Furniture Faces a New Challenge

Our cover story looks at the roller-coaster history of the North Carolina furniture manufacturing industry: its emergence in the 1880s and 1890s, its growth and success over the next century, and its painful contraction and massive job losses in the 2000s.

This industry has since been adapting with new strategies — and, more recently, enjoying stronger demand during the stay-at-home period of the pandemic. It's adding jobs again. As part of my regular travels through our Fifth District, I was in Hickory, N.C., in October and took part in a video roundtable with industry leaders. Participants included senior executives of five area furniture manufacturing companies, a supplier of textiles to the industry, and Garrett Hinshaw, the president of Catawba Valley Community College — his institution trains many furniture company workers.

What I heard was surprising and yet, at the same time, familiar from looking at other labor markets. Even though the national unemployment rate at that time was 6.9 percent — down from its peak of 14.7 percent in April but still high compared to levels before the pandemic — the industry was struggling to hire workers. One executive after another told me his firm had job openings; some listed 40 or more. How could this be, at a time when so many people were hurting — when many thousands of workers in industries like food service and hospitality were out of work?

Perhaps part of the answer is reputation issues the industry might have after a generation of layoffs. But in today's economy, I would also point to what economists call "mismatch."

One mismatch is geographic: A sizable share of those workers who have been laid off are in larger cities with bigger leisure and hospitality sectors. They may have ties to where they live and understandably feel reluctant to move to a smaller manufacturing town.

A second mismatch is skill. I heard at our roundtable that experienced upholsterers can make up to $30 an hour. But just to get into that field, a worker needs to go through an initial training program at the community college that takes six months, followed by significant on-the-job training. So someone who has lost his or her job on the service staff of a restaurant cannot immediately take a skilled, well-paying job in furniture making. And with the prospect for an end to the pandemic just a few months away, they may not be motivated to make the investment needed to reskill themselves.

This underinvestment in reskilling seems broad-based. The business leaders at the roundtable highlighted the importance of community colleges in helping address skill mismatch. But I've been concerned over the past months by the drop in community college enrollment — down 10.1 percent at public two-year institutions this fall compared to last fall. First-time enrollment at community colleges fell even more, by 22.7 percent. Community college leaders tell me potential students struggle to afford tuition given the loss of their service-sector jobs, struggle with child care with their kids at home in virtual school, and struggle with access and engagement with online education.

The roundtable was one of the scores of community conversations I engage in throughout our district each year. They give me a chance to get into a bit more depth about what's happening in our communities and industries. The dialogue goes both ways: As I'm learning from the participants, they often have questions for me about the national economic outlook or about what I've learned from other communities. And their input is invaluable to me as a policymaker.

This issue of *Econ Focus* also takes a look at a critical issue in another important Fifth District sector: the meat supply chain. (See "Unpacking the Meat Industry," p. 4.) It highlights a challenge multiple sectors have had during this pandemic as well as a more general question: For any goods — from medicines to protective medical gear to meat — what are we willing to pay for a more resilient supply? It'll be an important question for businesses and consumers in the years ahead. **EF**

Thanks, and enjoy the issue.

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