LABOR MARKET INTELLIGENCE REPORT

FURNITURE INDUSTRY

Technical Education and Skills Development Authority

FURNITURE INDUSTRY

I. The Philippine Furniture Industry

The furniture industry is one of the sub-industries under the manufacturing industry. It includes all companies involved in activities of designing, manufacturing, distributing and in sales of functional and decorative objects of the household equipment. Companies in this industry manufacture products such as wood and metal household, office, and institutional furniture; mattresses; wood kitchen cabinets; and commercial showcases and shelving. The Chamber of Furniture Industries of the Philippines (CFIP) and Cebu Furniture Industries Foundation (CFIF) are the business support organizations for furniture. They lead in promoting, accelerating and in regulating the furniture industry in the country. CFIP currently has eighty-seven (87) members that all contributed to the growth of the industry.

In 2010, the homestyle industry which includes the furniture industry, has an estimated 2.1 million workers and is ranked number three among industries in terms of employment. It posted a 0.09% market share in terms of export and a market growth rate of seven percent (7%). However, its export performance from 2006 to 2011 is steadily decreasing. On the other hand, its import performance is showing an increasing trend. Moreover, the industry has posted earnings: $536 for total furniture production, $137 for imports and $399 million in local sales. The focus areas of the industry to achieve sustainable growth includes capacity building, product development, policy advocacy and marketing.

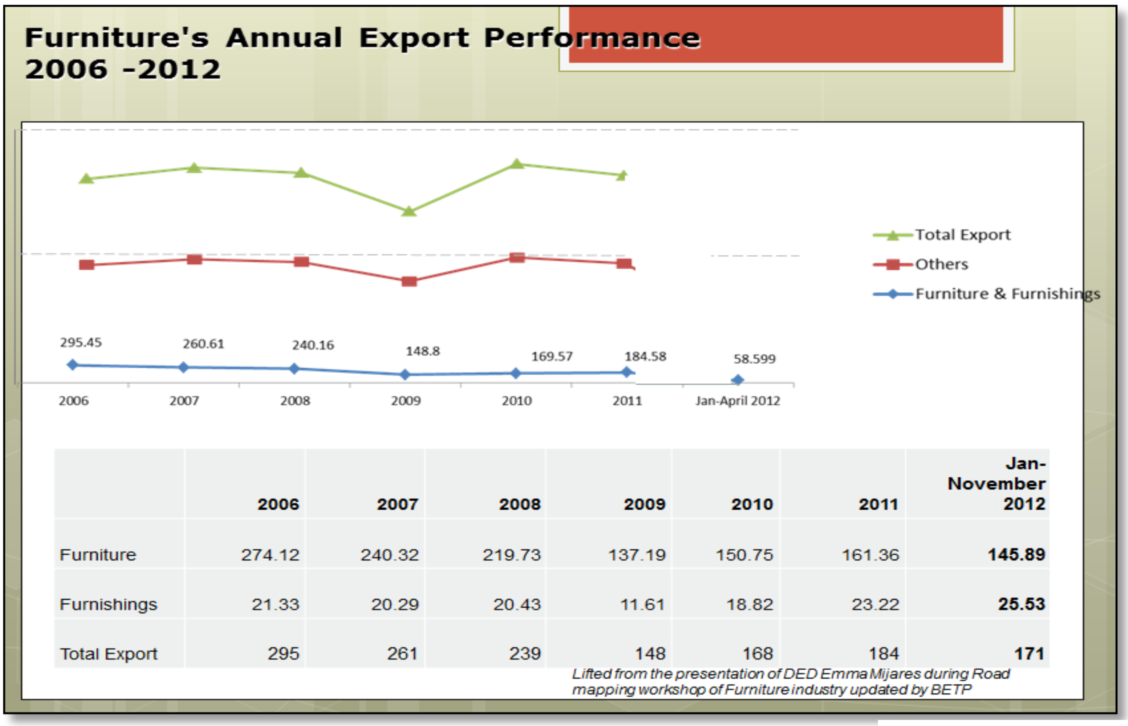
Figure 1. Key Sector Analysis of the Furniture Industry

Key Sector Analysis

KEY EXPORT SECTOR	2010 ACTUAL EXPORTS US$ Million	2010 GRWTH vs. AVG 3 YRS %	INDIC. MARKET SIZE US$ Million	MKT SHARE %	MKT GRWTH %	LVA %	LVA AMT. AT 2010 ACTUAL EXPORTS US$ Million	ESTIMATED NO. OF WORKERS
1. IT-BPO &	11,041	21	62,000	18	30	90	9,937	526,000
Other Services	2,202	42	30,800	7	8	90	1,104	1,131,000
2. ELECTRONICS	31,080	3	1,900,000	2	5	30	9,324	520,000
3. AGRIBUSINESS	3,625	27	1,369,000	0.26	10	80	2,900	10,764,000
Food: Fresh/Processed/ Marine	2,116	35	769,000	0.28	10	80	1,693	75,583
Coconut Products	1,508	93	7,500	20	10	95	1,433	3,400,000
4. MINERALS	1,870	-23	12,650,000	0.01	15	80	1,496	180,000
5. SHIPBUILDING	1,543	554	83,000	2	16	20	308	33,045
6. MOTOR VEHICLE PARTS	3,679	24	420,000	1	8	65	2,391	70,000
7. GARMENTS/ TEXTILE	1,871	11	600,000	0.31	5	30	561	150,000
8. HOMESTYLE	**427**	**-19**	**469,000**	**0.09**	**7**	**80**	**342**	**2,100,000**
9. WEARABLES	599	26	400,000	0.15	10	70	419	140,000

Raw Data Sources: BETP for Merchandize Exports; BSP for Services as processed by BETP Benchmark Average 3 years cover 2006-2008 "normal" market conditions.

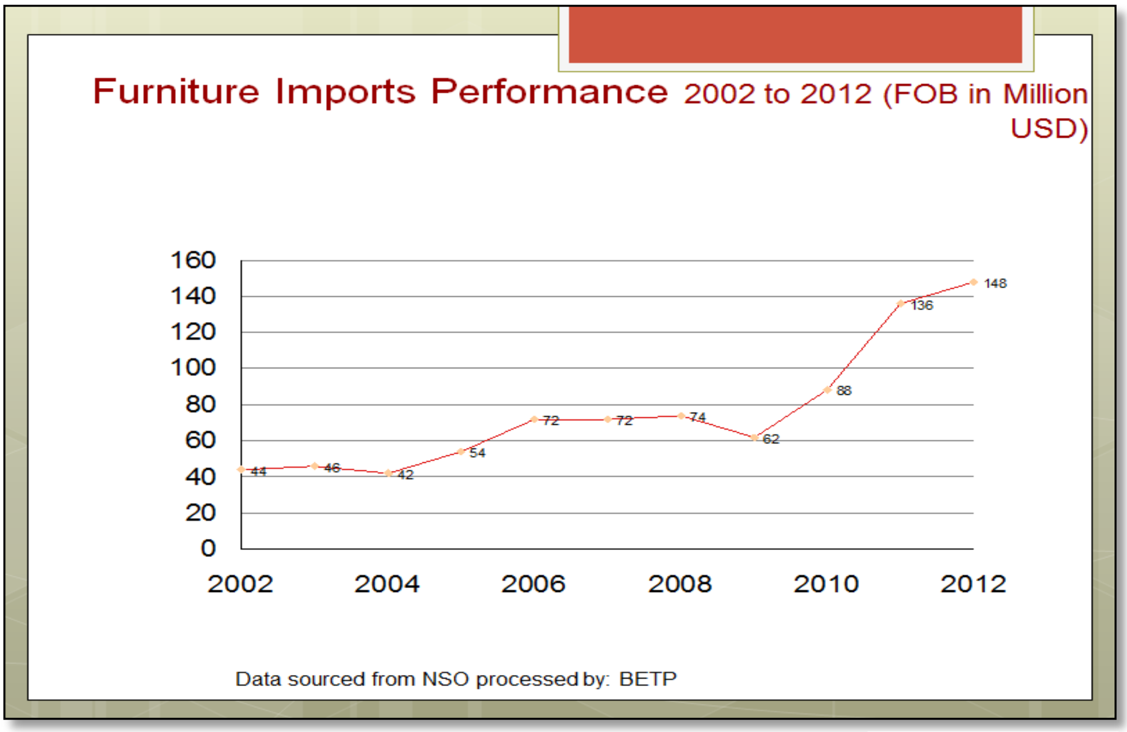
Figure 2. Philippine Furniture Industry's Annual Export Performance 2006-2012



	2006	2007	2008	2009	2010	2011	Jan-November 2012
Furniture	274.12	240.32	219.73	137.19	150.75	161.36	**145.89**
Furnishings	21.33	20.29	20.43	11.61	18.82	23.22	**25.53**
Total Export	295	261	239	148	168	184	**171**

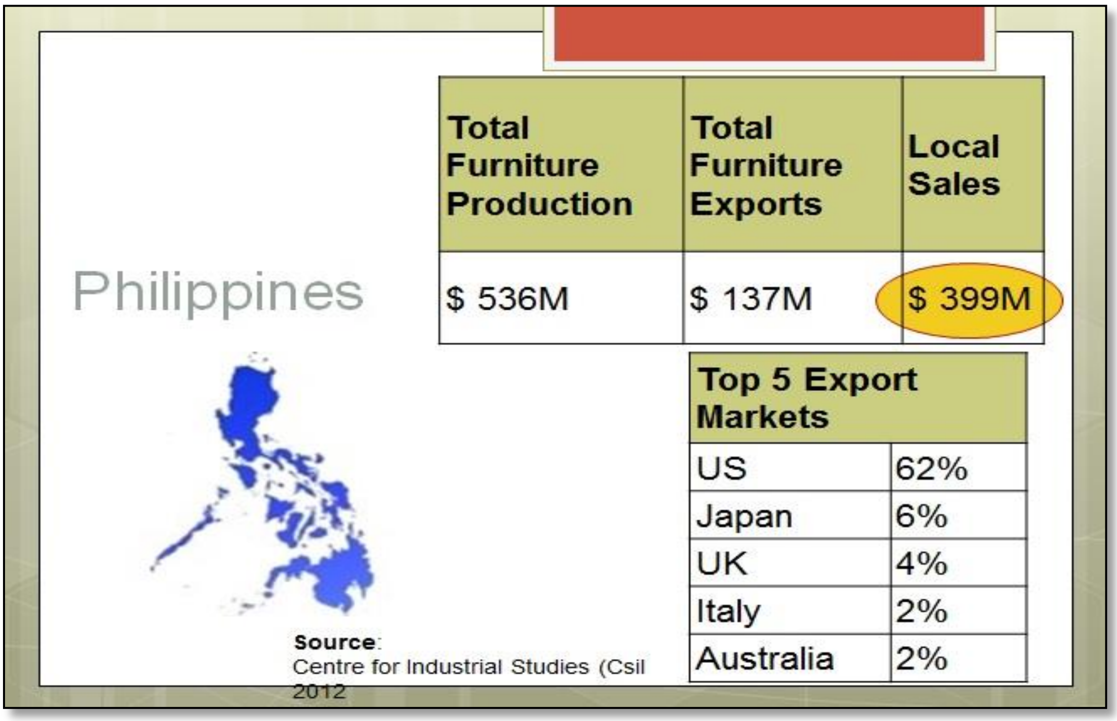
Source: CFIP

Figure3. Philippine Furniture Industry's Annual Import Performance



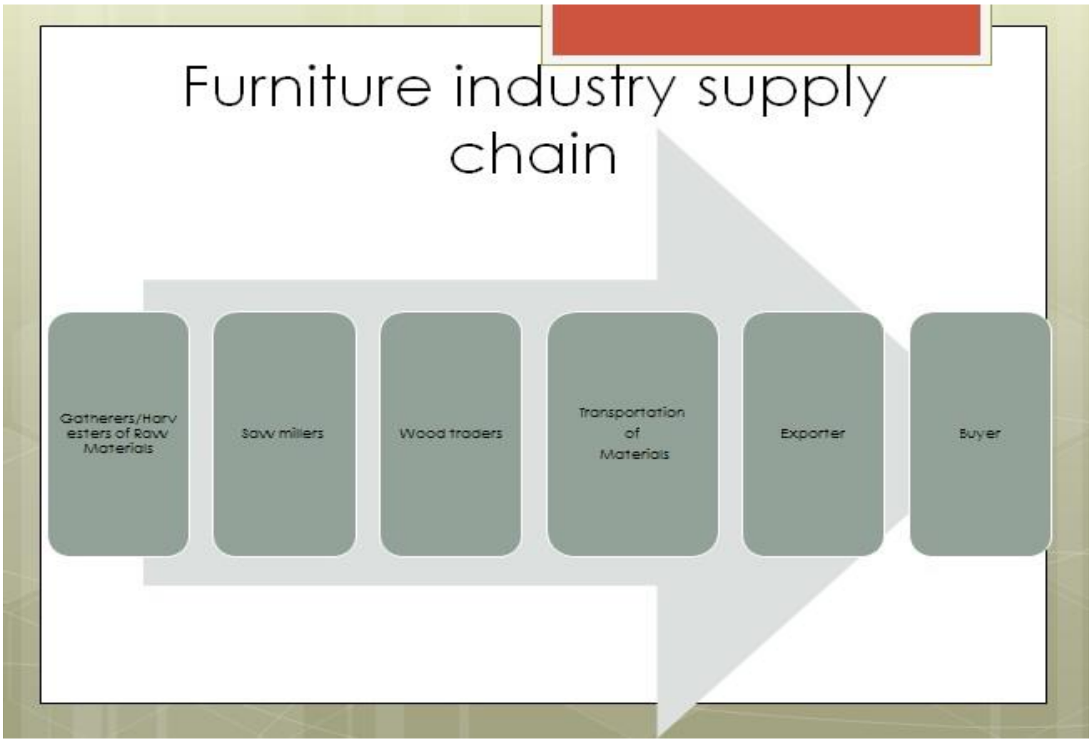
Source: CFIP

Figure4. Philippine Furniture Industry’s Total Earnings



It can be noted that there is a sudden increase in the importation of products in the Philippines. According to CFIP, imports of furniture nowadays are increasing but still they consider it as an opportunity. This is because the industry will be able to determine why the goods from the other country are patronized by the Filipinos, rather than the locally-made furniture products. One reason for this trend is that imported products are cheaper than the locally-produced one.

Figure 5. Furniture Industry Supply Chain



The figure above shows the process on how the raw materials for furniture making are being supplied in different manufacturers. The supply chain starts from the harvesters up to the level of the buyers. It can be noted that it is a long process before the raw materials reach the furniture makers. This also contributes to the expensive cost of raw materials needed in the production process.

II. The Furniture Industry Roadmap

The Philippine Furniture and Furnishings Industry Roadmap 2013-2030 was spearheaded by the Chamber of Furniture Industries of the Philippines with the support from the Board of Investments-Department of Trade and Industry. The CFIP is a non-stock, non-profit organization that is the national association of companies, chapters and affiliates working together for the sustainable growth of the Philippine furniture industry.

The Roadmap provides the strategic vision for the industry**, *"the Philippine Furniture Industry in the year 2030 shall be the global design innovate or center/hub for products using sustainable materials with a thriving domestic and international markets and a competitive and motivated labor force.*"** Moreover, the industry's overall and specific goals as outlined in the Roadmap are the following:

"The Philippine Furniture and Furnishings Industry Cluster is Asia's heart for design-oriented furniture and furnishings.

- Growth in the Furniture Industry;
- Cooperation among members and unity among Chapters of the Furniture and Furnishing Industry;
- Help upgrade the capability of the Furniture and Furnishing Manufacturers; and
- Help small manufacturers and Chapters"

To achieve these vision and goals, strategic objectives were outlined from year 2013 to 2017. These are listed in the table below:

Table1. Strategic Objectives of the Furniture Industry

Products	**Diverse range of furniture and furnishings which vary according to material, function and utility.**
Markets	Medium to high-end segment of the traditional markets (*i.e., North America, Europe, Middle East and Japan*); Asia (*specifically, Kuala Lumpur, Jakarta, Shanghai, Ho Chi Minh, Bangkok and Singapore*); and BRICs.
Growth Projection	Target growth rate of **1% in 2013; 2% in 2014; 5% in 2015; 7% in 2016; and 10% in 2017** *Assumption:* US market continues to grow positively in the next 5 years
Timeline	2013-2017
Key Strategies	Market Development – Niche Marketing
Indicators	▪ Jobs Generated - maintain for 2013 – 2014 ▪ Local Sales - Php50M in 2013; 10% increase every year until 2017 ▪ Export Sales - 1% increase in 2013 from the 2012 BETP export figures of US$159.59M ▪ Investments - green technologies

Source: CFIP

III. Economic Contribution

The leading contributor to the growth of the manufacturing sector is the furniture (and fixtures) industry which posted an accelerated growth of 94.2 percent from 21.1 percent registered in 2010.[1] And an annual growth rate of five (5) to ten (10) percent is targeted by the industry.

The diversification of furniture is marked by the shift of the production from low-end furniture to medium and high-end lines. This means emphasis on quality design and material rather than on mass production of pieces. Filipino furniture firms have likewise expanded their capabilities to include production of contract furniture. They have started to be recognized as a preferred source of furniture for hotels, restaurants, offices and other public institutions.[2]

The Philippine furniture industry has sustainable resources in terms of having good environment for tree and bamboo farming, fantastic human resources (designers, carvers and weavers) and the professionals.

[1] www.nscb.gov
[2] Furniture Industry Roadmap

IV. Employment and Skills Requirement

The CFIP has identified specific skills requirements for the industry but are hard to fill. One of which is *furniture making (finishing),* this qualification consists of competencies such as final coating, apply final coating using spray gun system and perform basic preventive maintenance servicing for spray gun equipment and booth.

Other job skills needed in the industry are those that have expertise in the following:

- Upholstery - providing the furniture, especially seats, with padding, springs, webbing, and fabric or leather.
- Quality assurance (QA) - a way of preventing mistakes or defects in manufactured products and avoiding problems when delivering services to customers.
- Packaging - is the technology of enclosing or protecting products for distribution, storage, sale, and use.
- Product re-engineering and carving - focuses on modification of an existing product, sometimes through reverse engineering.

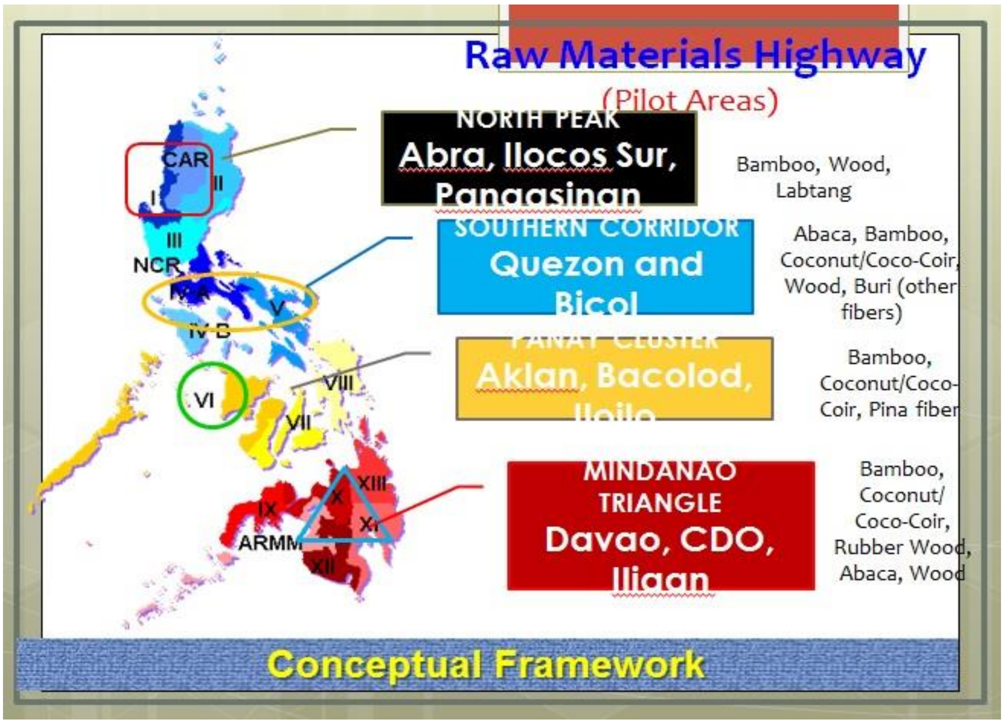
V. Challenges in the Furniture Industry

Hindrance to the continuous supply of raw materials for this industry is the prohibition of the importation of wood products, commonly known as DENR Administrative Order No. 99-46: Revised Regulations Governing the Entry and Disposition of Imported Logs, Lumber, Veneer, Plywood, Other Wood Based Panels, Poles and Piles, Pulpwood and Wood Chips.

The industry relies heavily on locally procured raw materials such as wood (which represents 40% of the total furniture produced in the country); rattan, bamboo, buri, and other forest-based or agricultural materials (which account for another 40%); metal, stone, plastic, and a combination of these materials (mixed media). They considered some pilot areas as their raw materials highway across the country[3]. (Please see Figure4)

[3] ibid

Figure 5. Conceptual Framework of the Raw Materials Highway



Source: CFIP

The conceptual framework above illustrates the areas where the furniture industry gathers the raw materials for their production. It can be noted that there are raw materials highway in each of the regions in the country. Each of which produces almost the same type of raw materials.

According to CFIP the production of furniture is not made in one area, but each part of the furniture is made from different provinces and is just assembled in Manila. Furthermore, this also provides an opportunity for the localities to earn a living and enhance their skills in furniture making.

VI. TVET Supply

The assessment and certification mandate of TESDA seeks to determine if the graduate or even a worker was able to comply and perform the standards in a workplace. Currently, TESDA has only one Training Regulation for Furniture and Fixtures Industry and it is Furniture Making NC II. The number of persons assessed and certified for this qualification from year 2010 up to the first quarter of the present is 171 and 170, respectively.

Table1. Number of Persons Assessed and Certified in the Furniture Sector

Qualification	2010		2011		2012		2013 (Jan-June)		Total		Certification Rate
	A	C	A	C	A	C	A	C	A	C	
Furniture Making (Finishing) NC II	14	14	62	62	95	94	15	15	171	170	99.42

Source: CACO, TESDA

VII. Implications to TVET and Strategic Actions Needed

Skilled and qualified workers are needed in order to sustain the development and growth of the industry. Thus, strategic actions need to be pursued to meet industry demand and requirements:

The conduct of an industry consultation with the industry and key stakeholders is imperative to identify and prioritize critical job/qualifications needed by the industry.

Revive and strengthen linkage with the industry, specifically CFIP in order to implement training programs for the sector. As discussed initially with CFIP during its meeting with TESDA, a MOA between TESDA and CFIP will be drafted. It will outline the activities for the proposed collaboration in terms of development of standards, training, among others.

Strengthen linkages between TVET providers and industry/enterprises.

Expand scholarships and other training assistance to critical and hard to fill skills and higher-level qualification for the furniture industry.

References:

The National Statistical Coordination Board (NSCB). www.nscb.gov

The Furniture Industry Roadmap by the Chamber of Furniture Industries of the Philippines

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