

China turns the tables

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Second of a four-part series: *Made in China*

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. Earlier this month, the Richardson family began shutting down its Sheboygan Falls furniture works and laying off the last of its craftsmen.

Wide-open capitalism

Industries can burst forth, overwhelm U.S. rivals

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% of the U.S. market for wooden furniture, said

Made in China



Photo/Gary Porter

On their last day of work earlier this month, Richardson Brothers Furniture Co. employees share tearful goodbyes. The workers had just voted on their severance package at a union meeting in Sheboygan Falls. Their factory closed down because of competition from China.

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The New Industrial Revolution

Manufacturing, one of the staples of Wisconsin's economy, is being reshaped by forces originating halfway around the world. As China races into a leading role in the global economy, the effect on families, companies and communities here is profound.



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consultant Art Raymond, president of A.G. Raymond & Co. of Raleigh, N.C.

Today, he said, it's up to 55%. 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, as Richardson Brothers moves to become a sales and marketing company, 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% of the work force, data from the U.S. Department of Labor's Bureau of Labor Statistics shows.

Within three years, 75% to 80% of wooden 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 Shoesmith, an economics professor at Wake Forest University. "So here we are and now there's no time to catch up."

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

'Nothing is impossible'

China's economic system rewards business hustle

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, helping make up an industry that, according to the China National Furniture Association, grows 15% to 20% a year.

It was only 25 years ago this 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.

DEC. 31: China is taking big strides to build beyond its manufacturing base. And in some key areas, the United States already lags.

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Woodworkers lacquer furniture parts at S.V. International Corp. The plant in Shenzhen, China, turns out thousands of sofa legs and arms every week for many American companies, including Schweiger furniture in

The country's economy, which measured \$1.2 trillion last year, is more than eight times larger than it was when Deng began his modernization drive. The leading entrepreneurs speak proudly of China as the world's "factory floor."

The Lims are playing a role in that transformation, and for them, growth has come quickly.

To get the necessary permits, get their plant built and get it running took just six months. If Soo Lim 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 Lim said, giving a tour. If they didn't, she said, they'd labor over each piece.

Labor costs, including meals and health benefits, are no more than 15% 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. Luo sends money back each month to his wife and two daughters and visits them for one week every year. Getting home to Hunan province is a two-day journey by train and bus each way.

Yet he's happy. Luo, 35, plans to retire back to his rice farm in five years. He can save plenty at the Lim factory: Like nearly all other foreign-owned employers of migrants, it supplies three meals a day and a bunk bed in the dormitory. Married couples can even share dorm rooms with other married couples, but not if they have children.

And if his job is hard sometimes, he doesn't mind.

"It is no more tiring than farm work," Luo said through a translator.

Delivering the news

The consumer doesn't care where it's made

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%. 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 Two," once posed for a photograph while standing on the spindles of an overturned chair.

Jefferson, Wis. Workers at Schweiger assemble and upholster sofas, using the pre-carved and pre-lacquered parts from China as exposed-wood adornments.

“ This is just my opinion. It's not morally right or legally right to ask a U.S. worker to do that, but yet we can have a Chinese worker do that. ”

**- Randy Tayloe,
president of the
union local at
Richardson
Brothers**



Photo/Gary Porter

A large room with overhead conveyors that once moved thousands of furniture pieces a day now houses empty carts ready for auction at the Schweiger plant in Jefferson. Leon Wilkosz of Schweiger says that in 1997, the firm used every square foot. Now the furniture operation takes up just a third of the complex.

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.

"He didn't say anything," Tayloe said. "He just handed the paper out."

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."

Richardson, according to Tayloe, said the Sheboygan Falls furniture plant had been losing money for several years. Even worse, he said, customers didn't care whether the pieces were made overseas as long as prices were low.

"He had to swallow hard," Tayloe said.

A company consultant presented data showing it would be financially impossible to continue making furniture in Sheboygan Falls. Both the consultant and Richardson, according to Tayloe, said it wouldn't be morally or legally right to cut wages and benefits as much as necessary to keep the jobs in Wisconsin.

"This is just my opinion," Tayloe said in an interview. "It's not morally right or legally right to ask a U.S. worker to do that, but yet we can have a Chinese worker do that."

Advantage of cheap labor

U.S. wood goes to China, returns as furniture

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% less than the cost of production here.

"That's what the industry's up against," Leick said. "And the consumers enforce that."

Joe Richardson III - who declined to be interviewed - is not the first businessman to turn to Chinese labor to build the American empire.

The Central Pacific Railroad Co. paid Chinese workers \$1 a day to build the first transcontinental railroad in 1869. The Chinese took the most dangerous and backbreaking jobs. They blasted granite while dangling in baskets from the tops of cliffs. Hundreds are believed to have died.

Back then, some underestimated their physical endurance. But as Charles Crocker of the Central Pacific Railroad rebutted: "The Chinese made the Great Wall, didn't they?"

Today, entrepreneurs such as Daniel Lim don't offer rebuttals. They simply proclaim their work force the best in the world.

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."

Importing to survive

Heading to China helped boost sales

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.

Schweiger, a division of KCS Inc., occupies a cavernous 580,000-square-foot plant on the south side of Jefferson. In 1997, when Wilkosz started, the firm used every square foot. Today, with the shift to China and productivity improvements, Schweiger fits its U.S.-based manufacturing into a little more than a third of the complex.

Wilkosz estimates he has 25 machines - sanders, molders, saws - that he no longer uses. They're waiting to be sold, though the market for used machinery is poor.

Overhead, the plant features 7 1/2 miles of conveyor lines that once carried a constant stream of furniture parts. The conveyors stand idle.

Employment has dropped from about 300 in 1997 to just less than 200.

In Schweiger's lobby are pieces of wooden furniture decorated with bas-relief carvings of fish, bears and pine trees. It's furniture that Schweiger simply couldn't offer if it were produced at American wages. But with cheap Chinese labor making carved pieces practical, such furniture has helped fuel a turnaround at the firm.

Sales were declining through the late '90s, in part because of Chinese competition. Then, in 2000, Schweiger made the move to China. Sales jumped 18% the next year, Wilkosz said, and 30% in 2002 before flattening this year.

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

A success story

Ashley blends U.S. work with Chinese imports

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.

Ashley, the third-largest furniture-maker in the country, is a model for success in blending U.S. and Asian manufacturing.

Based in the small, western Wisconsin town of Arcadia, Ashley has grown from \$16 million in sales two decades ago to \$1.7 billion this year, and a savvy import strategy has figured in the firm's rise.

About 40% of Ashley's volume is imported, and about half of that, by value, comes from China, Chairman Ron Wanek said.

But while it has imported, Ashley also has grown here. It is one of western Wisconsin's largest employers, with 2,300

workers in the state and more than 6,000 nationwide. That's a far cry from the 250 to 300 Ashley employed in the early '80s.

"It has actually helped us become more competitive," Vice Chairman Chuck Vogel said of the firm's import strategy, "and obviously increased our employment in the United States a tremendous amount."

Heavy investment in new technology has helped Ashley be more competitive, said analyst Jerry Epperson of Mann, Armistead & Epperson Ltd., Richmond, Va. Further, Epperson said, Ashley has figured out what furniture can profitably be made here and what should be imported.

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 of 31 manufacturers and a union petitioned the government to impose duties on wooden 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."

A quiet, tearful end

Payment for 14 years on the job: \$400

For most Richardson Brothers employees, the end came on a cold, rainy December morning.

They reported in at their usual times - some at 5:45 a.m., some at 6. There was little to do but hear, as they had expected, that their jobs were being eliminated that day.

Some hugged, some cried and some tidied things up a bit. Mostly, though, they just stood around and talked.

"It's hard to believe," Walter Lehmann, a Richardson employee since 1988, said later. "The plant is pretty empty. It's hollow."

Seventeen-year Richardson veteran Chris Rabe said people were invited to buy chairs and cabinets at employee-sale prices, and many did. She picked up a bow-back, bent wood dining room chair for \$10.

Everyone was credited for a partial day's pay. They remained, as directed, until 8:15 a.m., when they lined up at the clock and punched out for the last time.

Then they piled into cars and trucks and headed to the municipal auditorium to vote on the plant-closing agreement negotiated by the company and the union.

Unsatisfying as it was to some, the package was approved overwhelmingly. It calls for as many as 32 Richardson Brothers employees to be offered jobs at Richardson Industries' yacht interiors division. Most of those 32 slots already have been filled by people who transferred earlier from the furniture company, a union official said.

Under the agreement, Richardson Brothers will pay for vacation time accrued during 2003, and cover the company's

share of health insurance through January.

The agreement also provides for one-time payments ranging from \$250 for an employee with less than 10 years to \$1,150 for those with 35 years or more.

"Four hundred dollars for 14 years of service," one worker said, describing his payment. "What does that come out to?"

After the vote, people spilled out into the drizzle. Many hugged again and laughed. Some cried. They promised to look each other up. They talked about getting jobs as truck drivers, about going to school, about moving out of state.

Rabe left. She plans to take advantage of the training programs available to import-displaced workers and study radiology.

Lehmann said he might go back to school, too, or maybe relocate near his in-laws in Delaware.

Cheryl Roszak, the 22-year Richardson employee who witnessed Joe Three break down in June, talked happily about her dream job - working at Home Depot. She's had it with factory work and loves puttering about the house.

Still, she couldn't fight back the tears.

"I didn't think it was going to be this hard," she said. "But it is."

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