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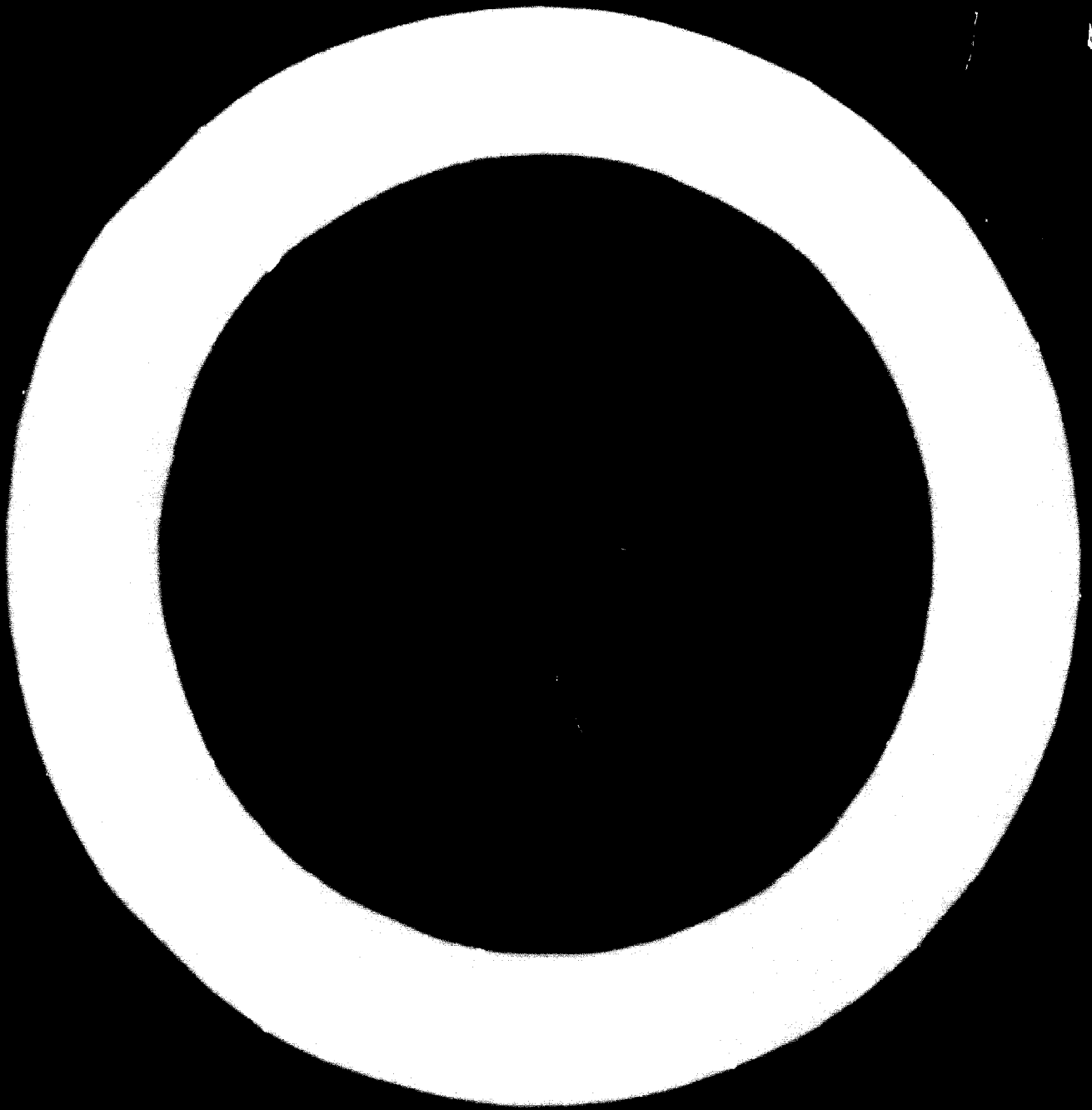
THE FURNITURE AND CABINET-MAKING INDUSTRY ^{1/}
IN URUGUAY

by

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URUGUAY. Its area, physical description, population and economy and social structure.

With an area of 137.000 square kilometres, Uruguay is the smallest country in South America. It is situated in the South eastern coast, between Brazil and Argentina and has the estuary of the Plate to the South. It has a population of 2.900.000 inhabitants, 50% of whom live in the capital, Montevideo.

Uruguay's main exports are beef and wool. Others come from allied livestock products such as hides and sheepskins. Textile exports are also important.

Natural woodland and plantations are inadequate, only 3% of the total area in fact. Trees are mainly used as shelter for livestock. Only a small percentage is used as building timber or for paper making.

Population growth is very low. The average increase over the last 10 years has been 1,3%.

FURNITURE INDUSTRY

According to the type and methods of production the furniture industry can be divided into two separate sectors:

First there are the manufacturers of standardised furniture whose workshops generally employ an average of no more than five or six workers, mainly members of a family. But there are a few larger ones which employ 20 to 25 workers.

As a result of the very small market in Uruguay, manufactureres cannot work in only one line, i.e. the same factory must produce for perhaps 50 bedrooms suites in a given month, 200 chairs in the following one, etc. (It should be noted that a production of 50 items is an important factor in Uruguay's industry).

This constant changing of the products manufactured is harmful to quality, i.e. the materials used as well as the quality achieved are poor. The finish, polishing, and upholstering also leave much to be desired.

The furniture in this class is sold at low prices and its main buyers belong to the working class.

Sales are based on the hire-purchase system over six monthly, yearly or twice-yearly payments. It should be noted that under such a sales system the real cost of the furniture is greatly increased owing to financing interests which can come to 4% per month (48%) per year. The above rate should not surprise the reader, since the inflation rate in Uruguay has varied between 36% and 37% over the last four years.

The second group of manufacturers includes the type of workshops where furniture is produced by design according to the customer's personal needs or requirements. For example a person who wishes to furnish his house calls in a decorator or designer and chooses a model of living-room or bedroom furniture from a magazine, plus the type of wood to be used and has it made in one of these workshops. Thus in these workshops one worker may be seen working on 6 spanish style chairs while at the same time another worker is producing a Luis XV style table or another may be making a kitchen table.

Generally speaking the wood used as well as the quality of finish of the furniture in this type of single piece production is much better than that obtained by mass production manufacturers. Also as a result, the cost of the product is much higher. Nevertheless the demand for this kind of furniture is great since its buyers are mainly the middle and upper-middle classes.

French polishers and upholsterers work independently of carpenters' workshops, but their manner of working is similar. They are generally found scattered throughout Montevideo and many have no workshops of their own.

SOME OTHER POINTS RELATED TO THE FURNITURE INDUSTRY IN URUGUAY

Most of the veneering and gluing work, 90% to be exact, is produced in three large factories which sell at similar and extremely high prices. In fact, the value of a product in the international market is generally doubled by these firms.

Wood is purchased from importers and warehouses, and owing to continuous devaluations of the Uruguayan currency, about 4% per month, importers often hold back wood. As a result artificial shortages are created and the product is then sold at near-extortionate prices which are not authorized by government.

Welfare taxes must be paid by the employer to the state at a rate of 100% of the worker's wages. Unfortunately, despite this heavy burden of social welfare costs, when the worker falls ill or retires, the money he obtains from the state is not sufficient to maintain his standard of living.

As a consequence of the difficult economic situation in Uruguay for the past few years, a great number of qualified and skilled people have emigrated.

As regards these young people who wish to take up carpentry, they can do so at the state technical school, but again, unfortunately the number of students who actually obtain their diploma from the technical college is inadequate to meet the needs of the Uruguayan market.

Considering the machines available in workshops at present, these can only do one single operation and most of them are out of date and are up to 50 years old. The low profit made by manufacturers prevents them from changing or updating equipment. On the other hand the Central Bank has for over two years banned the importation of certain raw materials including wood.

WAYS OF IMPROVING THE INDUSTRY IN URUGUAY

The improvement of the furniture industry in a way that production and quality might be bettered would involve some planning ahead and changes.

- 1) Furniture should be mass produced in limited numbers so as not to glut the market. The design quality, the wood and finish obtained should then be higher.
- 2) Machinery in workshops should be modernized. New machines should be added gradually so as not to need an increase in cost.
- 3) Sales should be planned so that products can be purchased with long-term instalments of, for instance, 5 years.
- 4) There should be closer communication between the employer and the worker thus making discussions on present problems as well as ideas on improvements possible. As things stand at the moment, the dialogue between employers and workers is focused only on wage increases.
- 5) There should be a system of copartnerships which would be closely linked with an increase in production.

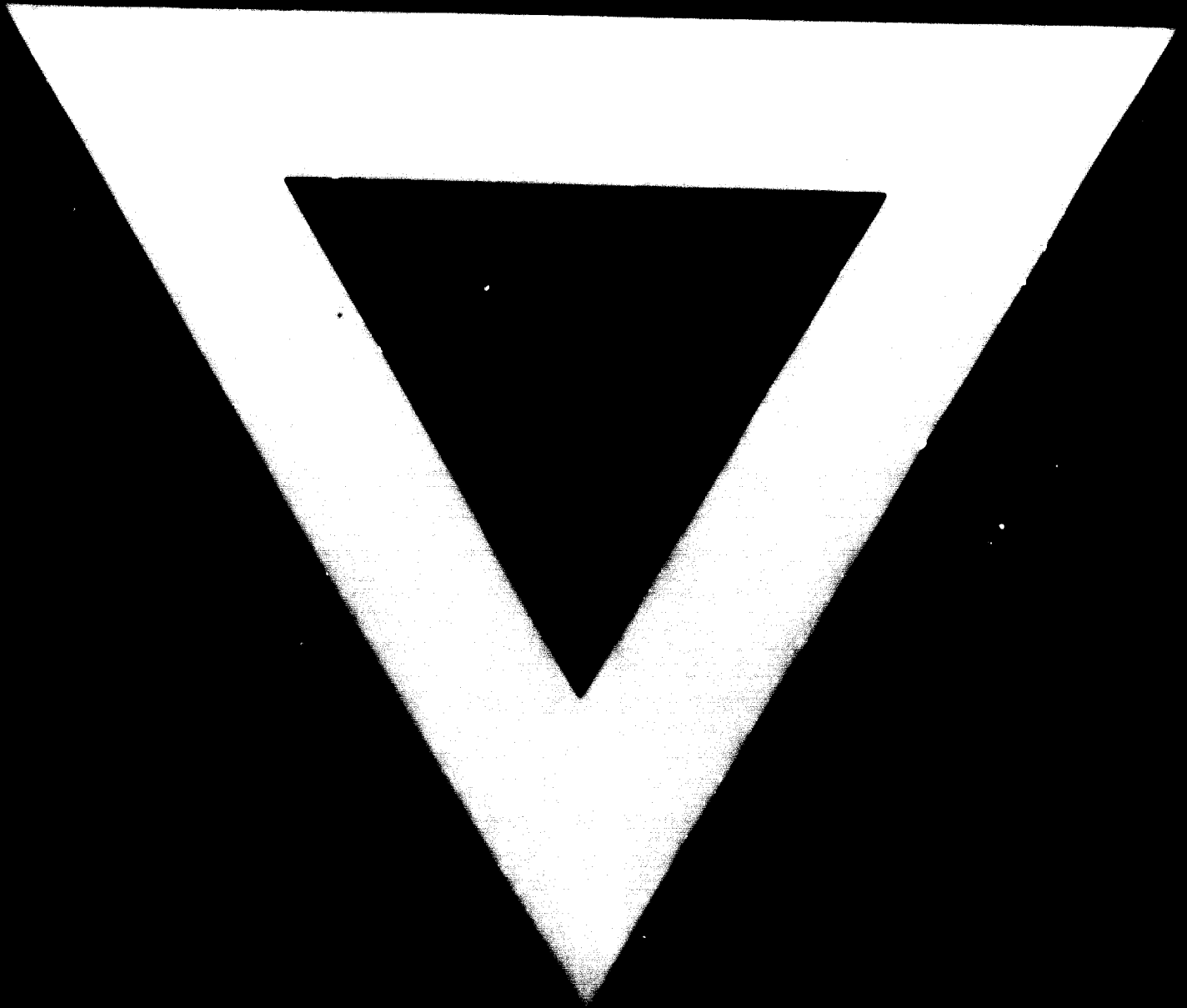
6) Money at low interest rates and payable over a long period of time should be obtainable from the banks of the Republic as well as from private sources to help manufacturers carry out improvements in their workshops.

7) Workshops should be formed so that the number of workers in each is at least 50 to 100.

8) The existing forestry law should be made to function so that more trees are planted, thus leading to the elimination of the need to import wood.

All this would bring about a complete restructuring of the economic and productive aspects of wood manufacture.

The above points are, in the opinion of the author, the most important ones to consider in the furniture industry in Uruguay.



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