



सत्यमेव जयते
GOVERNMENT OF INDIA
MINISTRY OF SKILL DEVELOPMENT
& ENTREPRENEURSHIP



N·S·D·C
National
Skill Development
Corporation

Transforming the skill landscape

Human Resource and Skill Requirements in the Furniture and Furnishing Sector

(2013-17, 2017-22)



cutting through complexity

This report is prepared by KPMG Advisory Services Pvt Ltd (KASPL).

KPMG is a global network of professional service firms offering Audit, Tax and Advisory services with presence in 152 countries and a combined strength of nearly 145,000 people. In India, the firm provides services to Government, Indian and International companies through offices in Mumbai, Delhi, Chandigarh, Bangalore, Hyderabad, Chennai, Pune, Kolkata, Kochi and Ahmedabad.

KPMG is one of the first professional services firms to align its services and professionals along industry verticals developing an intensive understanding of different industries, providing clients with an informed view on specific issues and a tailored service response. KPMG is the first advisory firm to establish a Centre of Excellence in Education in India providing holistic support in funding, structuring and consulting solutions across strategy, process, people and technology in the sector.

Narayanan Ramaswamy

Head – Education Advisory

KPMG India

(+91) 44 3914 5208

Email: narayanar@kpmg.com

Madhavan Vilvarayanallur

Director – Education

Advisory, KPMG India

(+91) 44 39145286

Email: vmadhavan@kpmg.com

Gaurav Kumar

Associate Director – Education

Advisory, KPMG India

(+91) 124 3345203

Email: gauravkumar1@kpmg.com

Disclaimer

NSDC engaged KPMG (KPMG Advisory Services Pvt. Ltd.) to prepare this report, which is based on independent research and analysis done by KPMG. This report is not based on, or derived from, any other report or research paper. Any similarity with any other paper may purely be a coincidence.

All rights reserved. All copyright in this report and related works is solely and exclusively owned by NSDC. The same may not be reproduced, wholly or in part in any material form (including photocopying or storing it in any medium by electronic means and whether or not transiently or incidentally to some other use of this presentation), modified or in any manner communicated to any third party except with the written approval of NSDC.

This report is for information purposes only. While due care has been taken during the compilation of this report to ensure that the information is accurate to the best of KPMG's and NSDC's knowledge and belief, the content is not to be construed in any manner whatsoever as a substitute for professional advice.

KPMG and NSDC neither recommend nor endorse any specific products or services that may have been mentioned in this report and nor do they assume any liability or responsibility for the outcome of decisions taken as a result of any reliance placed in this report.

Neither KPMG nor NSDC shall be liable for any direct or indirect damages that may arise due to any act or omission on the part of the user due to any reliance placed or guidance taken from any portion of this report.

Acknowledgement

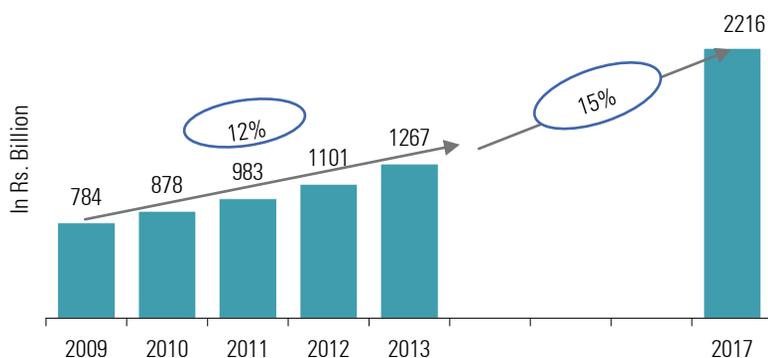
We are grateful to the Government of India and its various departments, State Governments, Industry Associations, Sector Skill Councils, Skill Training Institutions, Academia and NGOs, for their contribution towards the successful completion of the Sector Skill Gap study (2013-2017, 2017-2022).

We would like to thank all NSDC's industry and training partners for their active participation. The success of the study has been possible through their collaborative efforts.

In addition, we convey our gratitude to all those who have, in some way or other, contributed towards the successful completion of this study.

Executive Summary

Demand for Furniture in India



Sources: Furniture in India, October 2013, Euro monitor

- Demand for furniture in India surged at 12% annual rate over 2007-2012, and in 2013 it increased at a rate of 15%.
- The market is moving more towards organised segment. This is marked by increasing customer preference for readymade, branded furniture.
- Preference is tilting towards high-end, low maintenance, quickly installable products, with customisation options.
- Simple, contemporary designs are preferred over heavy, complex traditional furniture.

Labour –

- Youth aspiration to enter this sector is low and existing workforce is looking at other sector/ opportunities for better wages and facilities.
- Sector doesn't offer competitive wages compared to other employment options such as- Drivers or self employment opportunities

Absolute and per capita Consumption –

- In India absolute consumption is very high. However, Per capita consumption is low as compare to other countries, largely due to huge income disparity. However with rise in middle class segment, trend is moving towards achieving high per capita consumption in future.

Availability of raw material -

- Raw material is available only in limited states. It leads to manufacturers purchasing raw material from other states, paying transport & carriage apart from other charges. It results to higher raw material cost increasing their manufacturing cost.

Technology -

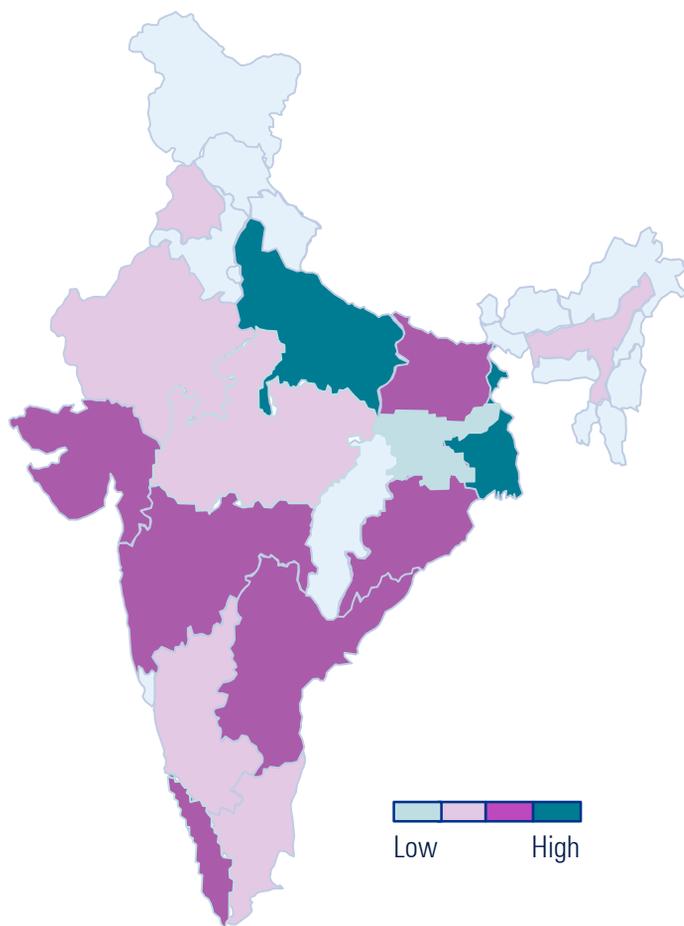
- While a large amount of manufacturing activity takes place in unorganized sector, market is slowly moving towards technology advancement with growing number of organized players stepping-in. As unorganized segment is having a major share in Furniture and Furnishings sector, therefore their products are not competitive enough in the domestic as well as Global market.
- As per an ASSOCHAM report, there are total 1,419 registered furniture factories. However, only 1,157 factories were under operation as of 2011-12 i.e. about 20 per cent of registered furniture factories in India were non-operational due to labor dogs & lack of modernization

Key Growth Drivers

- **Legislation**
- **Hybrid business model**
- **Growing Disposable Income**
- **Importance on Design and Designing**
- **Emerging segments**
- **Premiumisation**
- **Changing Consumer preference**
- **Energy Efficient Technology**

Demographic characteristics of workforce

Almost 50% of the total employment is distributed among five states alone



States	Furniture Employment	Proportion of Employment
West Bengal	355,124	16.58%
Uttar Pradesh	238,544	11.14%
Maharashtra	203,124	9.49%
Bihar	150,996	7.05%
Gujarat	138,213	6.45%
Kerala	137,156	6.41%
Odisha	122,181	5.71%
Andhra Pradesh	117,997	5.51%
Assam	104,121	4.86%
Tamil Nadu	94,117	4.40%
Rajasthan	83,652	3.91%
Punjab	82,592	3.86%
Karnataka	73,238	3.42%
Madhya Pradesh	55,643	2.60%
Rest of India	184,663	8.62%
Total	2,141,362	100.00%

NSSO employment data gives the total employment figures for the sector. Thus, the numbers are inclusive of the unorganised sector employment figures as well. According to its 68th Round, 50% of the total employment in furniture manufacturing is concentrated in the five states of West Bengal, Uttar Pradesh, Maharashtra, Bihar and Gujarat. West Bengal, UP and Maharashtra alone account for nearly 38% of the work force.

About 97% of the workforce involved in furniture sector are school drop outs. Of this, 88% have an education qualification of secondary education or less.

In the organized furniture segment, workers account for more than half of the total workforce. Managerial and supervisors account for 10% of the total workforce and contractor workers account for nearly 25 percent of the total workforce.

Source: NSSO 68th Round, KPMG in India Analysis, ASSOCHAM

Incremental human resource requirement (2013-22)

Current workforce of 4.11 million (2013) is expected to increase to ~11.3 million by 2022

Incremental Human Resource Projections (2013-22)

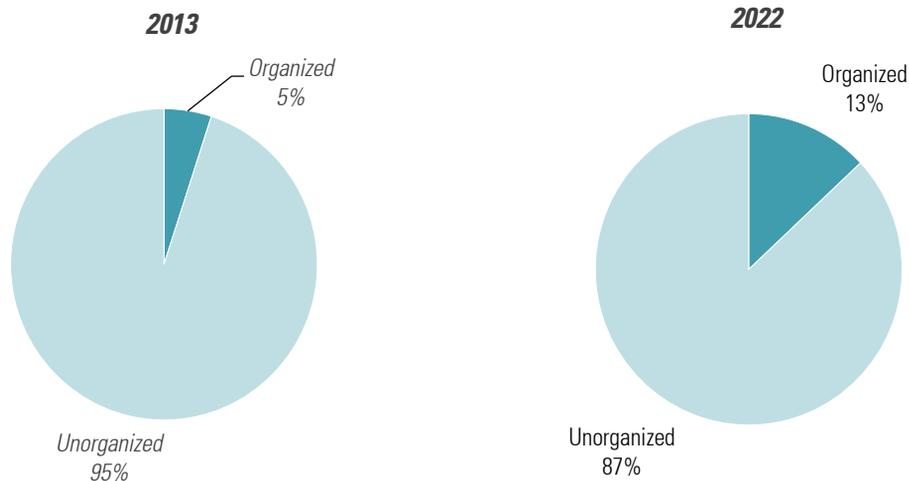
Segment	Employment in million (2013)	Employment in million (2017)	Employment in million (2022)	Employment Growth in million (2013-17)	Employment Growth in million (2017-22)
Furniture-Manufacturing	2.16	3.39	5.95	1.24	2.56
Furniture Retail	0.29	0.40	0.61	0.12	0.20
Furnishing	1.67	2.60	4.73	0.93	2.13
Total	4.11	6.39	11.29	2.28	4.90

Source: Primary Interactions, NSSO 68th Round of EU Survey, KPMG Analysis

The sector currently employs over 4.11 million employees and is slated to employ more than 11.29 million employees by 2022. This implies additional creation of ~7.2 million jobs in the 9 year period.

The period 2017-22 will see a higher growth in employment vis-a-vis 2013-17 due to expected changes in consumer preferences and penetration of organized furnishing services in tier-I and tier-II towns.

Break up of composition of workforce (2013, 2022)



Source: Primary Interactions, KPMG Analysis

An analysis of the breakup of workforce across organized and unorganized segments indicates that the share of organized employment would increase from 5% in 2013 to 13% by 2022

Supply & Training Infrastructure

Details of courses and seats on furniture and furnishing

Training Capacities in Industrial Training Institutes (ITIs)

ITI Trades	No. of I.T.I.'s		Capacity	
	Govt.	Pvt	Govt.	PVT
Carpenter	379	91	7088	1904
Cane, willow, bamboo work	1	1	32	16
Fitter	1731	8650	55040	293792
Interior decorating and designing	32	36	704	896
Machinist	441	84	17984	2160
Mechanic machine tool maintenance	70	6	1680	144
Operator advanced machine tool	4	1	0	0
Upholsterer	1	0	16	0
Upholster	3	2	48	32

Aside these institutes, electrical engineers from various colleges are hired in the lighting industry. Also, IITs and NITs offer course on interior designing.

Other Leading Institutions:

NAME	LOCATION	COURSE
National Institute of Design (NID)	Ahmedabad	<ul style="list-style-type: none"> 4 year graduate diploma in design 2.5 year post graduate diploma in design.
Indian Institute of Crafts and Design (IICD)	Jaipur	2 year Post Graduate Diploma in Craft Design with Hard Material Specialization
MIT School of Energy and Lighting	Pune	2 year course of Lighting including Illumination Engineering incorporating the art, science and technology of lighting
Srishti School of Art, Design and Technology	Bangalore	<ul style="list-style-type: none"> 3 year professional diploma program program in furniture and spatial design 2 year post graduate advanced professional diploma program in furniture and spatial design

Labour supply for furniture and furnishing

- Labor is easily available in Uttar Pradesh, Madhya Pradesh, Bihar, West Bengal, Orissa, Maharashtra.
- People in these states have no alternative employment opportunity and as they are minimally skilled, they find furniture & furnishing sector attractive.
- Youth aspirations for employment in the sector across demand clusters is low considering that these geographies are metro, tier 1 and tier 2 cities with better employment prospects in other manufacturing/services segments.

Source: Directorate General of Employment & Training, KPMG Analysis

Recommendations

Select recommendations

Recommendation	Details
Focus on Research and development	<ul style="list-style-type: none">Research and development has to be a focus area, hence there is a need for sector-academia collaboration as well as individual R&D efforts by companies.
Liberalize Tax Policy	<ul style="list-style-type: none">The Government of India presently allows duty free import of furniture for all the SEZs and STPIs. A sales tax of 14.5% is being imposed for transactions with local players. This incentives import rather than local buying, which is affecting the sector growth. Revisiting this tax policy will help local business
To Design Course Content in Alignment with Global Trends	<ul style="list-style-type: none">Collaborative training should be encouraged in the sector. Due to increased automation, machine operation is driving production in the organised sector. Machines are mostly imported and thus operating them needs specialised guidance. Investment on such machines for training purposes could be unviable given the rapidly evolving technologies. Thus, having foreign partners to run training programs can result in effective and efficient knowledge sharing. More initiatives like the Karnataka German Multi Skill Development Centre should be encouraged and initiated across the country
Standards in Quality and Certifications	<ul style="list-style-type: none">At present there are no standards in the sector against which production quality can be benchmarked. Also, there is no standard authority to issue certificates for any training course. These need to be developed if the sector is to gain patronage by the potential workforce
Shift to Necessity sector	<ul style="list-style-type: none">It should be considered as a necessity good and VAT should be reduced for this sector.
Minimum wage rate policy	<ul style="list-style-type: none">Minimum wage rate policy should be revised. As it is discouraging labor to use their skills efficiently.

Table of Contents - Detailed Report

S. No	Section	Page
1.	Context and approach	4
2.	Industry classification	6
2.1	Furniture	7
2.2	Furnishings	9
3.	Industry overview	12
3.1	Industry Size, Growth trends	13
3.2	Government policies	16
3.3	Key Trends and growth drivers	19
3.4	SWOT analysis	23
4.	Overview of key industry segments	24
4.1	Key segments in Furniture Industry	25
4.2	Key segments in Furnishings Industry	26
5.	Geographical clusters	34
6.	Demographic characteristics of workforce	36
7.	Incremental human resource requirement (2013-17, 2017-22) and skill gaps	40
8.	Training Infrastructure	46
9.	Recommendations for stakeholders	51

Abbreviations

ASI	Annual Survey of Industries
NSDC	National Skill Development Corporation
CAGR	Compounded Average Growth Rate
NIC	National Industry Classification
NSSO	National Sample Survey Organization
MSME	Micro, Small & Medium Enterprises
CRM	Customer Relations Manager
CFL	Compact Fluorescent lamp
LED	Light Emitting Diodes
ITI	Industrial Training Institutes
CSIL	Center For Industrial Studies
NOS	National Occupation Standards
SSC	Sector Skill Council
SEZ	Special Economic Zones
LMIS	Labor Management Information System
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
ASSOCHAM	The Associated Chambers of Commerce and Industry of India
IKEA	Ingvar Kamprad, Elmtaryd and Agunnaryd
ICL	incandescent lamp
BEE	Bureau of Energy Efficiency
WMT	Wal-mart stores inc.
CA	carrefour SA
AFMI	Association of Furniture Manufacturers of India
SFIC	Singapore Furniture Industries Council
IIFF	India International Furniture Fair
NID	National Institute of Design
IICD	Indian Institute of Crafts and Design
FDI	Foreign Direct Investment

Context and approach

Brief background

NSDC had conducted sector-wise skill gap studies for 19 high priority sectors in 2008–09 .

- KPMG has been engaged as a consultant to help evaluate the skill gap across 25 sectors and develop actionable recommendations for its stakeholders.
- Mandate includes sector and sub-sector level analysis, demand-supply projection, estimation of incremental man-power requirement between 2013-2017 and 2017-2022, identification of key-employment clusters, and SWOT analysis of each sector
- Study also aims to take qualitative insights from stakeholders on enablers and challenges for each sector, way forward in terms of specific policy level actionable recommendations

Inclusions over the previous study

- Study led by industry – Sector Skill Councils and a panel of professionals from different sub-sectors were consulted for their inputs on industry trends, key takeaways in terms of skill requirement, qualitative insights to understand specific interventions required for each sector and to validate the quantitative results and recommendations

- 6 sectors were added to the list of NSDC priority sectors for studying the skill gaps

Updated study also includes

- Identification of top 20 job-roles in each sector, case studies around good training practices, sub-sector level indicators and growth factors
- Study also includes understanding of existing training infrastructure, work-force characteristics and employment clusters,
- Macro economic factors, central and state governments policies and their envisaged impact
- Synchronisation of the sector wise demand from the district level skill gap studies
- Recommendations for key stakeholders - Industry, NSDC, Training organizations and Government
- Environment scans every year till 2015-16 including SWOT analysis for the sector

Industry classification

Industry classification

Coverage of Furniture sub-sector as per NIC 2008 classification

Division 31 : Manufacture of Furniture	
3100: manufacture of furniture	This class includes manufacture of furniture of any kind, any material (except stone, concrete or ceramic) for any place and various purposes
	31001 Manufacture of furniture made of wood
	31002 Manufacture of furniture made of cane & reed
	31003 Manufacture of furniture primarily of metal
	31004 Manufacture of furniture primarily of plastic
	31005 Manufacture of mattresses and pillows
31009 Manufacture of other furniture	

Division 22 : Manufacture of Furniture	
2219 : Manufacture of other rubber products	22191 Manufacture of rubber plates, sheets, strips, rods, tubes, pipes, hoses and profile -shapes etc.
	22192 Manufacture of rubber conveyor or transmission belts or belting

Division 23 : Manufacture of Furniture	
2396 : Cutting, shaping and finishing of stone	This class includes cutting, shaping and finishing of stone for use in construction, in cemeteries, on roads, as roofing etc.
	23960 Cutting, shaping and finishing of stone

Division 28 : Manufacture of Furniture	
2817 : Manufacture of office machinery and equipment	This class includes manufacture of white boards and marker boards

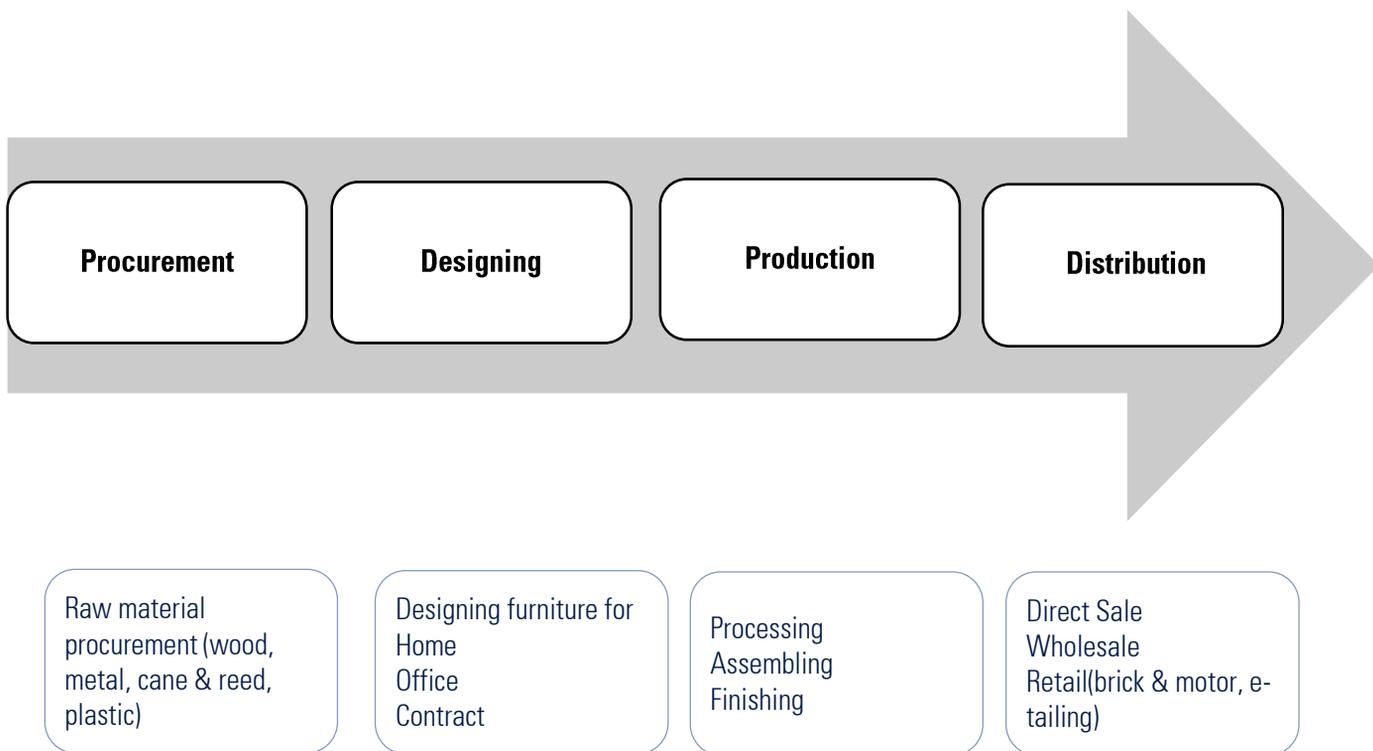
Division 46 :Wholesale	
4659 : Wholesale of other machinery and equipment	46591 Wholesale of office machinery and equipment, except computers and computer peripheral equipment

Division 47 : Retail	
4759	47591 Retail sale of household furniture

Industry classification

Value chain & mapping of NIC classification.

The Furniture industry follows a four level value chain



The processes used in the manufacturing of furniture are standard methods of receiving material, cutting & moulding, component fabrication, assembly, finishing & packaging. The design of the article, for both aesthetic and functional qualities, is an important aspect of the production process.

Some of the processes used in furniture manufacturing are similar to processes that are used in other segments of manufacturing. For example, cutting and assembly occurs in the production of wood trusses is the same as in general manufacturing of wood product. However, the multiple processes distinguish wood furniture manufacturing from wood product manufacturing.

Similarly, metal furniture manufacturing uses techniques that are also employed in the manufacturing of roll-formed products. The moulding process for plastics furniture is similar to the moulding of other plastics products.

Furniture manufacturers use channels like Direct Sale, Wholesale, Retail. Now manufacturers are adopting Hybrid model (Brick Motor and e-retailing). E-retailing is a new concept but is becoming popular these days.

Industry classification

Furnishing

Tiling floor



Laying Carpet



Tiling the wall



Installing wallpaper



Painting the wall



Plastering

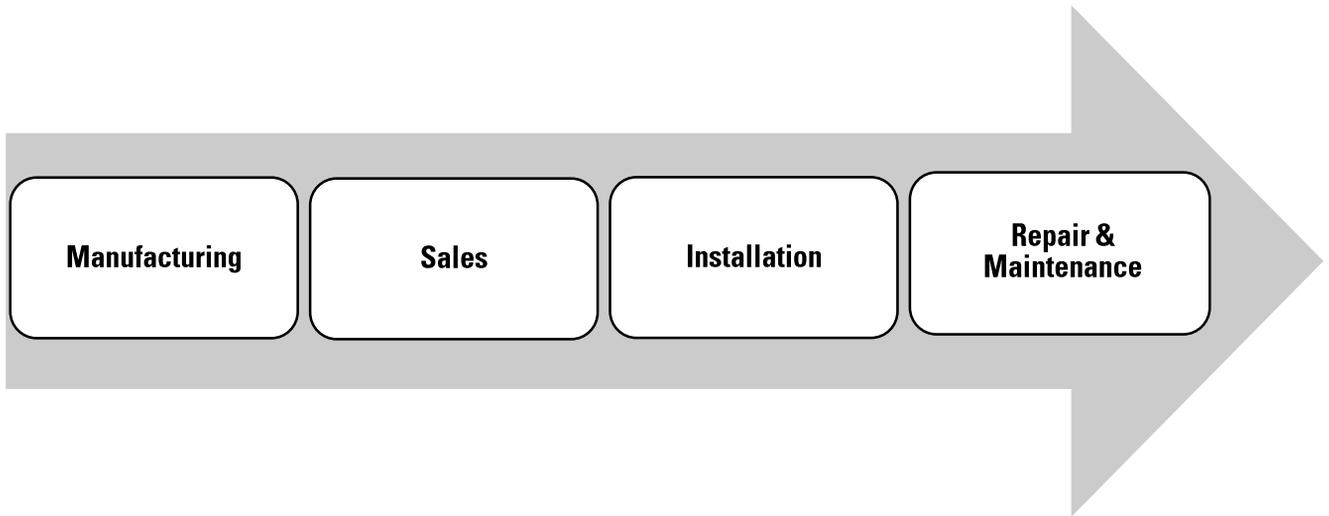


Industry classification

Coverage of Furnishing sub-sector as per NIC 2008 classification

Division 43 : Furnishing	
4330 Building completion and finishing	43301 Installation of doors, windows, door and window frames, fitted kitchens of wood or other materials
	43302 Interior completion such as ceilings, wooden wall coverings, movable partitions etc. ; Laying of parquet and other wood floor coverings, carpets and linoleum, wallpaper; tiling with ceramic, concrete or cut stone ceramic etc.
	43303 Interior and exterior painting, glazing, plastering and decorating of buildings (does this mean interior decoration) or civil engineering structures
	43309 Other building completion and finishing

Division 95 : Repair of computers and personal and household goods	
9524 Repair of furniture and home furnishings	95240 Repair of furniture and home furnishings



Furnishing Manufacturing has already been included in other sector report that is why we are not including manufacturing into our report here. Sales and installation has been taken together because majority of player plays both the activities together.

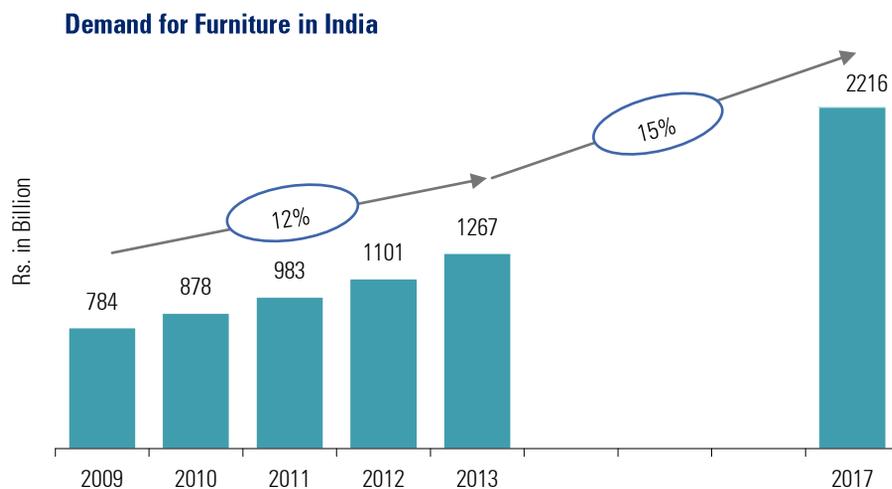
Product Categories covered under Furnishing segment are:

- Interior completion such as ceilings, wooden wall coverings, movable partitions etc. , laying of parquet and other wood floor coverings, carpets and linoleum, wallpaper; tiling with ceramic, concrete or cut stone ceramic.
- Interior and exterior painting, glazing, plastering and decorating of buildings (does this mean interior decoration) or civil engineering structures.
- Installation of doors, windows, door and window frames, fitted kitchens of wood or other materials
- Repair of furniture and home furnishings.

Industry overview

Industry overview

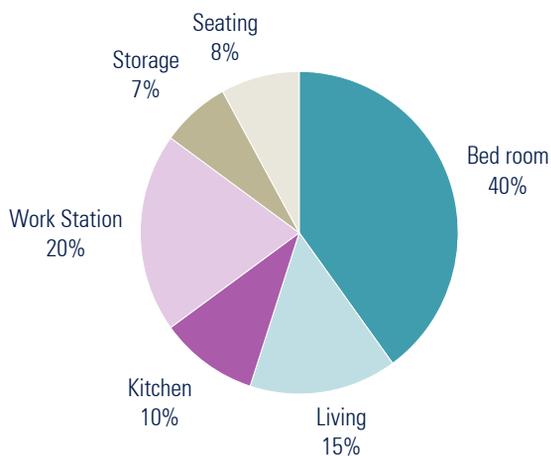
Industry size and growth projections



Sources: Furniture in India, October 2013, Euro monitor

- Demand for furniture in India surged at 12% annual rate over 2007-2012, and in 2013 it increased at a rate of 15%.
- The market is moving more towards organised segment. This is marked by increasing customer preference for readymade, branded furniture.
- Preference is tilting towards high-end, low maintenance, quickly installable products, with customisation options.
- Simple, contemporary designs are preferred over heavy, complex traditional furniture.

Indian furniture: Product – wise market share



Home furniture is the largest segment in the Indian furniture market, accounting for about 65 percent of sales.

Source: KPMG India Analysis , April 2014

Industry overview

India is a net importer of furniture and furnishing products

Import of Furniture in India received a boost in 1998, when importers no longer required a license or special permission to import to India. By 2000, the India government allowed foreigners to invest 100% in local furniture manufacturing. This policy enticed companies such as Sauder and Herman Miller (US), Lista (Switzerland), and Gautier (France) to enter the India market.

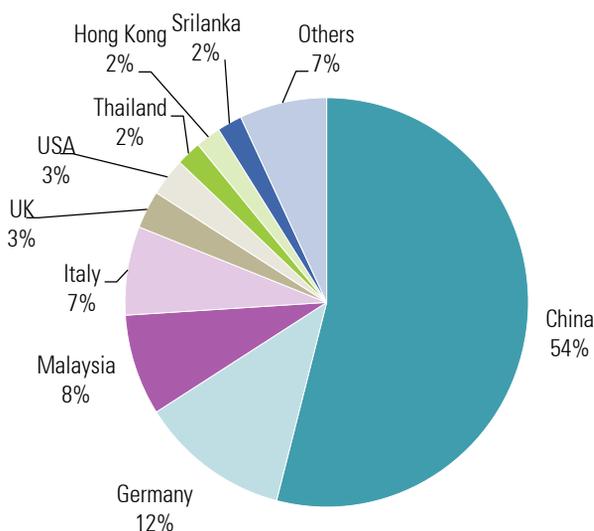
For the period 2008-13, furniture imports grew at a CAGR of 17%. The share of total furniture and furnishings import in total Indian imports was 0.2% in 2012.

JNPT accounted for 39% of Import followed by Delhi TKD ICD and Bangalore ICD which account for 18% and 11% of imports respectively.

Average value per shipment of Furniture imports in India is USD 608,948

Top five countries from which India imported furniture in 2012 were China, Germany, Malaysia, Italy, and the USA. China largely dominates the furniture imports into India followed by Germany, Malaysia, United States of America, Italy and the US.

Country wise Breakup of Furniture import



Import Opportunity:

Source: Selected Statistics of foreign trade of India

- The demand for branded furniture has increased in India due to the emerging upper and middle class urban population.
- Although demand for local artisan furniture still exists, the growth is in imports as Indians seek contemporary designs in a modern world.
- The reduction in import tariffs has also driven the growth of imported furniture. All these factors provide a very favourable environment for those importers interested in importing furniture to India.
- Import products are Bedding, Mattresses, Mattresses supports, Cushions & similar stuffed furnishing, lamps & lighting fitting.

Industry overview

India is exporting maximum share of furniture to United States and United Kingdom accounting for 47% of total export.

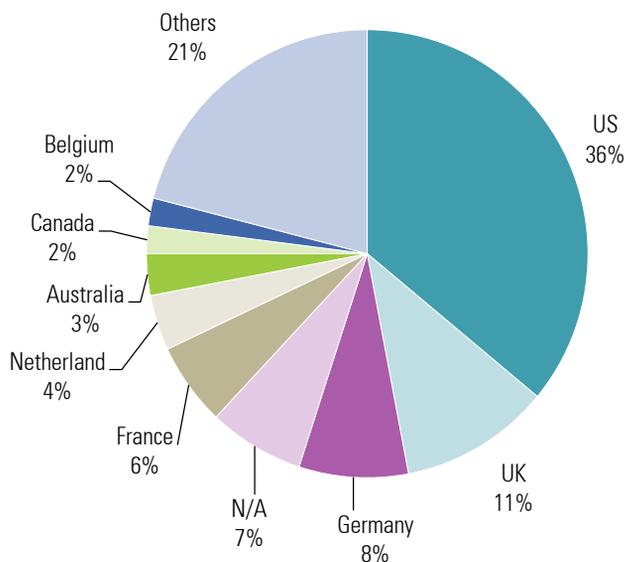
India is taking various initiatives to increase furniture export market. For this Indian Govt. has requested Bhutan to remove restrictions imposed on import of furniture in Bhutan.

India has potential to make forest produce like wood and paper as major foreign exchange earner and UN's Food and Agricultural Organization (FAO) is ready to extend knowledge and technological assistance for the same, a top FAO official said.

FAO official said in a meet that through sustainable afforestation policy India could transform its forest wealth a major commercial venture.

India and China have signed a memorandum of understanding for promotion of exports of Indian handicrafts. The MOU will focus on promotion of exports of products such as ethnic and contemporary furniture, wooden handicrafts including furniture from Jodhpur and Saharanpur, imitation jewellery and fashion jewellery and art metal ware from Moradabad.

Furniture Major Buyer Countries- by value in USD



Source: Selected Statistics of foreign trade of India

India is exporting maximum share of furniture to United States and United Kingdom accounting for 47% of total export. However, from US and UK, India is importing only 5% of total imports.

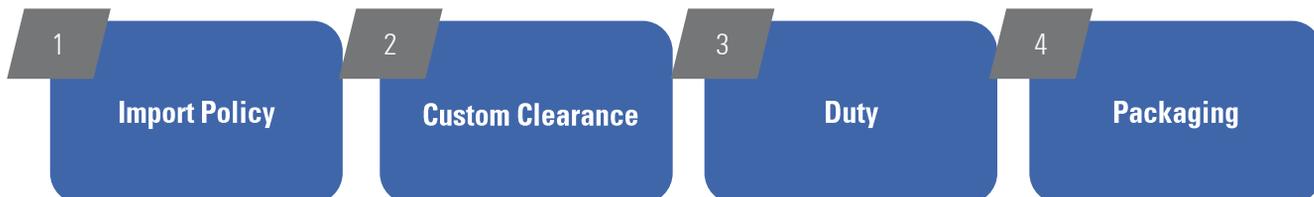
India is importing maximum share from China and Germany accounting for 66% of total import. However, India is not exporting furniture to China.

Mundra accounted for 37% of export followed by Delhi TKD ICO and JNPT which accounted for 18% and 10% of imports respectively. Average value per shipment of Furniture exports in India is USD 250,522.

Industry overview

Government policies

- Encouraging foreign direct investment, especially in areas which create jobs and provide technological advancement
- Passed regulations that allowed single-brand companies such as Ikea to open outlets without local partners.
- Allowed foreign multi-brand retailers such as [wal-mart stores inc. \(WMT\)](#) and [carrefour SA \(CA\)](#) to own as much as 51 percent of retail outlets



Import Policy

- Imports of furniture were liberalized in April 1998
- Importers in India require no license or prior permission to import furniture.
- Importers should have valid IEC (Import Export Code) issued by Directorate General of Foreign Trade.

Impact

- Import policy is leading to excessive competition in the industry.
- Many manufacturing units are shutting down as readymade products can be easily imported. Therefore, Organized segment is coming into retailing rather than manufacturing the products.
- Unemployment has increased as manufacturing plants are decreasing.

Customs Clearance(1962)

- Furniture imports into India have to pass through the procedure of Customs clearance as they cross the Indian border.
- The importers need to present Originals of Commercial invoice, packing List, Certificate of Origin, and Bill of Lading.

Duty

- Basic Custom Duty (15 per cent) + 2 per cent Education Cess)

Packaging

- Packages should comply with Import Policy provisions as laid down in The Policy circular 44 (RE 2000)/1997-2002 DT24th November, 2000.
- Each unit package should carry the following details:

- (a) Name and address of the importer;
- (b) Common name of the commodity packed;
- (c) Net quantity in terms of standard unit of weights and measures
- (d) Month and year of packing in which the commodity is manufactured or packed or imported.

Some Recent Projects and Investments: Furniture	
Project	Description
FDI In Retail	<p>IKEA to invest Rs. 10,500 Crore in India.</p> <ul style="list-style-type: none"> Proposal cleared in May 2013. IKEA has identified Haryana, Andhra Pradesh, Maharashtra and Karnataka to set up its single brand retail stores as part of the investment. The firm has also proposed setting up 10 furnishing and home ware stores as well as allied infrastructure. It also plans to open 15 more stores in over 10 years in India. <p>Hettich announced in September 2013 that it would invest Rs. 500 Crore in India over 5 years.</p> <ul style="list-style-type: none"> The German company, which established operations in India by setting up a 50:50 joint venture with the Saroj Poddar Group in 2000, has launched its Vadodara facility, set up at an investment of Rs 100 crore. The company expects to export 40% of its production from the Vadodara plant by 2016.
NCPL - Casa Shamuzzi Agreement	Noida-based developer NCPL entered into a licensing and marketing arrangement with Italian furnishing brand Casa Shamuzzi in January 2013.
Casa Décor Expansion Plans	In October 2013, Casa Décor, a joint venture of luxury furniture retailer Poltrona Frau and Tata Group indicated that it is looking at scaling up its business in the high end furniture retailing segment for home, offices and hospitality sector.

Some Recent Furniture Policy Change	
FDI in Retail	In November 2011, India's central government announced retail reforms for both multi-brand stores and single-brand stores. FDI in single brand retail stores was allowed to be 100% while for multi-brand, the limit was increased to 51%. This has paved way for big foreign furniture retailers like IKEA, Hettich to invest in India. This is a major step in promoting competition and opening up of retail space in India.

Industry overview

Expansions, acquisitions and investments marked some of the big investments in the industry during recent times...

Some Recent Projects and Investments: Furnishings	
Project	Description
FDI In Retail	<p>Panasonic submits application to set up single brand retail stores for lighting products (Feb 2014)</p> <ul style="list-style-type: none"> Submits application jointly with its fully owned Indian subsidiary Anchor Electricals for setting up company owned stores exclusively for Panasonic branded LED light fixtures and other lighting décor products Currently it has set up an exclusive LED lighting centre in Mumbai. Plans to roll out similar centres in Bangalore, Delhi, Chennai and Hyderabad.
Philips Research Facility Expansion	<p>Philips India in Nov 2013 announced expansion of its research and development facilities for lighting in India.</p> <ul style="list-style-type: none"> Philips has a lighting innovation centre in Noida. The company has so far invested \$15 million in its Noida innovation facility.
Actis-Halonix Acquisition	<p>Private equity firm Actis, through its affiliates Argon South Asia Ltd and Argon India Ltd, has bought the general lighting business of Halonix Ltd for an enterprise value of Rs160 crore, as per a stock market disclosure in Sept 2013.</p>
Sahasra Electronics Investment	<p>In June 2013, Government of India cleared the Rs.11.1 crore investment proposal by Sahasra Electronics for manufacturing LED lights in Noida as part of the National Policy on Electronics.</p>

Some Recent Furnishing Policy	
Bachat Lamp Yojna	<p>The Bachat Lamp Yojana Programme of Activities (PoA) is a scheme developed by BEE to promote energy efficient lighting in India. Under the BLY scheme quality long-life CFLs would be distributed by SSC-CPA implementer(s) to grid-connected residential households in exchange of an incandescent lamp (ICL) for Rs15. Once the CFLs have reached their end of life or any CFLs which have failed prematurely during the project period, the SSC-CPA implementer(s) would arrange for the collection and disposal of CFLs as per applicable environmental norms.</p>
National Policy on Electronics 2012	<p>The objective is to create a globally competitive electronics design and manufacturing industry to meet the country's needs and serve the international market.</p> <p>Goals for 2020:</p> <ul style="list-style-type: none"> Attract an investment of USD 100 billion Reach a turnover of USD 400 billion Create an employment of 28 million Enhance exports from USD 8 billion to USD 80 billion Grow the chip design/ embedded software industry to USD 55 billion
Lower Excise duty on LED lights	<p>In 2011 budget, excise duty on LED bulbs was lowered from 10% to 5% and full exemption on the special CVD of 4% was proposed.</p>

Source: KPMG Analysis

Comparison of India with leading countries in Furniture and Furnishing Sector

Labor

- Youth aspiration to enter this sector is low and existing workforce is looking at other sector/ opportunities for better wages and facilities.
- Sector doesn't offer competitive wages compared to other employment options such as- Drivers or self employment opportunities

Absolute and per capita Consumption

- In India absolute consumption is very high. However, Per capita consumption is low as compare to other countries, largely due to huge income disparity. However with rise in middle class segment, trend is moving towards achieving high per capita consumption in future.

Availability of raw material

- In India raw material is available only in limited states. It leads to manufacturers purchasing raw material from other states, paying transport & carriage apart from other charges. It results to higher raw material cost increasing their manufacturing cost.

Technology

While a large amount of manufacturing activity takes place in unorganized sector, market is slowly moving towards technology advancement with growing number of organized players stepping-in. As unorganized segment is having a major share in Furniture and Furnishings sector, therefore their products are not competitive enough in the domestic as well as Global market.

As per an ASSOCHAM report, there are total 1,419 registered furniture factories. However, only 1,157 factories were under operation as of 2011-12 i.e. about 20 per cent of registered furniture factories in India were non-operational due to labor dogs & lack of modernization

Some of the existing challenges faced by the industry in terms of gaps in human resource and skill requirement

Labour

- Recruiting labour is considered a huge challenge. Two main reasons attached to it are:
- Attraction towards white collared jobs
 - Government policies like the MGNREGA where people get short term employment for attractive wages. This has affected migrant labour especially.
 - Sector is also not considered higher in social status leading to youth not willing to join the workforce

- There are no industry standards for furniture manufacturing at the moment.
- The sector does not have an Sector Skill Council and any training standards at the moment
- Very few institutes have dedicated course for furniture industry.
- No standard parameters for quality check are available in Indian furniture industry. Thus, there is no clear delineation of job roles.
- Lack of parameters or certifying agencies are resulting into no check on standards in manufacturing, wage rates, working environment etc.

Lack of Standards and certification

Skill Gap

- Automation is leading to de-skilling. This means people need to be trained in machine operations mainly.
- Real concern is the skill set of technical people like production managers, designers, etc.

- With large part of sector being unorganized, Service tax is considered higher for unorganized segment to bear.
- VAT introduction is a hindrance for trade within India.
- Policies on procuring raw material is not conducive for industry and benefits are limited to few players/regions.
- Cartage problem is faced due to availability of raw material in some states only.
- There is a lack of incentive for unorganized segment to adopt newer technology.

Govt. Policies

Industry overview

These drivers will have a positive impact on production and would likely lead to expansion of the sector thereby driving the manpower requirement

Growing Disposable Income

Private final consumption expenditure on furniture and furnishings has grown at a CAGR of 9.51% between 2004-05 and 2010-11. Revival in real estate and hospitality sectors combined with rising disposable incomes will further drive the furniture industry's growth in India

Legislation

Incandescent bulbs are being replaced by CFLs and this has indirectly resulted in increased production of CFLs. The size of the CFL market in 2009 pegged at 230 million units and is expected to exceed 400 million units by the year 2014.

Consumer preference

Consumer preference is changing directly with their purchasing power. The purchasing power of Indian consumer has made it possible for the real estate developers and interior decorator to build apartments and home fitted with super high end services like, spa, sauna, Jacuzzi. (ANI)

Emerging segments

Segments like Modular kitchen, Glass glazing, false ceiling, wall tiles, wallpaper, interior designing are the emerging segments. These are the reason for expansion of the sector.

Industry overview

There are new trends emerging in the furniture and furnishing sector that would require more man power with specific skill sets

Hybrid business model

- Most businesses are now operating a hybrid business model where traditional stores are managed along side online sales.
- Businesses are moving from dealership to franchisee models for increased penetration.
- This helps the business build its brand value and also at the same time gives it a lot of visibility.

Importance on Design and Designing

- Consumers are increasingly preferring high-end, low maintenance, quickly installable products, with customization options to cater for the specific need.
- The business is becoming more customer centric with more people opting for smartly designed furniture with a stress on functionality.

Premiumisation

- People are becoming more brand conscious and they are increasingly demanding premium branded products.
- This has been a critical factor in driving the demand for both furniture and furnishings.

Energy Efficient Technology

- Incandescent lamps, the most energy inefficient technology, are being replaced by energy efficient CFLs and LEDs.
- LED and CFL are expected to grow at a higher rate.
- Some state Governments in India like the Government of Tamil Nadu and Karnataka have banned the use of incandescent lamps in government offices.

Industry overview

SWOT Analysis

Strengths	<ul style="list-style-type: none"> ▪ Economical production cost ▪ Increasing demand for simple, clean designs ▪ Excellent outsourcing facilities ▪ Increasing share of the organised segment ▪ Evolving efficient supply chain management ▪ Better process control and storage facilities ▪ Better information availability to both the consumers and the producers ▪ Improved business climate and infrastructure facilities
Weaknesses	<ul style="list-style-type: none"> ▪ Highly unorganised and fragmented sector ▪ Piece driven industry that operates on demand ▪ Since the industry is highly fragmented, and lacks direct market exposure, workers not equipped properly ▪ Poor supply chain management system ▪ Poor stock control facilities ▪ Slow absorption of innovation change ▪ Lack of skilled manpower ▪ India is still a net importer of furniture ▪ Absence of Sector Skill Council for the sector ▪ No standards available for industry to benchmark production ▪ No nodal body for certification available ▪ No known skill initiatives focused on the sector
Opportunities	<ul style="list-style-type: none"> ▪ Expanding middle income group with larger pockets that drive demand ▪ Huge opportunity in Design space and also in emerging market segment in services ▪ Huge unexplored retail space available for the industry to foray into ▪ Huge unpenetrated rural market ▪ Low labour costs ▪ Unexploited research and development capability ▪ Design space opening up due to change in consumer preferences and awareness ▪ Hybrid business models offer scope for business expansion
Threats	<ul style="list-style-type: none"> ▪ Wooden furniture has the single largest market in India. With more policies aimed at protecting the environment being tabled, there may be limitations imposed sourcing wood from domestic forests. ▪ Organised retailing in furniture is relatively new in India and local firms could suffer due to the new FDI rules which will bring in established foreign players into the foray. ▪ Large variations in stock control owing to new production methods ▪ Highly bureaucratic and unreliable business environment ▪ Unfavourable Government tax policies promoting imports ▪ Local firms could suffer due to the new FDI rules which will bring in established foreign players into the foray

Overview of key industry segments

Overview of key industry segments

Furniture-consumer segments and types of furniture

Furniture	
Residential	<ul style="list-style-type: none">▪ Dining and Living▪ Bedroom▪ Kitchen▪ Storage
Office	<ul style="list-style-type: none">▪ Desk Operatives▪ Storage▪ Lounge
Hotels	Beds, dressers, wardrobes, bars, tables, panelling blinds, bed treatments, lighting
Hospital/Nursing homes	Beds, chairs, tables, lighting, bed treatment
Educational Institutes	Schools and College
Retail	Shelves, counters, tables, chairs, desks, lighting
Restaurant and Public Houses	Bar stools, tables, chairs, lighting

Furniture-Product categories	
Wood	<ul style="list-style-type: none">▪ Sheesham▪ Teak▪ Rosewood▪ Particle wood▪ Mango▪ Plywood
Metal	<ul style="list-style-type: none">▪ Stainless steel▪ Aluminum▪ Iron
Plastic	
Cane & Reed	

Wooden Home furniture is the largest segment

- Rapid urbanization, changes in socio-economic structure, greater awareness among consumers about wood coatings, increased activity in construction and furniture are expected to influence the demand for adhesives, epoxies and wood coatings in India.
- Woodworking adhesives and wood finishes use is driven by the growth of the Furniture industry in India
- Key states for wood furniture: Gujarat, UP, Punjab, Kerala, Andhra Pradesh, West Bengal

Source: KPMG in India Analysis

Overview of key industry segments

Furnishing-Product categories

Furnishing sub-sector include Installation and repair & maintenance. Various Categories which are covered in Furnishing sub-sector:

- Interior completion such as ceilings, wooden wall coverings, movable partitions etc. , laying of parquet and other wood floor coverings, carpets and linoleum, wallpaper; tiling with ceramic, concrete or cut stone ceramic.
- Interior and exterior painting, glazing, plastering and decorating.
- Installation of doors, windows, door and window frames, fitted kitchens of wood or other materials.
- Repair of furniture and home furnishings.

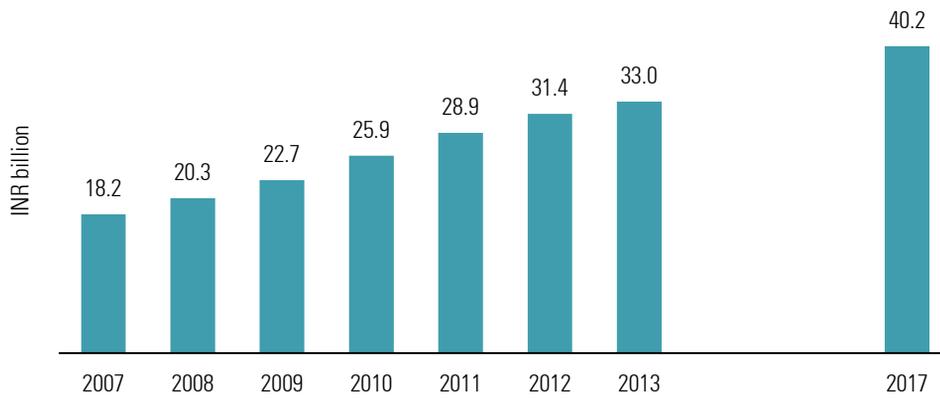
While Indian home furnishing industry has a place of its own, it faces stiff competition from China. Though China is clearly the leading exporter in the world of home furnishings, it is not a direct competitor to India because it mainly uses man-made fibers and caters to mass markets whereas India produces natural fibers and serves niche markets.



Overview of key industry segments

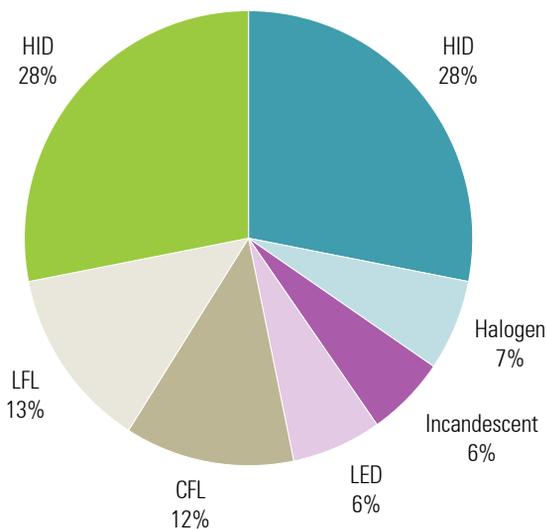
Electrical lighting

Lighting sales



Lighting sales grew at a CAGR of 11.5% between 2007 and 2012 and in 2013 grew at a CAGR of 5.1%. Expected to grow at CAGR of 5.1% till 2017. Per capita consumption of lighting is low in India and thus potential for growth is high.

Market Share by light sources



Lighting will get a boost due to transition from bulbs to CFL and LED lamps. Transition is being made to CFLs and LEDs from incandescent lamps as a measure of energy efficient lighting. Incandescent lamps, however, will not disappear altogether as consumers in small towns and rural areas prefer these over CFL lamps due to price-related issues. CFLs and LED demand will grow at a high rate in future.

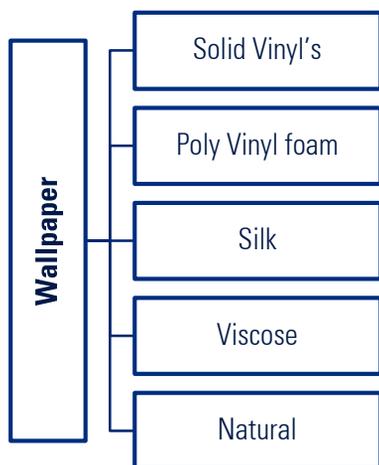
*High Intensity discharge

Overview of key industry segments

Wallpaper

- Sales of wall art prints and posters have risen in India as people are quite attracted towards the western style of painting as well as photography which are made available in prints format on paper.
- Wallpaper is manufactured mainly in Delhi, Uttarakhand, Ambala, Gujarat, Maharashtra, West Bengal, Hyderabad, Ahmedabad, Chennai, Naraina, Tamil Nadu, Karnataka, Rajasthan and Uttar Pradesh.
- Online art stores have also risen in the past that sell various forms of art prints, posters as well custom framed art online in India.
- Today, vibrant colours are preferred over soft hues of whites and off-whites. They bring life to your interiors. Colours like lemon yellow, deep orange, bright maroon and others are in vogue.

Thus with the rise of internet and retail formats, people in India have been very much receptive to buy art and decorate their homes in a modern way.



Reasons for increasing demand of wallpapers:

- People who are looking for timesaving and convenience prefer wallpapers.
- It is also useful to those who have breathing and asthma, skin and allergy problems.
- Wallpapering can be done in just eight hours whereas painting takes 12 to 15 days.
- P.V.F. Wallpapers are fire retardant, tear sponge washable, heat resistant (thereby maintaining a steady room temperature), odourless, noise-absorbing and clean and quick to install.
- Budgeting for good quality paint and wallpaper is almost the same, but imported wallpapers cost up to Rs.100 per sq.m. Some special materials also cost up to Rs.200 per sq. ft. or more. They also suit every budget as Indian wallpapers are available in a range of Rs.11 to Rs.80 per sq. ft. Inclusive of installation at site.
- The replacement becomes very economical, since the entire wall and ceiling does not need to be done again.

Wall tiles

- With huge untapped potential, India is an enticing market for wall covering manufacturers.
- Demand for ceramic wall tiles is expected to show high growth in the region.
- Europe and Asia-Pacific constitute two of the largest regional markets, as stated by the new market research report on Wall Coverings.
- In terms of most promising growth potential, Asia-Pacific, backed by China, India, Indonesia, Thailand and others is the clear winner, and forecast to expand at a CAGR of more than 3.0% through 2015.



Overview of key industry segments

False ceiling

False Ceilings in India are a relatively new concept but definitely a huge potential market. False ceilings are best suited ceiling furnishing solutions for a tropical climate like India. The usual problems pertaining to dirt, hygiene factor, expenses and maintenance are resolved by the use of False Ceiling boards or Tiles.

False ceiling demand is increasing with the increase in Real estate market. All the constructors and interior decorators use false ceiling to make property attractive to buy.

False ceiling varieties like Grid Ceilings and Minimal Fiber Ceilings are fabricated from Solid PVC foam.

The false ceilings in India are available at various false ceilings supplier stores and retail outlets.

They can be customized depending upon design requirements and customer preference directly by the False Ceilings Manufacturers in India.

The various advantages of False Ceilings making them suitable for Indian Homes are:

- Durability
- Light Weight
- Portability
- Waterproof
- Fire Resistant
- Mild Acids and Alkali Resistant
- Unharmed by Fungus or Termites
- Minimal Affect of Harmful Chemicals
- Superior Quality
- Easy Installations
- Inexpensive



False Ceilings are best suited alternative for ceiling surfaces requiring fixed, non-porous, non-fibrous as well as non-absorbent material.

Fitted kitchens

- The modular kitchen market in India is growing at a rapid rate in the country. The market is expanding as the demand is no longer restricted to the upper middle class, but is gaining popularity among other socio-economic classes also.
- According to a new report by RNCOS, the growth in the per capita income of people, coupled with efforts on the part of organized players to offer services at affordable rates, are some of the factors which are providing a boost to the modular kitchen demand in the country.
- At an annual growth rate of 40 percent, the business of kitchen appliances is head and shoulder above the IT industry in the city. Modular appliances, which revolutionised the lives of homemakers with ease and elegance, mean serious business for the NCR entrepreneur.
- According to a study carried out by web portal people in India are willing to invest an average of Rs2.5 lakh in modular kitchens with some users willing to spend as much as Rs15 lakh
- The site has received tremendous response and is growing 100% every quarter.
- More than 85% of interest and investments in modern kitchens comes from Top 10 cities: Mumbai, Delhi, Bangalore, Chennai, Hyderabad, Pune, Kolkata, Ahmedabad, Chandigarh, Jaipur
- 'Indian' style modular kitchens are more popular and receive four times the number of visits when compared to the 'Italian' style modular kitchens.
- With emergence of nuclear families, increasing number of housing projects, growth in organized retail and a changing view on home aesthetics, the modular kitchen market is anticipated to witness growth in the coming years also.



Overview of key industry segments

Market scenario of glass glazing

- The Indian glass glazing industry is in the early stages of market development. In the 1990s, most high-end buildings in various parts of India adopted glazing as a standard technology, especially driven by the IT boom.
- Currently, India's glass production capacity is relatively low, compared to other developing Nations. Today, glazing is common in most commercial structures in India, especially in malls, IT facilities and other corporate buildings.
- Glazing is preferred mainly because it is light-weight and immediately uplifts the appearance of a building. It requires relatively less maintenance, thereby making it an apt choice for builders.
- The introduction of FDI into the real estate sector has encouraged various international players to enter the Indian market, thereby paving the way for world class standards of safety and quality in construction. This is another key factor that is driving the growth of the market to an organised level.

OPPORTUNITIES:

- High growth regions, mainly the western and the southern regions of India, consume majority of the glass used in glazing. Cities like Mumbai, Pune and Ahmedabad are the major consumers in the western region, and strong sales force in these cities will assure higher market share.
- Southern cities like Chennai, Hyderabad, Bengaluru and Cochin are witnessing a rapid increase in construction activities driving the growth for glass glazing in the region.
- Increase in demand for decorative glass with digital prints and adoption of green building techniques are providing unprecedented opportunities for glass manufacturers in India.
- Construction of dwelling units is increasing and architects are using more glass and value-added glass.

TRENDS:

- Greener glasses : The tropical weather conditions in India and the high level of solar radiation
- Gas-filled glazing (insulated glazing (IG), more commonly known as double glazing (or double-pane, and increasingly triple glazing/pane) are double or triple glass window panes separated by an air or other gas filled space to reduce heat transfer across a part of the building envelope)
- Coated glass, insulated glass and high-performance glass, are witnessing the emergence of a new breed of customers, who make a conscious effort to overlook price for the purpose of safety and environment sustainability.

Overview of key industry segments

Interior designing

Interior Designing is not new in India. Wonderfully done interiors of the hundreds of monuments and places of worship across our country for thousands of years are the signs that interior designing exists in India since very long.

All this while, interior designing formed an integral part of its larger discipline, Architecture. However, in the late 1980s, interior designing came to be recognised as a separate discipline and with the liberalization of the economy in 1990, the profession of designing and decorating interiors has grown by leaps and bounds.

It's scope has widened to include:

- **Residential Design:** Private houses, bungalows, condominiums, farmhouses etc.
- **Office Space:** For corporate houses, government buildings.
- **Retail & Commercial Space:** Boutiques, department stores, malls, food and retailing centres.
- **Entertainment Space:** Movies halls, theatres, theme parks, clubs, dramatic and musical theatre.
- **Hospitality:** Restaurants, country clubs and hotels.

Drivers:

The key drivers in the growth of interior designing firms in India are:

- Construction boom in all major cities and in most small towns in India.
- The purchasing power of Indian consumer has made it possible for the real estate developers and interior decorator to build apartments and home fitted with super high end services like, spa, sauna, Jacuzzi.
- Rising need for professional help to make the limited living and working space more comfortable, beautiful and practical.
- Rising number of exhibitions and decors in big cities and towns.

Geographical clusters

Geographical clusters

There 26 Furniture and furnishing production clusters in India

Key Clusters in India



Some Key Clusters and their details

Cluster Name	State
Kanpur Steel Furniture	UP
Saharanpur Wood Furniture	UP
Lucknow Steel Furniture	UP
Malappuram Wood Furniture	Kerala
Ernakulam Wood Furniture	Kerala
Taliparamba Wood Furniture	Kerala
Gadchiroli Bamboo	Maharashtra
Bareilly Cane & Bamboo	UP
Beliaghata Lamp	West Bengal
Patna GLS Lamps	Bihar

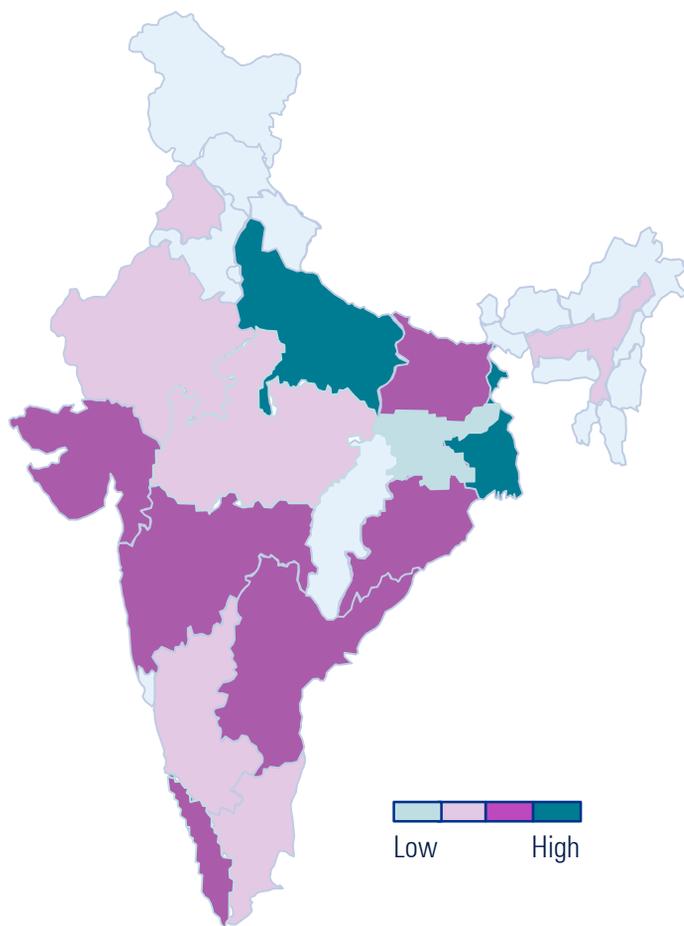
Out of 1,419 registered furniture manufacturing units, Maharashtra is the leading state with 222 registered furniture factories followed by Tamil Nadu (201), Rajasthan (124), Andhra Pradesh (119) and Karnataka (112). The top five registered factories constitute almost 55 per cent of registered furniture factories in India.

Source: ASSOCHAM

Demographic characteristics of workforce

Demographic characteristics of workforce

Almost 50% of the total employment is distributed among five states alone



States	Furniture Employment	Proportion of Employment
West Bengal	355,124	16.58%
Uttar Pradesh	238,544	11.14%
Maharashtra	203,124	9.49%
Bihar	150,996	7.05%
Gujarat	138,213	6.45%
Kerala	137,156	6.41%
Odisha	122,181	5.71%
Andhra Pradesh	117,997	5.51%
Assam	104,121	4.86%
Tamil Nadu	94,117	4.40%
Rajasthan	83,652	3.91%
Punjab	82,592	3.86%
Karnataka	73,238	3.42%
Madhya Pradesh	55,643	2.60%
Rest of India	184,663	8.62%
Total	2,141,362	100.00%

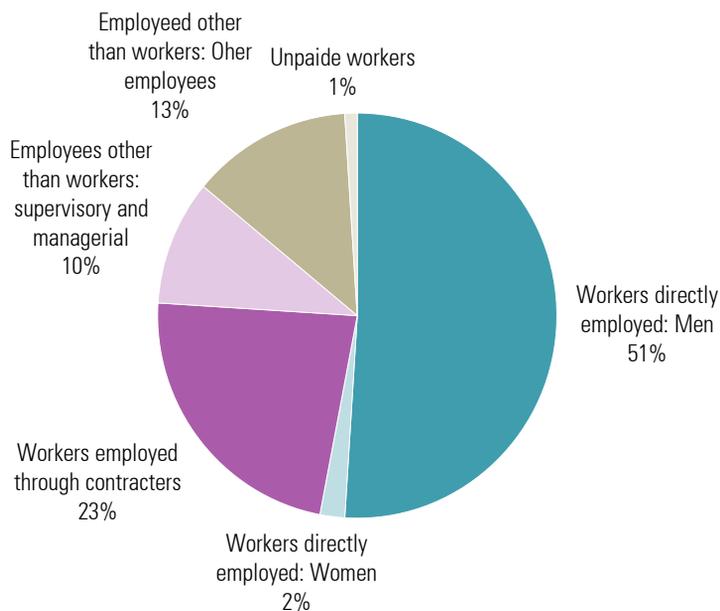
NSSO employment data gives the total employment figures for the sector. Thus, the numbers are inclusive of the unorganised sector employment figures as well. According to its 68th Round, 50% of the total employment in furniture manufacturing is concentrated in the five states of West Bengal, Uttar Pradesh, Maharashtra, Bihar and Gujarat. West Bengal, UP and Maharashtra alone account for nearly 38% of the work force.

“Registered furniture factories have more potential in terms of employment generation as on an average one registered furniture factory generates 40 jobs whereas an unorganized factory generates just about three jobs.”

Demographic characteristics of workforce

About 97% of the workforce involved in furniture sector are school drop outs.

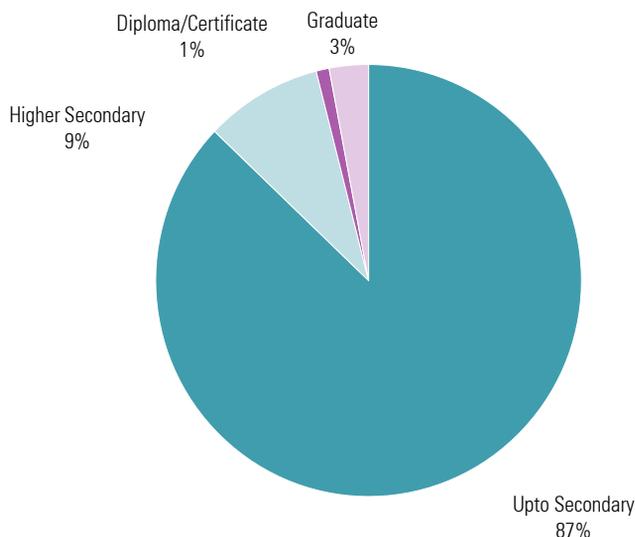
Workforce break up: Furniture (2010-11)



In the organized furniture segment, workers account for more than half of the total workforce. Managerial and supervisors account for 10% of the total workforce and contractor workers account for nearly 25 percent of the total workforce.

Source: NSSO 68th Round, KPMG in India Analysis

Workforce Qualification



About 97% of the workforce involved in furniture sector are school drop outs. Of this, 88% have an education qualification of secondary education or less.

Most of the floor level employees have a qualification of completing school education or less. Thus, the statistics might be a pointer that people working on production floor constitute the largest share.

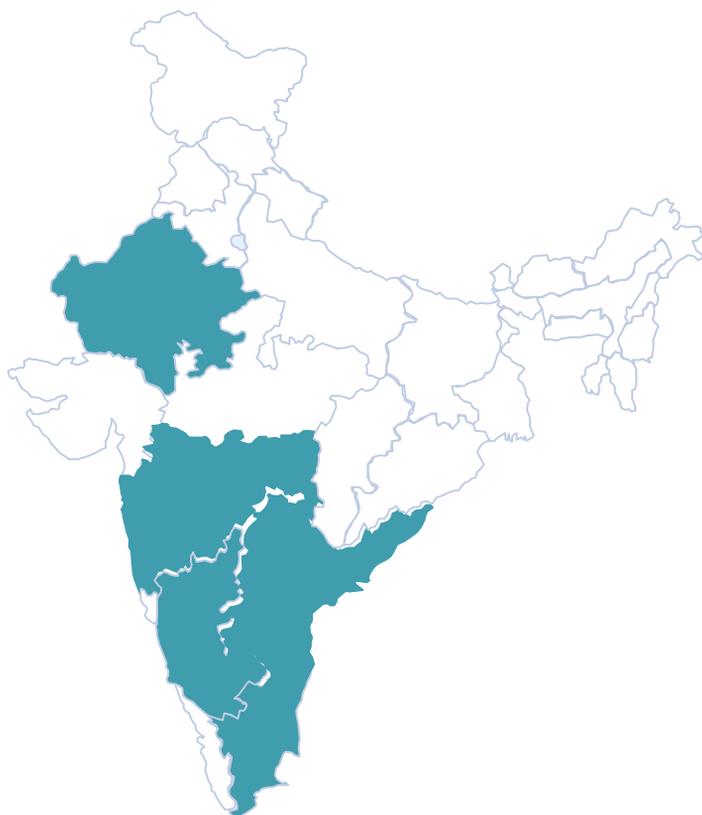
People holding a diploma certificate is a meagre 1% and 3% are graduates. This 4% will mostly be involved in the mid and higher management.

Source: ASI 2010

Demographic characteristics of workforce

Demographic and workforce characteristics in Organised Furniture market follows a similar pattern. Workers outnumber managers and supervisors.

Demographic Distribution of Number of Persons Engaged in Furniture Manufacturing in organised sector (2010-11)



States/UTs	Employment in registered manufacturing units
Maharashtra	15,100
Rajasthan	15,053
Tamil Nadu	9,318
Karnataka	4,998
AP	4,087
Total	48,556

Source: NSSO, ASSOCHAM

Of over 57,000 jobs being generated by registered furniture factories across India, Maharashtra is Numero Uno in generating maximum of over 15,100 jobs followed by Rajasthan (15,053), Tamil Nadu (9,318), Karnataka (4,998) and Andhra Pradesh (4,087) with top five states accounting for about 68 per cent of total employment generated by registered furniture sector in India

**Incremental Human
Resource
Requirement (2013-
17, 2017-22) and
skill gaps**

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Current workforce of 4.11 million (2013) is expected to increase to ~11.3 million by 2022

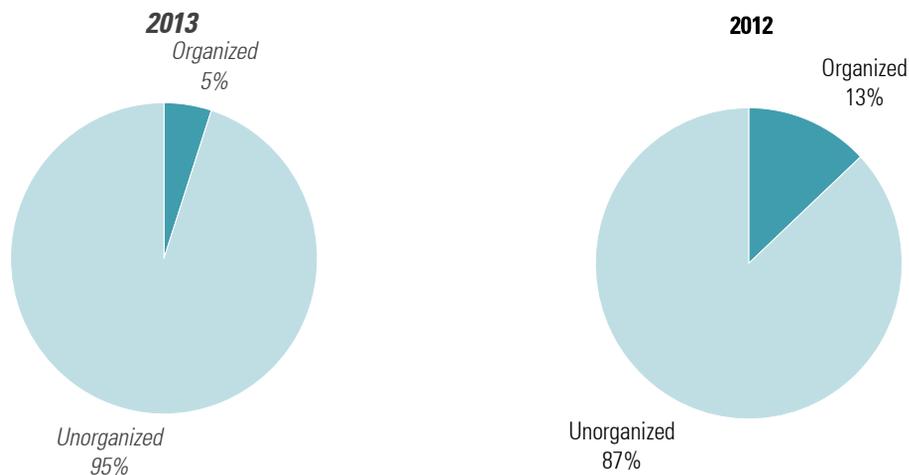
Incremental Human Resource Projections (2013-22)					
Segment	Employment in million (2013)	Employment in million (2017)	Employment in million (2022)	Employment Growth in million (2013-17)	Employment Growth in million (2017-22)
Furniture-Manufacturing	2.16	3.39	5.95	1.24	2.56
Furniture Retail	0.29	0.40	0.61	0.12	0.20
Furnishing	1.67	2.60	4.73	0.93	2.13
Total	4.11	6.39	11.29	2.28	4.90

Source: Primary Interactions, NSSO 68th Round of EU Survey, KPMG Analysis

The sector currently employs over 4.11 million employees and is slated to employ more than 11.29 million employees by 2022. This implies additional creation of ~7.2 million jobs in the 9 year period.

The period 2017-22 will see a higher growth in employment vis-a-vis 2013-17 due to expected changes in consumer preferences and penetration of organized furnishing services in tier-I and tier-II towns.

Break up of composition of workforce (2013, 2022)



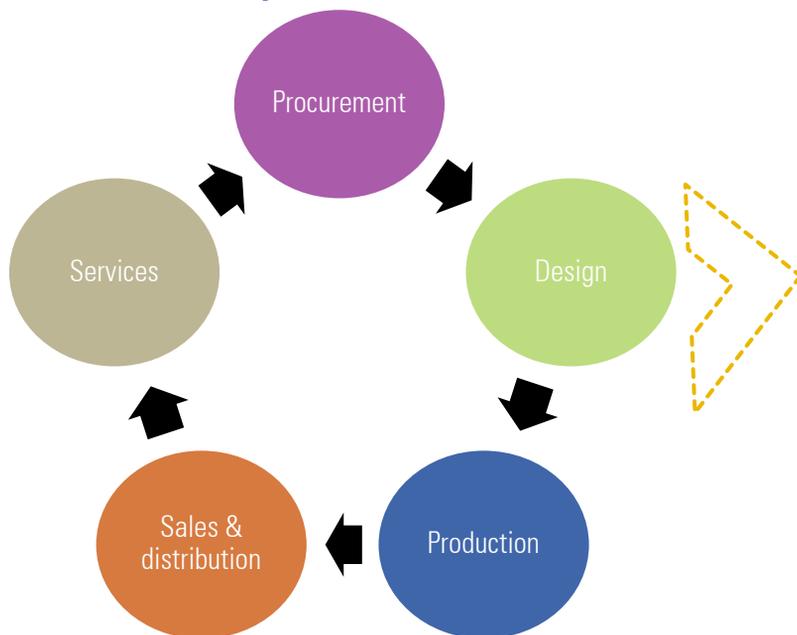
Source: Primary Interactions, KPMG Analysis

An analysis of the breakup of workforce across organized and unorganized segments indicates that the share of organized employment would increase from 5% in 2013 to 13% by 2022

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Key functions and skill levels

Key Functions



The job roles under key functions can be grouped into 3 broad categories:

- Back end: Activities that are at the factory level. Job roles include those relating to production and supervision of workers.
- Mid Segment: Activities that are Related to supply chain management and logistics
- Front end: Activities that relate to distribution, sales and services

- Workforce of an organization can be broadly grouped into either of the three categories based on the level of experience:

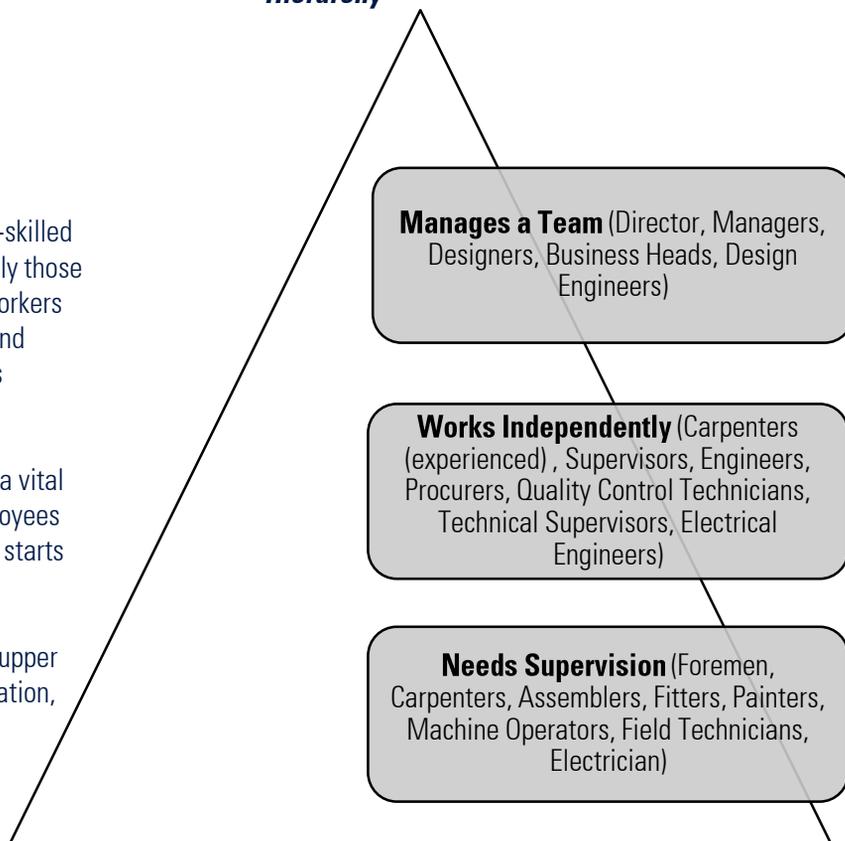
- Needs Supervision
- Works Independently
- Manages a Team

- Workforce can either be skilled, semi-skilled or unskilled. Skilled workers are mostly those who manages a team, semi-skilled workers are those who works independently and unskilled people are those who needs supervision.

- Education qualification does not play a vital role in this sector. As floor level employees are first given on-the-job training and starts giving results within few days .

- Education qualification is required at upper level to understand the market, innovation, guidelines, etc.

Hierarchy



Incremental human resource requirement (2013-17, 2017-22) and skill gaps

Functional distribution of key job roles and key skills required

Function	Key Job Roles	Key Skills Required
Procurement	Purchasing Manager	<ul style="list-style-type: none"> ▪ Knowledge of raw material costs, places for procurement. ▪ Coordinate with the design and internal production team before buying the raw materials and machines needed for production. ▪ Determine the costs and budget for procurement.
Design	Furniture Designer, Interior Designer, Technical Architect, Design Engineer	<ul style="list-style-type: none"> ▪ Knowledge on design trends and competition. ▪ Understand production capabilities, machines and tools. ▪ Interact with clients to understand their needs and evaluate design options. ▪ Optimize part and product design.
Production	Production Manager, Production Engineer, Carpenters, Assemblers, Finishers, Polishers, Quality check technicians, Machine operators, Joiners, Painter, Cabinet Maker, Furniture Maker, Supervisor and , Foremen, Electrical supervisor, Electrical Engineer, Test and repair technician	<ul style="list-style-type: none"> ▪ Understand the production process. ▪ Ability to work with machines. ▪ Understanding of design requirements and knowledge on products. ▪ Excellent understanding of the technical knowledge of chip manufacturing, arrays etc.
Distribution	Sales and Marketing Manager, Dispatch Operative	<ul style="list-style-type: none"> ▪ Knowledge of the market. ▪ Effective communication skills. ▪ Understanding of competitive information related to the company and its products, pricing, marketing strategy etc.
Services	Restorer, Fitter, Electrician	<ul style="list-style-type: none"> ▪ Ability to handle the tools needed for fitting. ▪ Ability to understand design and knowledge of techniques of restoration. ▪ Ability to effectively address the customer complaints and provide the required services efficiently.

Source: NCO 2004, ProdSkills UK, KPMG Analysis

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

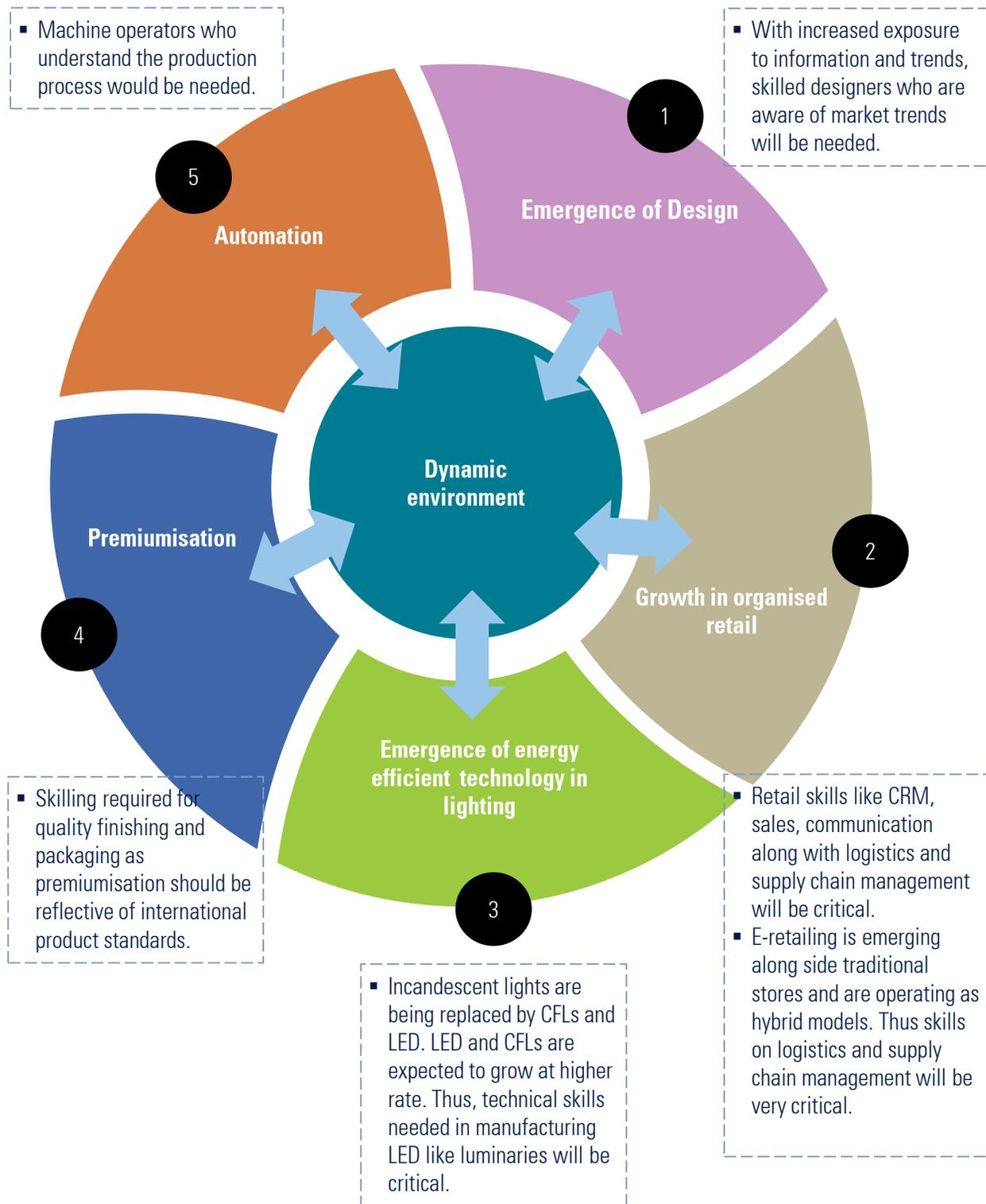
Functional distribution of key job roles and key skills required

Changing skill set requirements hierarchy		
	Skills required	Key skill gap
Entry level (Foremen, Carpenters, Assemblers, Fitters, Painters, Machine Operators, Field technician, Electrician, etc.)	<ul style="list-style-type: none"> ▪ A good understanding of the production process ▪ Ability to work with machines ▪ Ability to understand and read design requirements competently ▪ Broad understanding of the industry dynamics 	<ul style="list-style-type: none"> ▪ Lack of understanding of the industry dynamics and processes involved. ▪ Inability to read and/or understand design requirements. ▪ Lack of technical knowledge especially w.r.t electrical light manufacturing.
Middle level (Carpenters (experienced), Supervisors, Engineers, Quality Control Technicians, Technical supervisors, Electrical Engineer)	<ul style="list-style-type: none"> ▪ Sound understanding of the production process ▪ Excellent communication skills ▪ Excellent man-management skills ▪ Strong estimation skills ▪ Excellent knowledge on product quality audit skills 	<ul style="list-style-type: none"> ▪ Lack of understanding of the production process and the capacity handling measure of the plant. ▪ Lack of knowledge on comparable cost options and quality measures. ▪ Lack of technical knowledge especially w.r.t electrical light manufacturing. ▪ Ineffective communication. ▪ Lack planning and co-ordination of work among employees. ▪ Lack man-management skills. ▪ Lack knowledge of new technologies and machines.
Top level (Director, Managers, Designers, Business Heads, Design Engineers)	<ul style="list-style-type: none"> ▪ A deep understanding of the production processes of the organization ▪ Strong knowledge of the market trends and new technologies in the industry ▪ Strong knowledge and understanding of the various National and International standards relating to the process ▪ Strong analytical and cost estimation skills ▪ Excellent communication skills 	<ul style="list-style-type: none"> ▪ Lack of specific knowledge in the industry (raw material sourcing options, optimal production process) ▪ Lack up-skilling of knowledge in the new market trends & International practices ▪ Lack good communication and soft skills

Source: KPMG in India analysis

Incremental human resource requirement (2013-17, 2017-22) and skill gaps

In today's dynamic environment, workforce needs to be re-skilled and armed with specialised skill sets in order to emerge successful





Training Infrastructure

Sourcing Clusters in India



- Labor is easily available in Uttar Pradesh, Madhya Pradesh, Bihar, West Bengal, Orissa, Maharashtra.
- People in these states have no alternative employment opportunity and as they are minimally skilled, they find furniture & furnishing sector attractive.
- Youth aspirations for employment in the sector across demand clusters is low considering that these geographies are metro, tier 1 and tier 2 cities with better employment prospects in other manufacturing/services segments.
- Labor seasonally migrate for work during off season and after that they go back to their home town.
- In Furniture and Furnishing sector, labor learn work while working under some manufacturer and after learning they open their own manufacturing unit.

Source: Industry interaction, KPMG India

Training Capacities in Industrial Training Institutes (ITI s)

ITI Trades	No. of I.T.I.'s		Capacity	
	Govt.	Pvt	Govt.	PVT
Carpenter	379	91	7088	1904
Cane, willow, bamboo work	1	1	32	16
Fitter	1731	8650	55040	293792
Interior decorating and designing	32	36	704	896
Machinist	441	84	17984	2160
Mechanic machine tool maintenance	70	6	1680	144
Operator advanced machine tool	4	1	0	0
Upholsterer	1	0	16	0
Upholster	3	2	48	32

Aside these institutes, electrical engineers from various colleges are hired in the lighting industry. Also, IITs and NITs offer course on interior designing.

Other Leading Institutions:

NAME	LOCATION	COURSE
National Institute of Design (NID)	Ahmedabad	<ul style="list-style-type: none"> 4 year graduate diploma in design 2.5 year post graduate diploma in design.
Indian Institute of Crafts and Design (IICD)	Jaipur	2 year Post Graduate Diploma in Craft Design with Hard Material Specialization
MIT School of Energy and Lighting	Pune	2 year course of Lighting including Illumination Engineering incorporating the art, science and technology of lighting
Srishti School of Art, Design and Technology	Bangalore	<ul style="list-style-type: none"> 3 year professional diploma program program in furniture and spatial design 2 year post graduate advanced professional diploma program in furniture and spatial design

<p>Training</p>	<ul style="list-style-type: none"> ▪ Most players provide training to their workforce in-house at the time of induction into the organization. ▪ The training in most cases is provided only for a maximum period of a week and that too based on need. ▪ The tradition of fathers passing on skills to their progeny is slowly dying out as youth is not inclined to enter this sector due to plentiful employment options in other sectors characterized by relatively ease of work and better pay scales. ▪ Training needs again are more on machine operation, safety and retail skills. Automation is leading to de-skilling and the employers are not worried about skill of floor employees. In their opinion, no pre-requisites are needed for anyone to become a floor employee. ▪ Real concern according to them is the skill set of technical people like production managers, designers, etc.
<p>Non standardization in training curriculum and standards</p>	<ul style="list-style-type: none"> ▪ Types of institutes/ training providers : <ul style="list-style-type: none"> ▪ One that provides general training for the sector ▪ In house training by leading industry players ▪ Government ITIs /NGO run skilling schemes ▪ Primarily, trainings for entry level resources (trainees) are undertaken in-house by employers . ▪ There is no standard course or certification that is offered by any institute. ▪ Some institutes are run in collaboration with multi lateral organizations. An example is the Karnataka German Multi Skill Development Centre
<p>Challenges in setting up training infrastructure</p>	<ul style="list-style-type: none"> ▪ There are very few ITI courses focusing on furniture and furnishings and patronage is insignificant. ▪ The sector does not have a sector skill council or a standard nos. Thus, deciding on course structure and the needed infrastructure like machines and tools are difficult to estimate.
<p>Lack of knowledge of career path amongst youth</p>	<ul style="list-style-type: none"> ▪ On the whole, the attractiveness of the sector as an employer is low ▪ Being a largely unorganized sector, job role delineation is very narrow. For example, a carpenter will be involved in all aspects of manufacturing a furniture.

Some of the challenges faced on the supply side

<p>Lack of employee attitude/ inclination for a career</p>	<p>Furniture as a business in India is largely carried forward as a family venture. This tradition of fathers passing on skills to their progeny is slowly dying out as the younger generation is not inclined to enter this sector due to plentiful employment options in other sectors that is characterized by relative ease of work and better pay scales, people’s preference towards a career in the sector is waning.</p> <p>Many view the occupation as just a job and don’t see a career in it. This is mainly due to the unorganised nature of the sector and lack of defined career progression.</p>
<p>Lack of awareness as a career option</p>	<p>There is an overall lack of awareness on entitlements and career progression amongst the workforce especially at the floor level. This is largely due to undefined job roles and lack of NOS for the sector.</p>
<p>Lack of standardization in training</p>	<ul style="list-style-type: none"> ▪ Types of institutes/ training providers : <ul style="list-style-type: none"> ▪ One that provides general training for the sector ▪ In house training by leading industry players ▪ Government ITIs /NGO run skilling schemes ▪ Primarily, trainings for entry level resources (trainees) are undertaken in-house by employers. ▪ There is no dedicated course offered for furniture industry. ▪ Some institutes are run in collaboration with multi lateral organizations. An example is the Karnataka German Multi Skill Development Centre. ▪ There are very few ITI courses focusing on furniture and furnishings and patronage is insignificant. ▪ The sector does not have a Sector Skill Council or a standard NOS. Thus, deciding on course structure and the needed infrastructure like machines and tools are difficult to estimate.
<p>Availability and retention of manpower</p>	<ul style="list-style-type: none"> ▪ People from rural areas often do not see merit in migrating to cities where the cost of living is high and dignity of labour is absent. ▪ Further schemes such as the NREGA have disincentivised people from migrating to cities or taking up other low paying jobs.

Recommendations for stakeholders

Recommendations for stakeholders

- On the basis of the research done it has been observed that training provided in the furniture and furnishing sector does not match industry requirements. As a result, there is more time and cost involved in training new recruits.
- There was lack of collaboration between industry and individual companies R&D efforts.

Recommendation 1: Focus on Research and development

- Research and development has to be a focus area, hence there is a need for sector-academia collaboration as well as individual R&D efforts by companies.

- With large part of sector being unorganized, Service tax is considered higher for unorganized segment to bear.
- VAT introduction is a hindrance for trade within India.

Recommendation 2: Liberalize Tax Policy

- The Government of India presently allows duty free import of furniture for all the SEZs and STPIs. A sales tax of 14.5% is being imposed for transactions with local players. This incentives import rather than local buying, which is affecting the sector growth. Revisiting this tax policy will help local business

- Due to technological advancements in this sector complex machinery from foreign countries are being used, however the local labour in this industry does not possess the required skill to operate such machinery.

Recommendation 3: To Design Course Content in Alignment with Global Trends

- Collaborative training should be encouraged in the sector. Due to increased automation, machine operation is driving production in the organised sector. Machines are mostly imported and thus operating them needs specialised guidance. Investment on such machines for training purposes could be unviable given the rapidly evolving technologies. Thus, having foreign partners to run training programs can result in effective and efficient knowledge sharing. More initiatives like the Karnataka German Multi Skill Development Centre should be encouraged and initiated across the country

Recommendations for stakeholders

- Very few institutes have dedicated course for furniture industry.
- No standard parameters for quality check are available in Indian furniture industry. Thus, there is no clear delineation of job roles.
- Lack of parameters or certifying agencies are resulting into no check on standards in manufacturing, wage rates, working environment etc.

- Furniture is no longer a luxury good as it is needed by every household. Currently the Government has classified the furniture sector as luxury sector charging a VAT of 14.5%.

- People in furniture industry do not have minimum wage rate that why they are getting under paid because of which youth aspirations are going down.
- Hence, if we want to encourage employment in the industry we should have minimum wage rate norms so that industry can provide minimum wage rate guarantee while seeking job opportunity.

Recommendation 4: Standards in Quality and Certifications

- At present there are no standards in the sector against which production quality can be benchmarked. Also, there is no standard authority to issue certificates for any training course. These need to be developed if the sector is to gain patronage by the potential workforce

Recommendation 5: Shift to Necessity sector

- It should be considered as a necessity good and VAT should be reduced for this sector.

Recommendation 6: Minimum wage rate policy

- Minimum wage rate policy should be revised. As it is discouraging labor to use their skills efficiently.



सत्यमेव जयते

GOVERNMENT OF INDIA
MINISTRY OF SKILL DEVELOPMENT
& ENTREPRENEURSHIP



N · S · D · C
National
Skill Development
Corporation

Transforming the skill landscape

National Skill Development Corporation
Block A, Clarion Collection, (Qutab Hotel)
Shaheed Jeet Singh Marg, New Delhi 110 016
Tel: +91-11-47451600, Fax: +91-11-46560417
Email: skillgapstudies@nsdcindia.org
Web: www.nsdcindia.org