2015): Consumption of cosmetic products by the French population. First part: Frequency data, Food and Chemical Toxicology, 78, pp 159-169. Journal article available at: http://www.researchgate.net/publication/272199849_Consumption_of_cosmetic_products_by_the_French_population._First_part_Frequency_data

Green A, Williams GM, Logan V & Stratton GM (2011): Reduced melanoma after regular sunscreen use: randomised trial follow up. Journal of Clinical Oncology, 29, pp 257-263. Journal article available at: <http://jco.ascopubs.org/content/29/3/257.full.pdf>

GHK (2011): Study on social policy effects resulting from the scope of application of the European framework agreement on the prevention of health risks in the hairdressing sector, DG Employment, Social Affairs and Inclusion. Presentation available at: http://dati.filcams.cgil.it/filcams/internazionale/2011%2003%2010%20WG%20Presentation_Weber.pdf

GSK (2017): Responsibility. Available at: <http://www.gsk.com/en-gb/responsibility/>

Henkel (2017): Sustainability. Available at: <http://www.henkel.co.uk/sustainability>

IFRA (2013): The socio-economic impact of fragrance technologies in Europe. Report available at: www.ifra.org/view_document.aspx?docId=23341

ICF GHK (2014): Overview of economic and labour market trends and occupational health and safety issues in the hairdressing sector. Document available at: http://www.uniglobalunion.org/sites/default/files/files/news/2014_ghk_hairdressing_trends_update.pdf

IKW (2018): Youth undisguised, survey results. Website available at: <http://www.ikw-youthstudy.org>

Johnson & Johnson (2017) Citizenship & Sustainability. Available at: <https://www.jnj.com/caring/citizenship-sustainability>

Kantar Worldpanel (2014), as reported by Statista (2015): Average annual spend on health and beauty in the United Kingdom (UK) from 2011 to 2013, by age group (in GBP). Statistics available at: <http://www.statista.com/statistics/304550/health-and-beauty-spend-united-kingdom-uk-by-age-group/>

Kao (2017) Sustainability. Available at: http://www.kao.com/jp/en/corp_csr/csr.html

Look Good Feel Better (2018): Facts and Figures. Webpage available at: <http://www.lookgoodfeelbetter.co.uk>

L'Oreal (2017): Sustainability. Available at: <http://www.loreal.com/sustainability>

LVMH (2017): Environment. Available at: <https://www.lvmh.com/group/lvmh-commitments/environment/>

Patel (2012): The state of oral health in Europe, Report for The Platform for Better Oral Health in Europe, available at: <http://www.oralhealthplatform.eu/our-work/the-state-of-oral-health-in-europe/>

- Pierre Fabre (2017): Sustainable Development. Available at: <http://www.pierre-fabre.com/en/sustainable-development>
- Pira International, as reported by Statista (2015): Cosmetic packaging consumption from 2003 to 2009, by region (in million U.S. dollars). Statistics available at: <http://www.statista.com/statistics/381882/cosmetic-packaging-consumption-by-region/>
- Postnord (2016): E-commerce in Europe, Available at: <https://www.postnord.com/en/media/publications/e-commerce/E-commerce-in-Europe-2016>
- Procter & Gamble (2016) Environmental Sustainability. Available at: <http://us.pg.com/sustainability/environmental-sustainability>
- Rigby C (2018): Online sales to grow by 11.9% in a year in Western Europe: Forrester. Article available at: <http://internetretailing.net/2018/02/online-sales-set-grow-11-9-year-western-europe-forrester>
- Shiseido (2017) Environment. Available at: <https://www.shiseidogroup.com/csr/env/>
- Statista (2018a): How often do you personally use deodorant? Available at: <https://www.statista.com/statistics/725069/deodorant-usage-among-women-by-age-united-kingdom-uk>
- Statista (2018b): How much do you spend on face makeup (foundation, concealer, powder, blush, etc.) for yourself in a year? Available at: <https://www.statista.com/statistics/720922/women-s-face-make-up-expenditure-by-age-united-kingdom-uk/>
- The Renfrew Centre Foundation (2012): New survey results indicate there's more to makeup use than meets the eye. Article available at: http://renfrewcenter.com/sites/default/files/press_release_pdfs/Barefaced%20and%20Beautiful%20Release%20-%20FINAL.pdf
- Unilever (2017) Sustainable living. Available at: <https://www.unilever.com/sustainable-living/>
- United Nations Global Compact (2015). Webpage available at: <https://www.unglobalcompact.org/>
- Williams SN & Dienes KA (2014): Sunscreen sales, socio-economic factors and melanoma incidence in Northern Europe: a population-based ecological study. Article available at: <http://sgo.sagepub.com/content/4/4/2158244014559023>
- WHO (2012): Oral Health, Fact Sheet No. 318, April 2012. Webpage available at: <http://www.who.int/mediacentre/factsheets/fs318/en/>
- Xinhuanet (2015): China Exclusive: China's Jahwa to begin cosmetics production in France, Japan by year end. Article available at: http://www.xinhuanet.com/english/2015-08/28/c_134565998.htm



We personally care