

Structural Change and the Future of the Furniture Industry

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Technology and new market forces have brought about substantial readjustment of Australian industry over the last decade. The most potent effect has come from the changing international cost structure and its consequent effects on the international division of labour. The need to find new markets turned our trade negotiations towards developing countries in Asia and, at the same time, ASEAN countries have been exerting strong diplomatic and economic pressures to obtain access to the Australian markets for their manufactured goods.

These factors, together with Australia's high inflation rate, stimulated an intense pressure for large-scale structural change. Furthermore, even if we assume that the current economic difficulties that exist in Australia mean that no significant trade concessions are given to ASEAN in the short term, it would appear that the challenge to our labour intensive secondary industries will continue on a permanent basis and stimulate the need for structural adjustment.

The furniture industry is one of the many secondary industries which has been experiencing the pressures for structural adjustment. Economists have stressed the benefits of tariff removal from these "so-called" high cost secondary industries in Australia. Rarely has serious consideration been given to the effects of such restructuring upon the workforce. This has been reflected in recent IAC recommendations for industry assistance and, in particular, IAC recommendations on future assistance for the furniture industry. Trade policy has tended to be based on the static economic theory that the reduction of assistance to industry will automatically increase a country's real living standards. Yet, this is not always reconcilable with the economic and social costs of higher unemployment and idle resources during a period of economic recession - and this is particularly evident in the implications for the furniture industry's workforce of reduced levels of protection.

The IAC and the Furniture Trades Industry

On 26th September 1976, the Industries Assistance Commission was requested by the Australian Government to report on the nature and extent of assistance that should be afforded to the local production of furniture and furniture components. The IAC subsequently held public hearings between March 14th and April 28th 1977. Evidence was received from the Australian Council of Furniture Manufacturers (ACFM), the Federated Furnishing Trade Society of Australasia (FFTSA), and the Guilds of Furniture Manufacturers of all states as well as from 110 manufacturing companies which, while representing only 5 per cent of the number of existing furniture factories, accounted for the production of nearly half of the goods under reference.

* This paper is an edited version of two submissions dated March and September 1978 respectively, to the Industries Assistance Commission. These papers were presented by K.F. Carr, Federal Secretary of the Federated Furnishing Trade Society of Australasia.

The ACFM, in its Submission, requested:

- (i) the adoption of an industry rate of 40 per cent General Tariff for most of the goods under reference;
- (ii) the adoption of a tariff quota arrangement for imported chairs; and
- (iii) the cancellation of all Preferential margins (with the exceptions of those applying to New Zealand and New Guinea).

Both manufacturers and the unions were concerned that the IAC might not take into consideration the difficulties the industry would have in endeavouring to restructure during the present depressed state of the economy. Both pressed the Minister for Business and Consumer Affairs to have the Furniture Reference amended "to report on the assistance required to maintain the present level of employment", as had been suggested with inquiries into the textile, clothing and footwear industries. In his reply, the Minister explained that, although it would not be appropriate for him to include additional requests to the IAC regarding outstanding review References,

... should the Commission not comment sufficiently on the employment and social implications in its draft report, it will be asked to do so in its final report. I would suggest that, in the course of the Commission's inquiry, the furniture industry take the opportunity to put to the Commission its assessment of the employment and social implications of any changes to the current assistance structure to the industry.

The Minister's letter foreshadowed a subsequent Amendment to Section 23 of the Industries Assistance Commission Act, which now requires that the IAC, in its reports,

- (a) shall report on the level of assistance required to ensure that the level of activity and employment in the industry or group or groups of industries to which the report relates is not less than that which existed at the time when the reference was made;

In relation to the Furniture Reference, this means that the IAC was required to ensure that the level of assistance it recommended would maintain the employment and activity levels which existed in the industry as of September 1976, the date upon which the Reference was made.

The IAC's Draft Report on Furniture was published in July 1978. It recommended that there should be no substantial changes in the level of assistance to the furniture industry, that the duties should be much the same as existing rates. The Federated Furnishing Trade Society of Australasia strongly objected to the IAC recommendation for it was clear that the IAC was incorrect in reporting that:

The duties recommended in this Report, which are little different from existing rates should not have the effect of reducing the level of activity in the furniture industry below that which existed at the time of the reference.¹

There has been a severe decline in employment in the furniture industry since 1976, and therefore it is obvious that present rates of duty have not been sufficient to ensure that 1976 employment levels have been maintained. The number of persons employed in the industry has fallen from 28,662 in 1976 to approximately 27,833 in 1977 and 24,380 in 1978,² and the decline was marked by retrenchment of unskilled and semi-skilled workers. The IAC admits that "depressed economic conditions may continue to reduce the demand for furniture products and hence the level of activity in the industry". However, the ability of the local industry to compete with imports is substantially dependent on local demand and this ability has been diminished by the increased import competition following the reduction in tariffs in 1973. It is the larger manufacturers who suffer most from import competition and this reduction led to a substantial rise in the volume of imports of furniture and furniture parts and a fall in employment among Australia's larger furniture manufacturers between 1974 and 1976.

The IAC has overlooked these trends and, therefore, has failed to meet its statutory obligation under Section 23 of the Industries Assistance Commission Act. In fact, the IAC devoted only 2.5 pages of its 108 page document to discussing the issue of employment. Furthermore, only 3 paragraphs included any reference to the FFTSA's 31 page Submission.³ This submission contained detailed empirical evidence of the difficulties that would be experienced by furniture trade workers faced with unemployment, as well as discussing at some length the deleterious and growing effect of imports on the local industry during the present period of depressed economic conditions, and the subsequent reduction in the total demand for furniture.

In summary, the FFTSA's two main objections to the Draft Report are:

- (i) that the IAC has failed to pay sufficient attention to the issue of employment and the possible effects on the industry workforce of its recommendations; and
- (ii) that the IAC has based its recommendations on evidence which mainly referred to conditions in the industry up to 1976. As a result, it has misread the situation in which the furniture industry now finds itself, due to changing economic circumstances.

We agree with the IAC that, in the long term, the industry needs some restructuring. However, in the short term, the economic and social costs of such a move are too high. Our position is perhaps best summarized in the words of St Augustine: "I believe in chastity and continence - but not just now".

Structural Change and Job Mobility

Because the open hearings of the Furniture Reference revealed a severe lack of information about the employment and social implications of possible changes to the current assistance to the industry, the FFTSA decided to devote a considerable proportion of its limited resources to carrying out a nationwide survey of the industry workforce. The results of this survey were incorporated into our submission to the IAC entitled "The Furniture Industry Workforce: Its Future in a Changing Economic Environment". The survey covered 1,368 respondents, representing 15 per cent of the Society's total membership from 90 factories throughout Australia (with the exception of Western Australia).

This survey provided data on different aspects of the industry's workforce and the substance of the survey indicates that unless some short-term assistance is forthcoming, especially in relation to quotas, severe social and economic dislocation will occur among the workforce and Australia will lose one of its most valuable and profitable industries. Our results establish that the industry's workforce possess certain characteristics which will make for some difficulty in the event of rapid structural change. The pattern which emerges throws into serious doubt the prevailing orthodox theory that resources released from high cost industries can be, and indeed will naturally be, assimilated into the low cost sectors.

The survey indicates that the industry's workforce is comprised largely of workers who have had either limited or no industrial experience in other industries. Survey results show that 74 per cent of males and 45 per cent of females have had no experience whatever in other industries in the last ten years. Of those with experience, almost one fifth had worked in textile, footwear or clothing - generally recognised as declining industries. Less than 16 per cent had worked in areas designated as having clear growth prospects (food, clerical and retail).

Further, not only is it apparent that Furniture Industry workers have not had the work experience which would facilitate their transfer to other industries, a report by the Bureau of Industry Economics indicates that inter-industry mobility of furniture workers would be extremely limited in comparison to most other occupations in the manufacturing industry, unless extensive and costly programmes of retraining are undertaken.⁴

The length of workers' employment in the industry is another factor affecting adaptability and it is interesting to note that only 7 per cent of all respondents had been in the industry for less than 1 year; one third had worked in the industry for 20 years or more; over one half for more than 10 years; and nearly three quarters of the workforce had service of 6 years or more. Longevity of service in the industry is a noticeable characteristic of apprenticed tradesmen, with almost 60 per cent of these tradesmen having served more than 11 years and 35 per cent having served more than twenty years in the industry. In contrast with the situation in other industries, women employed in the furniture industry had high rates of industry longevity, only 19 per cent being in the factory for less than 1 year and 40 per cent for five years or longer.

With 45 per cent of women workers and 40 per cent of male workers in the industry over 36 years of age it could be expected that industry workers would have some difficulty in obtaining other employment and this difficulty would be exacerbated by the general educational levels of survey respondents. While over 50 per cent of the total sample have completed at least Form 3, only 30 per cent of females have reached this level of education.

As in many other Australian industries, migrants make up a substantial proportion of the workforce. Over one third of those surveyed were not born in English speaking countries, and 73 per cent of these migrants in the furnishing industry work as tradesmen. Of these, 43 per cent are apprenticeship trained tradesmen, and 30 per cent factory trained tradesmen, contrasting sharply with the national average of migrants who are apprenticeship- or factory-trained tradesmen.⁵ Migrants working in the furnishing industry have characteristics which differ from those of the national average for migrants, and which place particular limits on their job mobility:

- (i) 56 per cent of migrants were over 36 years of age, compared with 36 per cent for the total workforce surveyed;
- (ii) Migrant education levels compare unfavourably with the general level of education. 61 per cent of migrants did not complete Form 3 of formal education, as against 49 per cent of the total employees surveyed.

Also, communication difficulties experienced by migrants in the furnishing industry and the limited opportunities for retraining (few migrants with limited knowledge of English receive assistance under the NEAT scheme), might force retrenched migrant workers in the furniture industry to take semi-skilled or unskilled jobs.

A further characteristic of the industry's workforce relates to employees who are recognised as tradesmen in the industry, but are without formal qualifications. Generally speaking, these people have acquired tradesman status through factory experience. Factory trained tradesmen compose around 19 per cent of the total employees surveyed. They have similar industry longevity to formally trained tradesmen. However, figures show that very few of these people (about 8 per cent) are under 25 years of age. We assume that this is because factory trained tradesmen have entered the industry as young adults in unskilled or semi-skilled jobs and, after years of practical experience in these areas, have graduated to more skilled work. Factory trained employees have a lower level of formal education compared to those formally trained - only 40 per cent have completed Form 3 or above, compared with 59 per cent of the formally trained tradesmen.

The industry has proved capable of providing rewarding work to a large number of people who left school before gaining the necessary educational qualifications to become apprentices. According to our survey, only one third of factory trained tradesmen had other industry experience, much of which was in skills not readily transferable to growth industries, and these different characteristics would present problems for these workers transferring to other industries.

It is also likely that semi-skilled and unskilled employees in the furnishing industry, who comprised 44 per cent of the total industry's workforce, would also experience some difficulties in obtaining other employment outside the industry. Of the unskilled workers surveyed, 70 per cent had work experience in other industries but about one third of these had worked in declining industries.

Given that wage levels in the furnishing industry are lower than those in manufacturing as a whole,⁶ the expressed preference of workers for employment in the furniture industry, together with the strong job adherence of workers in the industry, would seem to indicate that the vast majority of workers place at least some value on the non-wage aspects of their job. It is therefore important to consider the social cost, as opposed to the possible economic benefit of any sudden and large-scale restructuring of the industry. It is also important to consider the difficulty of finding appropriate incentives to encourage such workers to move into different areas of the workforce.

Summarising our findings so far, the furniture industry has at least three peculiar characteristics which would impede rapid inter-industry mobility and structural adjustment:

- (i) **the limited capacity of furniture industry workers to adapt to work in other industries;**
- (ii) the absence of viable alternative industries to effectively utilise their specialised skills; and
- (iii) the substantial costs, both social and economic, that would be concomitant to retaining redundant furniture workers.

Intra-Industry Mobility

Whilst specialist skills and other factors peculiar to the furniture industry may restrict the ability of its employees to readily adjust to other industries, there is increasing evidence that adjustment to change within the furniture industry is occurring progressively.

In recent years, modern technology, new materials and designs, and a movement toward product rationalization, have all had an effect on the industry and the role of its employees. Craft skills associated with furniture making in the past are still in heavy demand. However, it is universally recognised that flexibility of skills enables workers to adapt more easily to new conditions, allowing greater portability of employment. Our statistics confirm that within the industry, employees are making occupational adjustments to suit these trends:

- (i) A total of 47 per cent of respondents have had experience in at least one other department;
- (ii) 26 per cent of those surveyed had experience in more than one other department;
- (iii) Industry longevity bore no relation to intra-industry skill mobility. Respondents with less than 10 years in the industry and respondents with more than 10 years in the industry were equally distributed amongst those who had worked in more than one other department;
- (iv) Factory mobility tends to increase with industry qualifications. Fifty per cent of tradesmen had experience in at least one other department, compared with thirty per cent of semi or unskilled employees.

Since technology and new materials can be expected to require a constant readjustment of skills, the industry's training system will be presented with a considerable challenge to facilitate occupational mobility. Even with current technology, returns show that half the employees now need inter-departmental experience. Our findings reveal the foresight shown by the industry in recent years in designing a new training programme for apprentices. This programme is congruent with today's needs, moving in the direction of versatility and flexibility. The programme has been supported by a broad-banding of classifications in the furniture trade award. There is now a broad classification of Furniture Maker replacing old specialist classifications such as Cabinetmaker, Upholsterer, and Polisher in the Federal Award.

To reiterate - although our workforce is proving capable of adjustment to change within the industry, the adjustment is relevant purely to furniture making.

While newly acquired skills are recognised and beneficial within the industry, they have no more relevance to other industries than the old skills.

The Future of Industry Training

As pointed out in the previous section, skilled tradesmen are the most flexible workers within the furniture industry itself, and therefore the most adaptable to current and future needs of the industry. To maximise the efficiency of the industry, we therefore need to ensure a continuing supply of such people.

In view of our survey results, which demonstrate a disturbing decline in the number of unskilled and semi-skilled workers employed in the furniture industries, it is obvious that the traditional source of factory trained tradesmen is drying up. This trend will continue unless positive measures are taken to either stimulate the employment of people falling into these categories, or to counteract the effects of the drop in employment rates (which are due to the currently depressed state of the economy) by direct government employment subsidies, or by establishing subsidised courses.

Survey returns indicate that although the industry has many tradesmen employees in the older age groups, there is an increasing number of apprentices coming into the industry. Figures from the Industrial Training Commission of Victoria report a 12 per cent increase in the furnishing trade apprenticeship intake for the year 1977. According to the Commission, this intake situation is "healthy".⁷ It appears from the above that, ceteris paribus, skilled manpower needs will be catered for in the immediate future, providing that the rate of increase in the apprenticeship intake continues at present levels. Obviously, the rate of apprenticeship intake is to a large degree dependent on the general attitude of the industry towards its own future, and the willingness of individual employers to provide training opportunities. A milieu of stability is necessary before employers can be expected to continue taking on apprentices at the present high rates. Indeed, it would be unethical to encourage employers to take on large numbers of new apprentices unless the industry can offer those young people a reasonably viable future as furniture tradesmen.

It is extremely important to develop training systems which will facilitate occupational mobility within the furniture industry. Accordingly, those responsible for apprenticeship training in the furniture industry are responding to changing technology by revising and restructuring courses on a modular basis relevant to the industry's need for flexibility. Apprentices are now required to complete modules in all areas of furniture making before completing their apprenticeships in their chosen trade, for example cabinet making. Each apprentice completes the balance of his/her training in the chosen occupation, but by learning the fundamentals of all other facets of furniture making s/he becomes a more flexible and therefore more efficient unit of the workforce.

Now that the value of upgraded tradesmen to the furniture industry has been clearly and indisputably established by the results of our survey, it is imperative that some means be found to facilitate the movement of unskilled and semi-skilled operators into the more highly skilled areas. A negative aspect of present training arrangements revealed by the survey is that insufficient attention appears to be given to post-apprenticeship training and advanced courses relating to productivity improvement.

It is obvious that both the union and the employers have attempted to apply themselves positively and creatively to the task of equipping the industry workforce with skills which will be relevant to the present and future needs of the industry. However, the positive effects of these new training initiatives will not be felt within the industry for some years. We believe that if these schemes are allowed time to develop, the Australian furniture industry will be able to maximise its undoubted potential as a viable and valuable Australian industry.

Assisting an Efficient Industry

The Australian Government strongly supported the application of a more flexible policy towards low cost, efficient industries in its 1977 White Paper on Manufacturing Industry. In the section of the Paper which deals with what the Government terms "sectoral policies", it said "... policies will be needed to meet the special problems of certain industries ... [T]he approach envisaged is one of providing support for a sector for a defined period during which real efforts should be made by industry itself to improve its structure and efficiency, thereby helping it to achieve a better and more certain long-term outlook".⁸ In August 1977, the Government decided to apply this approach in respect to the textiles, clothing and footwear industries.⁹ In its 1974-75 Annual Report, the IAC rejected the general strategy of raising assistance to low cost, efficient industries but did not preclude the possibility of recommending the provision of additional assistance in certain circumstances. The report stated:

For example, short term assistance may be justified in order to hold resources which are necessary for the long term development of an industry which is on average and over the long term likely to be low cost. In such cases, assistance may avoid the cost of unnecessary resource movements.¹⁰

We believe that an examination of the present state of the furniture industry, as well as its future prospects, justifies the conclusion that the industry warrants a "sectoral policy" on protection which would allow for a five-year period during which Government assistance would be increased. The union agrees with the Government's decision, stated clearly in its White paper, not to accord special treatment of an ongoing nature to any industry merely in order to insulate it from the pressures of change. The union is therefore not asking for 'carte blanche' assistance. We regard this proposed five year period of increased assistance as a 'breathing space' during which time the industry would be able to make the necessary adjustments to become import competitive, while at the same time avoiding sudden disruptive change which, as the Government points out, is unacceptable to the community.

We believe that there is sufficient evidence available to prove that the present level of Government assistance to the industry is inadequate in the short-term. In its Annual Report 1969-1970, the Tariff Board defined "low cost" production as that requiring effective protection of 25 per cent.¹¹ According to the IAC's Annual Report 1976-1977, the average effective rate of assistance to the furniture industry in 1973/75 was 23 per cent,¹² placing it below the upper limit set by the Tariff Board. Furthermore, the rate of assistance to the industry has fallen substantially over recent years from an average effective rate of 41 per cent in 1968-69.¹³ This represents a fall of 44 per cent in assistance rates between 1968-69 and 1973-74.

While it is more difficult to measure other indices of industry efficiency quantitatively, those sources we have consulted, and which are discussed in greater detail below, bear out the IAC's own conclusion that: "Economies of scale of production are evident in the furniture industry, with the larger establishments achieving larger value added per employee levels. The furniture industry is increasing its importance in the manufacturing sector compared to other industries by maintaining an above average growth rate".¹⁴ The indexed growth rate of the furniture industry (excluding sheet metal) increased from a base of 100 in 1971/72 to 171.5 in 1974/75. This compares favourably with the average growth rate for all manufacturing industry, which rose from 100 in 1971/72 to 157.1 in 1974/75.¹⁵ More recent figures show that despite the poor growth rate throughout the manufacturing industry sector, the indexed growth rate for furniture manufacturing, as of July 1977, was still 27 points higher than the average, ranking second among durable goods and sixth among all manufacturing groups, excluding fuel and power.¹⁶

The Australian furniture industry has often been criticised on the grounds that it contains far too many small inefficient establishments. However, the structure of the Australian industry is comparable to that of other western industrial nations. Indeed, the structure of the furnishing industry is similar in all Western industrialised countries, irrespective of Government policy and population. This situation arises as a result of the nature of the market which calls for not only a wide variety of articles, but also a wide variety of styles for each article.

Given the relatively efficient position of the furniture industry, it is evident that the falling levels of employment in the industry are not a reflection of inefficiency but rather the consequence of the general downturn in economic activity, the increased competition from imports associated with this and the decline in real levels of protection.

In particular, there was a marked decline in both employment and activity following the 1973 tariff cut, and the industry has been experiencing an even more serious decline since the 59 per cent increase in imports in 1976/77 (see Table 1). According to the Survey of Manufacturing Industry, sales of locally produced furniture have been below their normal level since at least the beginning of 1977. Significantly, medium-priced furniture appears to have been more successful in sales terms than either expensive or low priced furniture, the market sectors in which imports have made the greatest inroads. Furniture manufacturers have given four reasons for the low level of sales:

Table 1: Volume of Furniture Production: 1971-1977 (1963/64 = 100)

<u>Year</u>	<u>Average Monthly Production</u>	<u>% Change</u>
1971	195	
1972	201	+ 3.0
1973	235	+16.0
1974	214	- 8.9
1975	213	- 0.4
1976	211	- 0.9
1977	191	- 9.4

- (i) import competition;
- (ii) restriction of purchases by Government;
- (iii) restriction of purchases by furniture retailers; and
- (iv) depressed state of the economy.

There has been a fall of nearly 20 percentage points in the utilisation of installed capacity for wood, wood products and furniture between 1974 and 1977; but while the level of activity in the local furniture industry is declining, the value of imports coming into Australia has continued to rise. Table 2 below shows that imports have increased 703 per cent between 1971/72 and 1976/77, and by 63 per cent between 1975/76 and 1976/77.

Table 2: Imports of furniture and parts; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings (AICC Division 82).

	\$'000
1971/72	686
1972/73	8,640
1973/74	18,942
1974/75	24,413
1975/76	32,787
1976/77	53,623 (preliminary)

It is significant that since the rise of 118 per cent in imports between 1972/73 and 1973/74, the value of imports has risen each year by a progressively increasing percentage. We are particularly concerned by the alarming rate of increase during the last financial year, given the enormous value of the goods involved. There is no evidence to suggest that this upward trend will abate, given present tariff levels. It is estimated that the local market share of sales fell from 91.4 per cent in 1975/76 to approximately 88.9 per cent in 1976/77.

We believe that the huge increase in imports during 1976/77, and the further increase during 1977/78 has substantially altered the employment and activity picture given to the IAC in evidence at its public hearings, which was largely based on information available at the end of June 1976. As the IAC has pointed out, there are "several types of imported furniture against which local manufacturers experience substantial price disadvantages. These include low cost wooden chairs, stools, tables and components, banana lounges and picnic tables, all of which are imported mainly from South East Asian countries and often at the Developing Country concessional rates of duty. These are the products in which the greatest increase in imports has occurred and which are causing local manufacturers the greatest concern."¹⁷

In its submission to the IAC, the ACFM specifically referred to imported chairs as the greatest threat to the Australian furniture industry, and provided statistics to justify this claim.¹⁸ Rates of duty on wooden chairs and chair seats imported from developing countries were raised by 12.5 per cent on 1 July 1976. Nevertheless, the numbers of imported chairs rose between 1975/76 and 1976/77 at a more substantial rate than they had during the previous three years. Given this precedent, it is unlikely that the IAC's recommendations, which will increase tariffs on chairs and seats from developing countries by 3 per cent and

7 per cent respectively, will have any measurable effect at all. As the IAC itself admits: "The recommended rates of duty ... would not reverse the imports of low priced furniture and may not slow the rate of increase in such imports".¹⁹

The FFTSA agrees with the ACFM that, given the enormous volume of low-cost chairs being imported into Australia, and the severe deleterious effects these imports are having on the local furniture industry, the only way to solve this problem is to introduce quotas on chair imports, at least for a limited period.

Future Prospects

The steady increase in demand for furniture in Australia can be demonstrated by the fact that the value of furniture supplied to the Australian market rose from \$295 million to \$498 million between 1971/72 and 1974/75.²⁰ As the IAC has pointed out, we can assume that despite declining levels of fertility, which will result in a slowing-down of the rate of population growth in Australia, the overall demand for furniture will continue to expand relative to demand in other areas, such as food, clothing, fuel and medical care.²¹ The fact that a family's proportional expenditure on furniture increases as the size of the family declines, leads us to the conclusion that there will be a significant change in the pattern of furniture purchases over future years. Not only will consumers spend more on essential items of furniture, and thus expect a higher quality product, but there will be far more expenditure on luxury furniture.

Our survey shows that, in the long-term, the Australian furniture industry has the manpower resources needed to compete effectively with imported furniture, to meet this anticipated demand. The industry workforce has adapted rapidly and successfully to changes in technology and materials over the last few years. New and improved training methods will ensure that this flexibility is not only maintained, but increased. The decline in the number of unskilled and semi-skilled workers in the industry indicates that the more flexible the industry's tradesmen, the less labour intensive the industry becomes. It is important, however, that this skill resource is not lost in the short-term.

The Australian furniture industry has already recognised the need to prepare itself for this change, and is taking steps to upgrade the quality of its product. The union, supported by the ACFM, has prevailed on the Standards Association of Australia to replace the old standards for household furniture which were based on construction control, with a new set of standards based on Scandinavian and British performance testing. This process of developing higher standards is both costly and time-consuming. The extent to which the industry will be able to accelerate this procedure is partly dependent on the confidence which it has in its own long-term viability.

Our submission did not include any investigation of either the continuing availability of input materials or capital investment potential. As an organisation concerned basically with people, we were moved to undertake this research by our concern for any sudden and disruptive social impact on the community which could result from the combination of a continuing rapid growth in import levels, and the overall short-term market decline caused by the depressed state of the Australian economy.

Conclusions

The IAC has said that "... structural change ... is pervasive and inevitable" and that: "It is an integral part of economic and social development".²² We agree. However, we believe that it is the duty of government to intervene in this process when necessary, to ensure that readjustment takes place at a pace, and in a fashion, which the community has the ability to absorb without any disintegration of the social fabric. The Industrial Assistance Commission only states the obvious when it refers to structural change as being "A pervasive and continuous process". We agree however with the Australian Industries Development Association in its submission to the Crawford Group.²³ This drew attention to the differences between "natural" change caused by market forces and technology, on the one hand, and deliberate acts of policy such as tariff reductions, on the other.

It became obvious through our research into the furniture industry that by the development of broadly based training programmes workers had developed a degree of intra industry mobility which allowed them to adapt to the natural type of change described above. As the same sort of situation would presumably prevail in other skilled areas where trade courses have been continuously revised and broadened it is apparent that natural structural change is at least to some extent predictable and that therefore policy makers can prepare for it in advance. Natural change however is a gradual process, whereas change brought about by sudden and specific decisions of Government has immediate and often dramatic and unpredictable effects. Despite our agreement with the IAC that there is a need for some restructuring of the Australian furniture industry, we believe that this can only be accomplished over a period of several years, during which manufacturers are given sufficient protection to ensure that there is reasonable stability within the industry.

In its White Paper on Manufacturing Industry, the Australian Government said:

At a time of lower economic activity such as the present ... (t)emporary assistance measures may be necessary to avoid disruption and contribute to economic recovery.... Because protection issues can have such wide ramifications throughout a community, protection policy can never be simple. It must be multi-faceted and flexible in application if it is to meet the complex challenges which inevitably emerge. Protection policy needs to recognise that long-term objectives must be kept in a realistic perspective and not be regarded as goals which must be met, according to predetermined timetables, irrespective of cost to the community in terms of economic and social disruption. Sound long-term policies need to be supplemented by flexible short-term policies to deal with specific problems as they emerge.²⁴

It is obvious that the time-scale involved in restructuring will be influenced by general economic conditions. For example, while the IAC's suggestion that manufacturers should attempt to increase production volumes and reduce costs through the introduction of greater mechanisation is valid per se, present economic conditions make it extremely difficult for manufacturers to raise the necessary capital. Moreover, while workers displaced by mechanisation may be able to find alternative employment within the industry during a period of general economic expansion, this is not the case given the current situation. Their chances of finding work in other industries are even more remote, because of the unique nature of their skills, and the overall shortage of jobs. It also seems likely that manufacturers may hesitate to put some of the other recommen-

dations, such as increased specialisation, into effect until local economic conditions return to a more normal state, thus allowing the industry to gauge more accurately the market demand for particular items of furniture.

Nevertheless, we believe that most leading manufacturers are now aware of the need for structural change, and that the IAC Inquiry itself has stimulated debate within the industry as to the means by which this can best be carried out. It is interesting to note, for example, that a recent edition of the trade publication, Furniture and Furnishings, devotes a considerable amount of space to a discussion of the possibilities of exporting Australian furniture to the Middle East, as well as stressing the need for Australian manufacturing to display their products at several forthcoming international trade fairs.

Clearly, the peculiarity of the furniture industry in terms of its preponderance of tradesmen, whose specific skills, as we have shown, cannot be transferred to other industries, demands the application of a short-term "sectoral policy" in relation to protection. We do not doubt that "economy wide" measures have an important role to play in inducing changes in industry structures and encouraging a more efficient manufacturing industry. However, in the case of the furniture industry, a short term "sectoral policy" is needed to provide a "buffer" period during which the industry can maximise both its human and technological resources in order to ensure its undoubted long-term viability, and therefore the viability of the skills of its workforce.

FOOTNOTES

- 1 IAC, Draft Report on Furniture, July 1978, p. 58.
- 2 IAC, op.cit., p. 86.
- 3 Federated Furnishing Trade Society of Australia (FF TSA), The Furniture Industry Workforce: Its Future in a Changing Economic Environment (March 1978).
- 4 J.L. Whiteman and A. Wood, "A Quantitative Approach to the Analysis of Occupational Structure", Bureau of Industry Economics, May 1977, p. 2.
- 5 Tradesmen constitute substantially less than 44 per cent of the migrant workforce according to the Committee to Advise on Policies for Manufacturing Industry, Policies for Development of Manufacturing Industry, 1975, Vol. 1, p. 73.
- 6 IAC, Furniture: Statistical Handbook, February 1977, p. 12.
- 7 Industrial Training Commission of Victoria, Annual Report 1977, p. 12.
- 8 Australian Government, White Paper on Manufacturing Industry, May 1977, p. 20.
- 9 Hon. Senators R. Cotton and W. Fife, Joint Statement on Government Policy Towards the Textiles, Clothing and Footwear Industries, August 17, 1977.
- 10 IAC, Annual Report 1974-75, p. 25.

- 11 Tariff Board, Annual Report 1969-70, p. 60.
- 12 IAC, Annual Report 1976/77, p. 53.
- 13 IAC, Assistance to Manufacturing Industry in Australia, 1968/69 to 1973/74, p. 67.
- 14 IAC, Furniture: Statistical Handbook, op.cit., p. 13.
- 15 IAC, Furniture: Statistical Handbook, op.cit., Table 26, p. 54.
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