

KKR-controlled Sealy to close North Portland factory

Despite offers of across-the-board wage cuts by union officials and “incentives” by an elected official, Sealy Mattress Company is going forward with plans to shutter its North Portland manufacturing plant, eliminating 128 family-wage jobs.

Portland has been home to the mattress factory since the 1940s, though not always under the name Sealy, said Scott Reeves, vice president of Steelworkers Local 330, which represents 78 workers there. Reeves has worked at the factory for 29 years. Teamsters Local 206 represents 14 warehouse workers, and Teamsters Local 162 represents 14 truck drivers. The other 22 jobs are management and non-bargaining unit positions. Wages range from \$15.50 to \$34 an hour, plus benefits.

Sealy operates 25 factories in North America. More than half are unionized, including eight by locals of the Steelworkers Union. Other unions are the Laborers; United Food and Commercial Workers; the Seafarers Union; Teamsters; and the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers, a division of Communications Workers of America. Those unions are not impacted.

The private equity investment firm Kohlberg Kravis Roberts (KKR) owns controlling interest in Sealy. “Private equity” is somewhat of a reinvented name for “leveraged buyout (LBO),” of which KKR is king. The playbook for this type of investment is borrowing large sums of money to buy, restructure and resell companies. Much of the time the restructuring involves selling assets and laying off workers. Private equity firms make money from management fees they charge investors and the companies, plus huge dividends.

Oregon’s Public Employees Retirement System (PERS) has invested more than \$7 billion with KKR since

1981.

According to a report in the New York Times, Sealy has been in private equity hands since 1989, when it was purchased by Gibbons, Green, van Amerongen, a New York-based buyout shop. Bain Capital acquired the company in 1997 on a \$40 million investment — shutting down Sealy’s corporate headquarters in Ohio and shifting all of those jobs to North Carolina. It sold the company to KKR in 2004 for \$1.5 billion. Two years later, KKR took the mattress-maker public, but maintained a sizable stake and influence in the company.

Workers at the North Portland plant were notified in August 2012 that the factory was relocating to Lacey, Washington, where it would operate non-union.

A month later, Sealy announced that it was being acquired by rival mattress-maker Tempur-Pedic International Inc., of Lexington, Ky. The transaction is valued at \$1.3 billion and is expected to close this spring.

Bob Tackett, president of Steelworkers Local 330 (Tackett also is executive secretary-treasurer of the Northwest Oregon Labor Council), said that after hearing the news the union offered to take a 20 percent across-the-board cut in wages — as

long as management did, too.

“They balked at the management cuts right away and then answered with a ‘thanks, but corporate has decided to make the move to Lacey.’ ” Tackett told the Labor Press last week.

The Steelworkers then asked what it would take to keep the factory in North Portland. “We told them whatever it was, we would try to meet those concessions,” Tackett said. “They told us they didn’t think the people here doing the same work for less money would be productive.”

In a November 2012 press release officially announcing the closure, Sealy wrote: “Ultimately the parties were not able to sufficiently address the service and cost issues in order to remain in Portland.”

Tom Leedham, secretary-treasurer of Teamsters Local 206, said the Steelworkers “went the extra mile” to try to keep the factory in Portland. “KKR clearly had no interest in reaching an agreement,” he said.

The Teamsters then turned their attention to Oregon Treasurer Ted Wheeler and the Oregon Investment Council, which oversees the state pension fund. Last year PERS invested an additional \$700 million with KKR (including \$225 million in a Asian private equity fund), pushing its current in-

vestments with KKR to \$3.5 billion.

“It’s outrageous that the State of Oregon gives KKR billions of dollars to invest, and in return for that we get the closure of one of its factories that has been providing family-wage jobs for many, many years. What kind of return on investment is that?” Leedham said.

Wheeler, a former Democratic chair of the Multnomah County Board of Commissioners in Portland, responded with a letter to KKR’s co-chief executive officer George Roberts, asking what the state could do to keep the factory in Portland.

“While I understand that KKR is selling its ownership stake in Sealy this spring, I believe you still control operations in the company until the transaction is finalized,” Wheeler wrote. “I request that you ask the management team at Sealy to meet with Business Oregon, our public economic development agency, and labor leaders to explore the options for keeping this plant operating in North Portland. From what my team and I have heard, leaders from all of these organizations are standing by to see what changes or incentives may help retain these important jobs.”

In the letter, dated Dec. 31, Wheeler referenced the state’s long relationship

with KKR, including the recent \$225 million investment.

Meantime, the Oregon Working Families Party launched an online petition to KKR urging Roberts not to close the factory.

“As the leader of an investment firm that receives billions of dollars of Oregon’s investment money, we call on you to not take the state’s money and run,” the petition read.

Despite the effort, in a letter dated Jan. 4, 2013, Sealy wrote to Portland Mayor Charlie Hales, Multnomah County Board of Commission Chair Jeff Cogen, and Laura Roberts of Workforce Development, notifying them that the “workforce reduction process will begin on or near March 4, after the WARN (Worker Adjustment and Retraining Notification) period expired.”

Tackett said the Steelworkers have entered into effects bargaining with the company. The union is hoping to get some extended pension and health insurance contributions for its members.

(Editor’s Note: KKR in 2008, owned or co-owned companies that employed 855,000 people, making it effectively America’s second biggest employer behind Walmart.)



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