Restoring Furniture: Senate Bill Addresses Loss of Jobs

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Article:

It's not easy being a politician. Whether you're a city council member or the president of the United States, when the people who elected you are in trouble, the instinct is to *do something*. This is especially difficult when the trouble involves the economy, and in particular the fundamental transformation of our economy from manufacturing to knowledge-based industries. The most popular solutions aren't always the most promising ones.

This dilemma is apparent in a bill recently introduced in the state Senate. Tentatively titled the "Endangered Manufacturing and Jobs Act," the proposed bill addresses job losses in North Carolina's signature manufacturing industries. Like most pieces of legislation, it's a mixed bag. Parts of it make sense but other parts appear to be an attempt to just *do something*.

The proposed bill targets textile and apparel manufacturing, but its primary target is the state's furniture manufacturing industry. Supporters of the bill note the disturbing decline of furniture manufacturing jobs in North Carolina between the first quarters of 1996 and 2006. And it is disturbing. Employment in furniture manufacturing fell 32 percent in that time, from nearly 79,000 to just under 54,000.

The main provisions of the bill would (1) increase the fiscal incentives for which companies in the target industries can qualify; (2) give grants to local governments that exempt newly purchased or developed real and personal property; (3) create a North Carolina Furniture Council to promote the state's furniture industry; and (4) establish a Furniture Technology Center within the state's community college system to study ways to train workers and develop new technologies for the furniture industry.

The third and fourth of these provisions have some promise. But while the first two sound sensible, they're unlikely to have much effect on the North Carolina economy.

One reason is the bill's inclusion of the textile and apparel industries. The sad fact is that there's probably little we can do to preserve those industries as we know them. It's simply too late. Between 1996 and 2006, jobs in apparel manufacturing fell 70 percent! In textile mills the decline was 64 percent.

The decline in apparel employment is the result of that industry's dependence on cheap labor; those lost jobs have been outsourced to overseas facilities. In textiles, the decline has more to do with the industry's success in introducing labor-saving technologies. But tweaking incentives and tax laws will neither bring apparel jobs back from Asia nor convince textile companies to use less automation.

Furniture is in a different position. There is still much to save. Many furniture manufacturers have found niches in which they can thrive while remaining in North Carolina. To be sure, that 32 percent decline in employment is disturbing. But during the same period, total manufacturing employment in the state fell by about the same percentage. In 1996, furniture manufacturing accounted for 9.8 percent of all manufacturing jobs in North

Carolina. In 2006, it accounted for 9.7 percent. In essence, furniture is holding its own relative to the rest of the state's manufacturing sector.

Therefore, it's not clear why this bill singles out furniture for special treatment. North Carolina has a manufacturing heritage that goes beyond textiles, apparel, and furniture. And not all manufacturing industries are hurting here. As I noted in a previous *News & Record* column ("Manufacturing Rebounds but with Fewer Jobs," October 29, 2006), some industries are on the upswing. For example, employment in pharmaceutical manufacturing in North Carolina has more than doubled since 1990. Instead of an Endangered Manufacturing Act, we need an Emerging Manufacturing Act.

The bill would enhance fiscal incentives for companies in the target industries. For example, it would increase the grant per job from $750 to $12,500. But this misconstrues the role of incentives. The enhancements might lead a company to choose one part of North Carolina over another, and possibly a North Carolina site over one in Virginia. But there's little evidence that incentives matter one bit to a company that's feeling significant pressure to move its operations to China.

Mind you, the bill's tax and incentives provisions will be welcomed throughout the furniture manufacturing industry. Companies that don't intend to leave the state will benefit from the bill's largesse.

I'm more bullish about the prospects of the North Carolina Furniture Council and the Furniture Technology Center, though much depends on how those organizations spend their funds. If they spur innovation rather than protectionism—if they focus on the future rather than the past—they could serve as catalysts for new ideas and emerging businesses within these mature industries. Domestic furniture manufacturing still has some fundamental advantages, but the industry has traditionally invested little in its own future. Public money could help fill that gap.

The most promising thing those new organizations could do is invest in people rather than industries. In a world in which even many manufacturing jobs require specialized training or a community-college degree, aren't skills what really matter? I would rather see the state of North Carolina use the next few million dollars to train the *next* generation of workers, not try to preserve the *last* generation of businesses.