The Rise and Sudden Decline of North Carolina Furniture Making

The industry was hit hard by offshore competition

BY JOHN MULLIN

It happened so quickly. In just 10 years, between 1999 and 2009, North Carolina's furniture manufacturing industry lost more than half of its jobs. The chief culprit was increased competition from lower-cost furniture imported from Asia — mostly China. The U.S.-China Bilateral WTO Agreement, signed in November 1999, had opened the door to Chinese imports by lowering U.S. tariff barriers and easing the way for China to join the World Trade Organization (WTO). At the time, proponents of the agreement predicted that it would have a relatively modest effect on U.S. manufacturing imports and jobs. Studies of the subsequent history, however, strongly suggest that these predictions were incorrect. Increased imports from China turned out to have a major effect on U.S. manufacturing jobs and a particularly devastating effect on furniture manufacturing in North Carolina.

One of the story's wrinkles is that the influx of Chinese imports had not been initiated by Chinese industrialists but rather by the North Carolina industry's own leaders, who had sought cost advantages that could put them ahead in what has historically been, and remains to this day, a highly competitive industry. Another wrinkle is that, by undercutting North Carolina's furniture manufacturing base with Chinese imports, they were replicating a pattern that had played out during the 20th century, when the North Carolina industry successfully competed with the furniture manufacturing industries of New England and Michigan.

The White Furniture Company in Mebane, N.C., was organized in 1881. It was one of the earliest furniture manufacturers in the Piedmont region and remained in Mebane until the 1990s.

North Carolina's furniture industry, which emerged in the aftermath of the Reconstruction era, had been built on several pillars. These included a fine tradition of woodworking craftsmanship, an abundant and varied supply of timber, and an advantageous geographical location leveraged by an effective transportation infrastructure. Yet although each of these pillars was important, there was an additional pillar that was arguably the most crucial of them all — the industry's access to inexpensive labor. Indeed, it would be difficult to understand the industry's history without considering the role of its labor costs relative to those of its rivals in other regions and countries. The industry's impressive growth during its heyday depended on low-cost labor, and competition from even cheaper labor caused its 21st century contraction.

The industry now stands at a historical crossroads. Its leaders are pursuing different strategies based on high value-added niches, customization, and rapid delivery. They face many challenges, but one of the most important, in their eyes, is an insufficient supply of skilled labor.

From Cottage Industry to Factories

The tradition of woodworking craftsmanship in North Carolina's Piedmont region has its roots in the 1800s, when cabinetmakers in the Moravian settlement of Salem (now Winston-Salem) and in the Quaker communities of Randolph and Rowan counties created furniture pieces that are still highly valued as collectors' items and museum pieces. Many of these works were largely based on the pattern books of the great European cabinetmakers but with local adaptations. Moravian cabinetmakers built household necessities, such as beds, chests of drawers, and desks — items that would have been difficult to transport to the somewhat isolated town of Salem. Their furniture was noted for its solidity, simplicity of design, and careful construction.

The region's furniture-making heritage owes much to its abundant timber resources. The Piedmont is full of pine and oak. Further to the west, the Blue Ridge Mountains and Appalachian Plateaus are forested with oak, chestnut, yellow poplar, maple, and many other hardwoods. The coastal plains have gum and cypress.

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The North Carolina furniture industry emerged from its "cottage industry" status after the Reconstruction era. At that time, there was a pervasive belief among civic and business leaders that the development of the region's manufacturing base was crucial for achieving prosperity. A logical place to start was to add value to the region's agricultural products and natural resources — chiefly tobacco, cotton, and timber. By the 1880s, the merger of agriculture with light industry had given rise to the burgeoning industries of tobacco processing, textile production, and furniture manufacturing.

The rebuilding of North Carolina's railroads had been a necessary precondition for the development of the region's industries, including the furniture business. The region's railroad infrastructure was in bad shape at the end of the Civil War, and it was widely recognized that it would have to be rebuilt to get business going again. This task was accomplished during the Reconstruction era by a combination of Northern entrepreneurs, Southern timber and lumber mill owners, and Southern laborers. Northern entrepreneurs supplied the financing, Southern timber and lumber mill owners supplied the railway crossties, and unpaid convict laborers supplied the bulk of the workforce that blasted away rock, graded the paths, and laid the tracks.

The city of High Point — so named because it was the highest point on the North Carolina Railroad between Charlotte and Goldsboro — was the site of North Carolina's first furniture factory, which began to operate in the 1880s. Prior to this time, Southerners generally bought their furniture — like other manufactured goods— from the North. The first producers focused on selling inexpensive oak furniture to the Southern market. They were not yet ready to compete with Northern manufacturers in the production of high-quality furniture.

The Industry Takes Off

North Carolina's furniture industry grew rapidly in the 1890s. At the start of the decade, six establishments produced an estimated $159,000 worth of furniture. By 1900, 44 furniture factories operated in High Point and the surrounding towns of Thomasville, Lexington, Salem, Marion, Mount Airy, Statesville, Hickory, and Greensboro. In that year, they produced an estimated $1.5 million worth of furniture. (See table.) Related industries had set up factories to supply the furniture makers with veneers, plate glass, mirrors, and paints.

Exponential Growth

North Carolina Furniture Production	
1890	$159,000
1900	$1,500,000
1919	$29,800,000
1929	$56,700,000

SOURCE: Lacy, Robert, "Washstands, Sideboards, and Parlor Suites: Making Furniture and Progress in North Carolina's Piedmont," *Region Focus*, Spring 2005; Lemert, Ben F., "Furniture Industry of the Southern Appalachian Piedmont," *Economic Geography*, April 1934, vol. 10, no. 2, pp. 183-199.

The almost tenfold growth in furniture production was facilitated by an ample supply of inexpensive labor. The agricultural depression of the 1890s had devasted farmers across the nation. In the face of weak crop prices, many of North Carolina's farmers left the countryside and migrated to the area's towns, where they sought work in the developing textile mills, tobacco processing plants, and furniture factories.

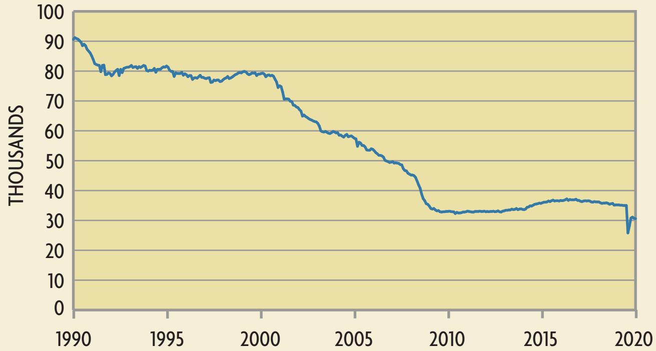
Farming was a hard life in North Carolina's Piedmont region, where cotton was the predominant crop. The farms were small, due to hilly topography, and the land was only moderately fertile and required substantial fertilization. In good years, farmers who owned their land typically made just enough to pay off their debts, and a string of bad years could result in foreclosure. Most tenant farmers — about a third of all farmers — lived in poverty with poor diets and health care. The extreme difficulty of the farming life made factory work alluring, and depressed crop prices heightened the attraction.

Many North Carolina furniture makers made large profits during the first decade of the 20th century, but by 1910, the profits became harder to come by. In response to the initial profits, new factories had been built, which resulted in intense competition — for both market share and skilled workers. It was at about this time that the first formal Southern Furniture Market was held in High Point. The market proved to be an effective and enduring means of marketing the industry's product, and expositions continue to be held twice a year in High Point to this day (with a notable exception in the spring of 2020, when it was canceled due to the COVID-19 pandemic).

The agricultural depression of the 1920s changed the industry's direction. The value of North Carolina's cotton crop — which had been $2 billion in 1919 — declined to $643 million in 1921. The purchasing power of Southern consumers plummeted, and the state's furniture manufacturers sought out alternative markets in the North. At first, their products were scoffed at by Northerners. But North Carolina manufacturers gained market share by copying high-end contemporary furniture designs and producing them at mid-market prices. Focusing on household furniture, the industry's production roughly doubled over the next 10 years — from $29.8 million in 1919 to $56.7 million in 1929.

The industry's success in penetrating the Northern market relied heavily on its price competitiveness, which, in turn, hinged on its access to low-wage labor. Wages for North Carolina furniture workers were roughly $821 per year in 1929. This was about half the $1,647 wage paid to workers in New York and substantially lower than the $1,332 wage paid to workers in Michigan.

Although the large supply of labor coming from the region's farms undoubtedly depressed furniture industry wage rates, there is little doubt that the inability of unions to gain a foothold also played a role. A major obstacle to unionization was the industry's geographical dispersion



SOURCE: U.S. Bureau of Labor Statistics

among company towns that usually had textile mills in close proximity to furniture factories. Men would mostly work in the furniture factories, while women and children would work in the textile mills. "Agitators find it more difficult to foment strikes in such industrial communities," according to an analysis of the industry by Ben Lemert in the journal *Economic Geography* in 1934. "In the furniture region of the Piedmont they must agitate disturbances in not only the furniture, but also the knitting, cotton and silk industries simultaneously in order to have a chance of winning." In company towns, industrialists and civic leaders formed a united front against unionization, and workers were harassed, fired, or worse for organizing. Once fired, they typically would be left with no nearby employment alternatives and would have to uproot their families.

But Lemert's account made it plain that race was also an important factor. According to his analysis, the industry's lower wages partly reflected lower living costs. But he cited another reason: "They are lower because farm labor and common labor wages are much lower; and these wages are much lower than those for similar occupations in the North due to the fact that a great black laboring force has always done the hard labor of the South and is willing to do so and ofttimes do it better for less wages than those paid the white man." The racial divide between black and white workers was often used to enforce labor discipline and discourage unionization.

The Glory Days

During the 1930s and 1940s, furniture sales were depressed — at first because of the Depression and then due to World War II, when many companies shifted to war production. The industry's situation turned around after the war, thanks to pent-up demand and a booming U.S. housing market. "The Greatest Generation went to college on the G.I. Bill, married, had children, bought houses, and filled them with furniture," in the words of former industry executive and Lenoir-Rhyne University business professor Michael Dugan, author of *The Furniture Wars: How America Lost a Fifty Billion Dollar Industry*. Thus, North Carolina furniture companies that survived the Great Depression and World War II experienced unprecedented prosperity.

These were the industry's glory days. There was no significant offshore competition and plenty of demand. "If you could make it, you could find a buyer for it," according to Dugan. During the 1960s and into the 1970s, Dugan wrote, "The weakest competitors made money; the strongest made a lot of money." North Carolina became the nation's top producer of both upholstered and wooden household furniture, and within North Carolina, the industry expanded to become the state's second-largest manufacturing industry — the textiles and apparel sector was the only one larger.

Yet the industry remained highly fragmented and competitive, even during this period of prosperity. According to Dugan, two-thirds of the 5,350 companies employed fewer than 20 people, and only 75 had sales in excess of $10 million. Many people were surprised by a 1957 study by Dartmouth College marketing professor Kenneth Davis that found that the industry's profitability was only average or slightly above normal. The study concluded that this reflected structural features of the market — in particular, the desire of customers for differentiated products. The need to accommodate varied and changing consumer tastes made it difficult to achieve economies of scale, and this fact encouraged fragmentation and intense competition. Firms vied for market share through marketing and creative design (although firms regularly copied the designs of rivals). Yet despite the efforts of firms to differentiate themselves, consumer brand preferences generally remained weak, with some notable exceptions, such as Thomasville, Drexel, and a handful of others.

A Reversal of Fortune

China's growth as an export power in the wake of its WTO entry was swift, and its magnitude was unexpected. The country's share of world manufacturing exports more than tripled between 2000 and 2012 — from roughly 5 percent in 2000 to more than 17 percent in 2012.

Exports from China had a profound effect on U.S. furniture manufacturing. In 1994, China exported $241 million worth of wood furniture to the United States. By 2004, that figure had grown more than seventeenfold, to $4.2 billion. By 2016, 73.5 percent of all furniture sold in America was imported. For the U.S. furniture industry, David Autor of the Massachusetts Institute of Technology and co-authors estimated that China's rise caused a $44,000 loss in production per worker. In the years following the 1999 U.S.-China trade agreement, employment in the industry tumbled. (See chart.)

But the initial growth of furniture imports from Asia had been encouraged by U.S. furniture companies.

"Westerners were the ones who brought the American furniture industry to Asia," wrote Dugan. Early movers in the industry — who built furniture factories in the Philippines and Taiwan — recognized the huge competitive advantage of using low-cost labor to manufacture furniture in Asia, which surpassed the advantage of relocating to other parts of the United States, such as Mississippi, as some had previously done. "The original plan," Dugan recounted, "was to make furniture components in Asian factories using American veneers, ship them to America for assembling, and sell them to the American market at highly competitive prices." The plan was so successful that it was soon copied by other U.S. firms.

American furniture companies increasingly began to form relationships with Asian companies that could supply them with manufacturing inputs and semifinished furniture. "As labor costs rose in Korea and Taiwan and import restrictions on China were eased," according to Dugan, "new factories were built in southern China, Vietnam, and Indonesia." The Chinese government barred foreigners from operating their own factories, so Americans ended up partnering with and imparting their knowledge to Chinese industrialists, who quickly became adept at building U.S.-style furniture and competing in the U.S. market. The business of many North Carolina furniture companies gradually shifted away from manufacturing and toward importation and distribution.

Reemergence?

A number of developments have been pushing back against the rise of furniture imports from China. One is that companies are increasingly recognizing the limitations of offshoring. In addition to shipping costs, offshoring often requires U.S. distributors to carry heavy inventories, incur long lead times, or both. These negatives, combined with rising labor costs in China, have caused some U.S. firms to think twice about where to locate their production.

U.S. manufacturers have also sought out and received federal redress against Chinese imports. One of the latest interventions came in 2019, when the Department of Commerce imposed substantial antidumping duties on various categories of furniture imported from China. These duties have provided some competitive relief for U.S. furniture manufacturers, but other duties have also increased the costs of certain imported inputs, including metal parts, upholstery foam, and various packaging materials.

Firms have responded to increased foreign competition in a variety of ways. Some have emphasized a combination of customer choice and timely delivery by designing frames that can be built out in a variety of different styles. Other firms have concentrated on niche markets and higher value-added products, such as customized upholstered furniture targeted at the designer market.

More recently, furniture makers have received an unpredicted boost in demand due to the coronavirus crisis. People who have kept their jobs and are working from home have more money to spend on durable goods — having cut, by necessity, their dining and entertainment expenditures. Many of these relatively affluent consumers are evidently paying more attention to their home spaces — and are buying new furniture. Consumer expenditures on furniture and durable household equipment increased 12.7 percent in dollar terms in the third quarter of 2020 versus one year earlier, according to the U.S. National Income and Products Accounts.

North Carolina furniture manufacturers, given their experience with the fickle cycles of the industry, are understandably cautious about expanding capacity. But even in cases where they want to increase production, they are having difficulty, according to industry accounts, finding a sufficient supply of quality technicians and craftspeople, such as upholsterers and sewers.

Indeed, the future of North Carolina furniture manufacturing may well hinge on a renewed supply of skilled workers to replace the estimated 2,000 workers who retire from the industry each year. Help in this area has come from programs like the Catawba Valley Furniture Academy, an innovative training program at Catawba Valley Community College in Hickory, N.C. The academy is a public-private collaboration whose faculty is largely composed of industry veterans, and its job placement rate has been nearly 100 percent for those who make it through the rigorous program. Such efforts may prove vital for an industry that believes its future depends on niche markets and customization. **EF**

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