



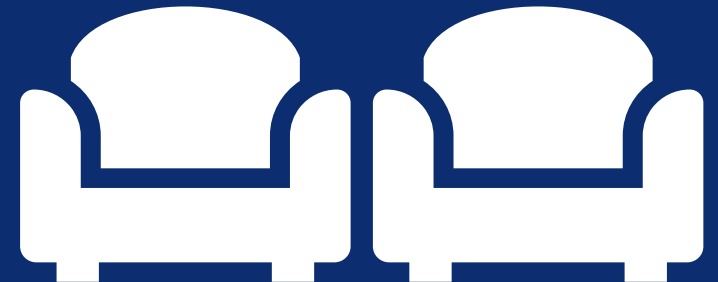
THE BRITISH FURNITURE CONFEDERATION

The single voice of the furniture & bed industry

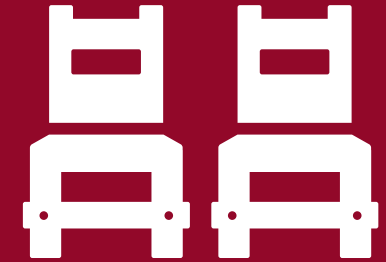
British Furniture Confederation Response

Building our Industrial Strategy Consultation

18 April 2017



The British Furniture Confederation



1. The British Furniture Confederation (BFC) maintains regular dialogue with Government and other influential stakeholders to ensure that all policies and initiatives support a thriving furniture, furnishings and bed sector. Many of its activities are done in partnership with the All Party Parliamentary Furniture Industry Group (APPFIG).

2. UK furniture, bed and furnishings manufacturing is a substantial industry. According to 2015 Government statistics its 8,113 companies contribute £11.1 billion to the country's GDP (10% up on previous year), which equates to 2.2% of manufacturing output. Over a quarter

of a million jobs are dependent on the success of the industry, with 107,000 in manufacturing alone. There are 150,000 in specialist furniture and furnishings retail and wholesale, 3,000 in repair, 10,000 in leasing, plus a proportion of the 52,000 registered specialist designers. Consumer expenditure on furniture and furnishings equates to £16.2 billion per year. In addition to this there is an unquantified value of product entering the contract and office markets.¹

3. The British Furniture Confederation is an executive body chaired by Jonathan Hindle and made up of representatives from the UK's leading furniture, furnishings and bed trade associations:

- British Contract Furnishing Association (BCFA)
- Furniture Industry Research Association (FIRA)
- National Bed Federation (NBF)
- British Furniture Manufacturers (BFM)
- Leisure and Outdoor Furniture Association (LOFA)
- Worshipful Company of Furniture Makers (WCFM)

4. The positions laid out in this response were informed by an industry wide survey undertaken in Q3 2016, and the 2015 publication 'Mind the Gap; Skills and Training in the Furniture Industry' 2015 and 'Competitiveness of the UK Furniture Manufacturing Industry' 2010. Further information on both publications can be provided on request.



Response to Building our Industrial Strategy

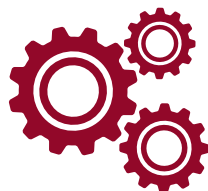
Overview

Does the Government's industrial strategy identify the right areas of focus: extending our strengths; closing the gaps; and making the UK one of the most competitive places to start or grow a business?

5. The BFC welcomes the ideas and direction set out by the Government. As a well-established industry that has a global reputation for the quality of its products, the furniture industry was pleased to see the industrial strategy underline the need to: 'build on our strengths and extend excellence into the future.' The Government's recognition of, and support for the furniture industry is crucial if it is to expand its contribution to skilled jobs and British exports.

6. The furniture industry wants to see an industrial strategy that delivers in two areas; addressing the skills gap and providing comprehensive export support. If it has access to a pool of highly-skilled workers, and if companies of all sizes are provided with targeted export support, whether that be market intelligence, network building, or financial support, we believe its current growth trends will continue. Conversely, were these issues to stagnate, the industry would very quickly find itself constrained.

7. The BFC believes the Government has correctly identified the ten pillars, and is right to assert that they each reinforce each other. However, it should be recognised that each pillar will vary in significance in different industries. As such, the BFC recommends that the single most important factor in making the industrial strategy a success would be for each industry to be given a designated civil servant industry-lead who would have a holistic view on how the ten pillars apply to the specific industry and acts as a single point of contact for industry representatives. Whilst it would be appropriate to group similar industries together, this should always be done in consultation with the industry in question. The furniture industry is regularly classified as a creative industry rather than a manufacturing industry, despite the fact that it is made up of over 8,000 manufacturers employing over 107,000 people across the UK, and that a key barrier to growth it faces is a lack of highly-skilled manufacturing workers.



Investing in science, research and innovation

What should be the priority areas for science, research and innovation investment?

8. The BFC supports the Government's commitment to substantially increase investment in R&D with an additional £4.7 billion of funding by 2020/21, and to review how the funding and tax environment can be used to encourage research in the UK. However, the BFC believes that R&D funding to date has been too heavily focused on universities to the detriment of industry research associations and commercial bodies. Industry research associations contain applied knowledge of their subject areas which means the projects they choose to undertake are usually those that will have the greatest impact on the sector.

9. Whilst the industry notes the commitment to 'deliver sector-specific funding to support business investment in R&D', the BFC would like to see a stronger commitment from UKRI. The industry believes that UKRI should ring-fence a proportion of its funding to be granted to industry research associations and that an industry research strategic plan be developed which shows how each sector will be supported to expand its R&D activities. For example, in terms

of the furniture industry, key areas of research that the Furniture Industry Research Association (FIRA) will continue to undertake in detail are on the public health effect of flame retardants, and the future of furniture recycling and reuse.



Developing Skills

10. Among furniture manufacturers and retailers, there is a sense that several factors have the potential to lead to a period of long term expansion of the sector. Having responded robustly to the 2008 financial crisis, the industry finds itself with positive growth trends against the backdrop of a growing economy, the apparent revival of centralised industry strategy, and renewed demand for high-quality, British made products.

11. To turn this potential into growth, the sector needs highly skilled people. Roles such as machinists, upholsterers and furniture designers all require high-quality training, whether that be through apprenticeships or other vocational programmes. The industry is concerned that a skills gap is widening as these technical skills are not being passed on to the new generation of furniture manufacturers. Many of these skills reside with the older generation who will be leaving the workforce in the next two decades. Whilst the industry has identified this issue, and is taking steps to address it, there is no doubt that there is an important role to be played by foreign workers in providing these skills in the meantime.

12. The BFC's 2016 survey found that 58 per cent of respondents have trouble recruiting and retaining staff with the appropriate skills. This is of particular concern when considering SME businesses, who have less capacity to find and recruit employees with the correct skills.

13. The survey also found that 44 per cent of respondents believe that the repatriation of non-UK citizens would widen the skills gap. Whilst the Government has tried to allay concerns about the status of European citizens after the UK leaves the EU, the industry would welcome more clarity on this issue.

14. In October 2015, the Furniture Industry Research Association and the Worshipful Company of Furniture Makers published 'Mind the Gap; Skills and training in the furniture industry'.² This report followed a survey of 123 manufacturers and 50 retailers, distributors and importers. It called on the industry to focus on the following aims:

- Developing relationships with schools to attract better leavers into the industry;
- Focusing on skills developments to address the most significant gaps.

- These include upholstery, sewing, machine operation and programming, finishing and production management;
- Improving the quality and flexibility of training provision;
 - Understanding and developing apprenticeships at levels 2, 3 and 5;
 - Developing short courses to cover legislative and other contemporary issues;
 - Improving recruitment and training culture;
 - Combating an ageing workforce;
 - Maintaining regular dialogue with Government

This report highlighted the need for a co-ordinator or champion to ensure that the various initiatives and projects that are taking place across the industry are supported and given the opportunity to bed-in and be learnt from.

15. The BFC would again argue that for Government's Industrial Strategy to have a positive impact on skills, a single industry-lead is required who has a comprehensive view on the education system and understands the journey that students take. This industry-lead, in collaboration with industry leaders and associations would have the visibility to identify blockages or barriers and feed this back to

the policy-lead within Government.

16. The BFC supports the reforms to apprenticeships which have been undertaken since 2010. Apprenticeships were overlooked in the decades prior to this, damaging both the availability of manufacturing skills in the workforce, as well as the UK's ability to deliver vocational training. The industry supports the inclusive approach that has been taken by successive prime ministers, and is proud of its role in designing the Furniture Manufacturer Apprenticeship Standard. We believe this standard represents a significant improvement on previous apprenticeship syllabuses. There is now a need to develop new Apprenticeship Standards at level 3 and 5 to address the higher skills gaps and shortages in the industry.



17. The BFC believes that the UK's apprenticeship infrastructure now needs to be given time to produce results. The Government needs to provide long term support, both in terms of funding

Developing Skills

to providers and in making employers and potential apprentices aware of the options and support available to them. Part of this needs to be a drive to make school children aware of the varied careers that STEM subjects can lead to, and the various skills involved; design, management, use of technology.

What more can we do to improve basic skills? How can we make a success of the new transition year? Should we change the way that those resitting basic qualifications study, to focus more on basic skills excellence?

18. The 2015 'Mind the Gap' report found that 'Recent education leavers (at any level) tend not to be the primary recruitment choice.'³ The BFC supports the Government's efforts to reverse this trend by ensuring everyone leaves education with basic skills. To ensure this is a success, the BFC suggests further education establishments should play a role in determining what syllabuses are used during the transition year, and where a career path has already been decided on, communicating to the student why the skills are important.

19. The easiest way to get young people to seek a design or manufacturing career is to teach these skills at school. The BFC

strongly believes that the Government should do all it can to encourage these STEM skills, and is very concerned about the effect that the English Baccalaureate (EBacc) and Progress 8 accountability measures will have on the take-up of Design and Technology GCSE qualifications. Design and Technology skills are critical to our industry, and we are concerned the Government is undermining these skills as an attractive choice for young people. The BFC notes recent media reports suggesting that the narrowing of the secondary curriculum has resulted in some teaching posts being cut. This not only increases pressure on current teachers, but risks that teachers with these technical skills will be lost and will not be available in the future.⁴

What skills shortages do we have or expect to have, in particular sectors or local areas, and how can we link the skills needs of industry to skills provision by educational institutions in local areas?

20. As mentioned in paragraph 14, key gaps for the furniture industry include: upholstery, sewing, machine operation and programming, finishing and production management. In terms of provision, there is a need to develop

furniture apprenticeships at Levels 3 & 5.

How can we enable and encourage people to retrain and upskill throughout their working lives, particularly in places where industries are changing or declining? Are there particular sectors where this could be appropriate?

21. As outlined above there is a continued need to profile the industry to school pupils when in year 9. The reduction in Design and Technology teaching will have a negative impact on the introduction of the industry to school children.

22. LEPs also have a role to play in working in this arena. They should engage with SME's and work with them to focus on apprenticeship recruitment and upskilling the current workforce.

23. The ongoing retraining and upskilling through the use of apprenticeship standards at Levels 3 and 5 will also be paramount.



Encouraging trade and inward investment

What can the Government do to improve our support for firms wanting to start exporting? What can the Government do to improve support for firms in increasing their exports?

24. The UK furniture industry is entering a new era of trade. Beyond Brexit and the potential need to reduce reliance on one of its traditional markets, UK companies find themselves with the newly formed Department for International Trade whose Secretary of State sits on the Cabinet. The BFC welcomed these developments, and hopes it marks a resurgence in the value the Government puts on supporting exports.

25. The BFC's 2016 industry survey was undertaken immediately following the EU referendum result and provides unique insight on the UK furniture industry's reaction to the vote. Some of the challenges raised by respondents included:

- 81 per cent of respondents believe their imports from the EU single market are either 'essential' or 'important' to their business.
- 68 per cent of exporting respondents believe that access to the single market is 'important' or 'essential' to their businesses.

- 63 per cent of respondents have experienced a material increase in costs since June 2016.
- 88 per cent of respondents expect material cost increases over the next six months, and 40 per cent expect to pass these cost increases on to consumers.

26. Clearly, access to the single market is a key priority for many of our members. The Government must ensure that as a new relationship with Europe is forged, the movement of both finished goods and materials is a key consideration of the negotiations. Tariff-free trading should be a priority.

27. On the other hand, our survey demonstrated how robust the industry is:

- 52 per cent of respondents are planning to increase export activities over the next one or two years.
- 91 per cent of respondents intend to maintain or increase investment over the next 12 months.

28. The BFC believes that Brexit has galvanised the industry to take a fresh look at new export markets, most notably the USA, Africa and India. As business people, the vast majority of the industry have no interest in re-

opening the Brexit debate. Instead, they want clear and timely information from Government so that they can continue their commercial activities and business-planning with as much certainty as possible. The Government should be commended on confirming that all current EU legislation will be codified into UK law through the Great Repeal Bill. We hope similar updates continue in an appropriate manner.

29. Beyond timely information, British furniture exporters require more tangible support. The BFC has worked with the Department for International Trade (DIT) to ensure that its services are targeted and effective at helping those looking to export. The Government should celebrate key successes, such as the Exporting is GREAT campaign, the creation of Trade Challenge Partners (TCPs), and the reinvigoration of UK Export Finance (UKEF).

30. However, issues persist, and in some cases are getting worse. There is currently no strategy for growing exports in the furniture and furnishings sector, there is no common approach to measuring performance between the various stakeholders, and current Tradeshow Access Programme (TAP) funding is



restrictive and inflexible. The BFC awaits with interest the results of the current review.

31. The BFC welcomes the suggestion in the consultation paper that export finance capacity will be doubled. In the past, the furniture industry has raised concerns about the availability of export finance. Whilst UKEF aims to help UK exporters by providing insurance, and providing guarantees to banks to share the risks of providing export finance, several companies have reported they have struggled to secure the initial capital needed to fund their export activities. This is particularly apparent when contrasted with the ease of securing finance for importing products into the UK. UKEF supports exporters who have already secured a contract in a foreign market. However, many first time exporters do not find themselves in this position. The BFC will be examining this issue closely in 2017.

Cultivating world-leading sectors

32. The BFC notes that HM Treasury has been leading on key announcements to help small businesses invest and grow, such as the alternative finance platforms scheme and the SME credit data sharing scheme. As the Department for International Trade continues to define its role, we hope to see evidence of close cooperation between HMT, UKEF and the Department itself.

33. With regard to the Tradeshow Access Programme the BFC was told very late in 2016 that 2017 funding would be announced in November 2016. In fact this did not happen until February 2017 and then only the funding for the first six months was approved and this was at a lower level. TAP Funding for the second half of 2017 will not be announced until after the results of a new consultation on the TAP funding process is published in May 2017. This late and piecemeal approach to TAP funding has resulted in a significant drop in British companies exhibiting at major international furniture exhibitions in 2017 with British exhibitor attendance down by almost 50%. Overseas trade shows are a vital part of our industry's export approach, but due to the nature of our products, require long lead times to plan. The Tradeshow Access Programme needs

to be put on a more sustainable footing for the future, with a five year strategy in place and a long term funding plan that is communicated to industry much earlier than it has been to date.

34. The Government should provide more powers to Trade Challenge Partners (TCPs). The BFC has campaigned for TCPs to be given more power in the follow areas:

- A role in coordinating sector-specific support strategies.
- An enhanced role in distributing Tradeshow Access Programme across tradeshows and allocating the funds between exhibitors.
- A responsibility to harness the exports knowledge base within their associations, and to use this to mentor new exporters and share best-practice with exporters and other TCPs.
- A role in creating sector-specific performance measures. TCPs would work in partnership with relevant government departments, exhibition companies and other associations to create a joined up approach, with agreed key performance indicators. This would ensure a robust system for measuring the Government's return on investment.

How can the Government and industry help sectors come together to identify the opportunities for a 'sector deal' to address – especially where industries are fragmented or not well defined?

35. The furniture manufacturing industry itself has a high proportion of micro and small to medium size businesses. Looking solely at furniture and bed manufacturing (i.e. excluding furnishings, retail, repair, design etc), only 285 companies report turnovers in excess of £5 million and 83% of companies turn over less than £1m per year with 57% turning over less than £250,000. This pattern is reflected in employment figures with 78% of companies employing less than ten people, and only 40 companies employing more than 250.⁵

36. Whilst this represents a significant contribution to the UK's employment rate, the furniture industry is not always recognised as a key employer because these jobs are spread across the country with few high-density hubs, and many furniture companies are SMEs. This means that acting as a single sector is difficult. As such, the BFC welcomes

the 'open door' challenge that the consultation paper sets for industries to come to the Government with proposals to transform and upgrade their sectors. This should encourage disparate industries to coordinate and nominate a single point of contact which can secure benefits from the Government in the form of a sector deal. The BFC notes the key role that trade associations can play in acting as a point of contact between government and industry, and believes that a successful industrial strategy must acknowledge the vital role they play.

37. The BFC believes that sector deals will be of interest to many industries. The Government must provide a basic and broad framework/call for proposals which gives very basic parameters for the kind of deals that will be considered. This should also include a rationale that can be taken by potential industry leaders to galvanise others within the sector and allow momentum to build behind the industry-led proposal. Having said this, the BFC believes that a furniture industry sector deal covering skills cooperation, export support, and appropriate discussions on regulations would be of great interest to the sector.





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