

## **Furniture, China and the end of an era**

By John Schmid and Rick Romell, Milwaukee Journal Sentinel

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**MILWAUKEE -- Wisconsin wasn't yet a state when Joseph Richardson set up a lumber mill in Sheboygan Falls. Seven generations of family woodworkers since then have earned renown for their baronial furniture, fit for a shoreline mansion on Lake Michigan.**

It's a far bigger business these days, the Richardson Brothers Furniture Co. -- big enough to cause a stir in the troubled American furniture trade and cries of pain in its hometown by launching a new collection of furniture. This summer's lingering sense of shock in Sheboygan Falls, though, has little to do with the look of the new line: If anything, the Richardsons have outdone themselves. The solid oak pieces -- "inspired from the court of French Emperor Napoleon I, 18th-century designs and American colonial" -- could pass muster in a chateau.

And the line nearly walked off with one of the highest design awards at the furniture industry's semi-annual trade gathering in October.

The big difference with this collection, which is named the American Empire, is that Chinese workers at low-wage Chinese wood shops carved it, lacquered it and joined it -- down to the bulging solid oak pedestals that hold up the regal tabletop.

The gala launch of the made-in-China American Empire, in fact, marked a major turning point in the company's 155-year history. In December, the Richardson family began shutting down its Sheboygan Falls furniture works and laying off the last of its craftsmen.

As he broke the news in June of the planned shutdown, Joseph Richardson III -- "Joe Three" to friends and employees of one of Wisconsin's oldest family-run businesses -- wept.

He was standing in the municipal building in Sheboygan Falls -- his town, a town his family had helped build. Now he was telling employees the company no longer would make its furniture there, but would import it from China and South America.

"He had Kleenex and he said, 'I didn't want to do this,'" said Cheryl Roszak, a longtime Richardson Brothers employee who sat amid, by her estimate, at least 100 co-workers who were hearing that most of them would soon be out of a job. As recently as April 2001, before the downturn hit in earnest, the Richardsons employed 265 furniture workers.

"At the time, I felt worse for him than I did for myself," Roszak added, "because you could see he was devastated. No one could pretend to be that upset."

Much as Joe Richardson was overwhelmed at that June meeting with his employees, his industry has been overwhelmed by a fast-rising tide of imports from China.

Only a decade ago, imports claimed about 20 percent of the U.S. market for wood furniture, said consultant Art Raymond, president of A.G. Raymond & Co. of Raleigh, N.C.

Today, he said, it's up to 55 percent. China, according to the U.S. Commerce Department, accounts for more than a third of the imports. The loss of high-end craftsmen jobs in Sheboygan Falls illustrates how China's wide-open capitalism can give rise to whole new industries in a matter of years. Those industries in turn spawn exports at an exponential pace.

Only a few years ago, "Chinese furniture had no market in the U.S.," said George Koo, a Chinese-born business consultant at the Deloitte & Touche advisory firm. What they exported was boxy and sometimes wobbly. But exports took off, Koo said, after the mainland discovered that "their strength is in early American furniture."

Raymond estimates that a third of the wood-furniture plants in the United States have been closed since 2000, with their production shipped overseas. Over the last three years, the United States has lost 34,000 wood furniture jobs, or 27 percent of the work force, data from the U.S. Department of Labor's Bureau of Labor Statistics show.

Within three years, 75 percent to 80 percent of wood furniture sold in the United States will be manufactured in Asia, said Keith B. Hughes, an industry analyst in Atlanta at SunTrust Robinson Humphrey Capital Markets.

"It's an industry ripe for this sort of attack from foreign competition," said Gary Shoemith, an economics professor at Wake Forest University. "So here we are and now there's no time to catch up."

"China," said Hughes, "has changed everything."

Daniel Lim gushes about his employees.

They live, all 600 of them, in Lim's dormitory, start each day at 7:20 a.m. with group calisthenics in the asphalt courtyard, and are eager to work. Ask for volunteers to do any job, Lim said, and hands shoot up.

"Nothing," he said, "is impossible in China. Everything is possible."

His S.V. International Corp. factory, a guarded compound surrounded by high concrete walls, stands on the far outer fringes of booming Shenzhen in south China. Lim's sister, Soo, manages the place. It is one of 50,000 furniture manufacturers in the country.

It was only 25 years ago last month that China's Communist Party leader Deng Xiaoping threw China's doors wide open to the global economy and tore up decades of Marxist-Leninist ideology.

Deng created a lightly regulated cheap-labor frontier and a culture that handsomely rewards aggressive business operators such as the Lims. As expatriates in Beijing quip, the best capitalists are in Communist China. The country's economy, which measured \$1.236 trillion in 2002, is more than eight times larger than it was when Deng began his modernization drive.

If Soo needs workers, she simply hangs a sign by the guard window in the alley. In chalk, on a scrap of plywood, it says: "We are hiring. Come by at 3 p.m."

That's how she staffed her corps of 70 full-time carvers, an elite division that can hand-chisel hundreds of flowerets into oak dressers and as many table legs into lion claws. They work in their own 1,500-square-foot room that she plans to double soon. But forget any romantic notions of a woodcarving shop.

"They get paid by the number of pieces they do each day," Soo said, giving a tour.

Labor costs, including meals and health benefits, are no more than 15 percent of the Lims' operating budget. What irks them more is when a woodworker makes a mistake, costing a piece of oak.

One carver, leaning his upper body into his chisel, says through gritted teeth that he can carve 60 sofa legs in a day, but it means working until 10 p.m.

At the end of a shift, the most experienced carvers are allowed to relieve their stress by "distressing" finished carved pieces of wood, to give them an antique look. They create divots, dents and nail holes by whacking the wood with hand tools. It increases the value of the piece.

One such carver, Luo Tian Hua, said he can earn up to 2,000 yuan (\$242) every month if he works seven days a week.

Richardson Brothers has agrarian roots, too. The first Joseph Richardson, according to a published company history, was a farmer before he founded the J. Richardson Sawmill in Sheboygan Falls in 1848.

His transition mirrors the one going on in China now. When he went into manufacturing, more than half of all Americans worked on farms; today the figure is only 2 percent. China still has plenty of way to go in its industrial revolution: 900 million of the 1.3 billion Chinese live in rural regions.

Richardson's sons and sons' sons kept at it. Starting in the late 1800s, the Richardsons built barroom chairs with single-piece steam-bent backs designed to withstand tavern brawls. Joe Richardson II, "Joe II," once posed for a photograph while standing on the spindles of an overturned chair.

His son, Joe Richardson III, has discovered that corporate construction is more fragile.

Two weeks before the emotional June announcement, Joe Three met with officials of his trade union, the Industrial Division of the Communications Workers of America. Besides the furniture division, Richardson Industries Inc. includes a lumber business, a manufacturer of building trusses, a wood-preserving operation, a building-products wholesaler and a unit that outfits yacht interiors.

Just the previous month, Tecumseh Products Co. had said it would close its Sheboygan Falls die-casting plant at a cost of about 250 jobs. But Randy Tayloe, president of the union local at Richardson Brothers, figured the meeting with Joe Richardson had been called to discuss unsettled grievance issues. Instead, Richardson gave union representatives a six-paragraph letter.

The letter describes Richardson Brothers' situation in stark terms. "I sincerely wish I could envision a way we could remain competitive in the residential furniture manufacturing business," it says. "Unfortunately, after examining the situation, I cannot."

The average production worker at Richardson Brothers, Tayloe said, made \$13.30 an hour -- not including health insurance, a pension plan and other benefits. And that's in a county where two out of every five workers are employed at a factory, about three times the national average.

Furniture-factory labor in China, benefits included, runs at 50 cents to 75 cents an hour, according to a September 2002 report by Wachovia Securities. Entry-level woodworkers, who glue and press and mill, start at 25 cents an hour.

So great is China's advantage, said Gregory Leick, chief executive officer of Leick Furniture Inc., in Sheboygan, that his firm can ship Indiana oak halfway around the world, have it made into furniture and sent back to the Midwest -- all for about 40 percent less than the cost of production here. Inside Lim's factory, everything is in constant motion. Buzz saws screech, and fumes hang heavy in the lacquering plant. To meet its orders, workers must put in three hours of daily overtime and work seven days a week. The objective is never to miss a scheduled shipment, even if it means long shifts. All Lim's shipments, ferried in standard 40-foot containers, go to the United States.

"Go into the plant at midnight and you'll see 20 or 30 people at work," Lim said. "They get the job done. I've been all over Asia. You don't see this in Malaysia. You don't see this in Vietnam."

In Wisconsin, Leon Wilkosz of Schweiger furniture buys pre-carved, pre-lacquered parts directly from the Lim plant and uses them as exposed-wood adornments on couches that his Wisconsin workers assemble and upholster.

"If we hadn't gone to China, where would we be as a company?" Wilkosz asked. "I don't think we'd be here. I really don't."

Like Schweiger, some U.S. furniture-makers are riding the tide, not drowning. And some, such as Wisconsin's Ashley Furniture Industries Inc. -- one of the country's largest furniture importers -- have thrived. Imports have hurt many companies, however, and some have turned furniture into one of the newest battlegrounds in the fight over trade protectionism.

Two months ago, a coalition made up of 31 manufacturers and a union petitioned the government to impose duties on wood bedroom furniture from China, contending that the goods are being sold below their true cost. The group is asking for steep duties, which would erode the price advantage of importing from China.

John Greenwald, a Washington attorney representing a group of Chinese furniture-makers, said his clients don't sell below cost. The Chinese industry is run largely by profit-seeking Taiwanese firms, he said.

"The Taiwanese are not in the business of doing things for charity," Greenwald said. "They make a lot of money in making this furniture."

Doug Bassett of the Vaughan-Bassett Furniture Co., a leader of the U.S. manufacturers bringing the anti-dumping action, said any profits of the Chinese furniture firms are irrelevant because they stem from governmental subsidies and the advantage of China's fixed currency. "We will not only show injury," he said, "we will show devastation to our industry."

NEXT SUNDAY: U.S. loses its connection, as telecom giant Motorola moves to China.

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