

American Greetings to close Michigan plant

Tom Eley
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On December 22, the greeting card and party goods maker American Greetings announced it would close its Kalamazoo, Michigan, plant by April, resulting in 225 layoffs. Company spokesman Patrice Sadd explained that the firm had reached a “strategic alliance” with New York-based rival Amscan, Inc., and would no longer produce party products of its own.

All the layoffs at the Kalamazoo DesignWare plant will take place between now and March, the company said. American Greetings will also eliminate 12 positions in its Cleveland, Ohio, headquarters. The DesignWare plant manufactures disposable plates, napkins, cups, and other party accessories. American Greetings’ eight other US plants, some of which produce greeting cards, will remain open.

American Greetings, which competes with Hallmark in the greeting card market, offered no explanation for the Kalamazoo plant closure, announced just three days before Christmas, besides saying the compact with Amscan would “broaden its portfolio.” The company will receive \$25 million from Amscan and a warrant to buy 2 percent of common stock in its parent company, AAH Holdings.

Among the largest holders of AAH stock is the investment firm controlled by billionaire Warren Buffett.

American Greetings will now function as a sourcing and production operation for Amscan in the party goods business. Earlier in the year the company jettisoned its retail wing, selling its 341 stores last April in a deal with Schurman Fine Papers estimated at only \$6 million. The stores employed about 2,500 workers.

American Greetings hit a 52-week high in early trading after the announcement December 22.

On December 23, American Greetings reported “better-than-expected profits for the third quarter after a series of cost-cutting measures,” according to the *London Free Press*. The company realized \$29.7 million in net income, but reported spending \$6 million in expenditures related to layoffs in Mexico.

The city of Kalamazoo and the state of Michigan had on at least two occasions extended major tax incentives to keep the DesignWare plant open, including last year after American Greetings threatened to close or relocate the factory. After winning new tax breaks, the company told workers their jobs were safe.

Officials actually had anticipated the plant would expand its operations. “We were told this was the most efficient, most productive, plant in the entire company,” said Ron Kitchens of the government-sponsored Southwest Michigan First development agency, which promotes “community capitalism.”

A long-time worker at the plant, Bert Smith, said his family would likely relocate. “How are you going to be 60 years old and out of a job?,” Smith asked a local television news channel, “I have been here 33 years, you know, so it’s kind of tough.”

Cinda Mohny, a single mother with nine years in the plant said she was “just shocked” by the announcement. “They didn’t say much to us,” she told another Kalamazoo news program. “I don’t really know what to say right now. It’s a grim mood in there right now. We didn’t see this coming.”

Wall Street cheered the Kalamazoo layoffs. Shares of

Teamsters Local 7, which had American Greetings

workers under contract in Kalamazoo, has remained mute on the closure. Reached by a local news station, a union official declared, "We have nothing to say."

The workers laid off by American Greetings will find themselves tossed onto the worst job market since the Great Depression. The official unemployment rate in Michigan hovers between 14 and 15 percent. By a broader measure, over one in five workers in the state is out of a job or underemployed.

Kalamazoo and West Michigan have not been spared by the jobs crisis. While unemployment in Southeast Michigan is higher, the result of the collapse of the US auto industry, layoffs in the furniture and auto parts industries have caused unemployment in the western and rural parts of the state to increase.

Among other major layoffs and closures over the past twelve months in or near Kalamazoo:

*In January aluminum giant Alcoa, Inc., said it would close down its Mattawan plant, eliminating 400 jobs.

*Auto parts maker Checker Motors Corp. closed its Kalamazoo plant in the spring, laying off 246 workers.

*In May auto parts maker Noble International, Ltd., said it would close its South Haven plant, laying off 300 workers.

*In July parts maker Parker Hannifin said it would dismiss about 50 of its 639 Kalamazoo employees due to declining orders from aircraft manufacturers.

*In November over 130 Kmart workers at two Kalamazoo outlets learned they would lose their jobs after the retailer closes the stores in 2010.

Layoffs in the Kalamazoo area are causing an increase in every measure of social misery.

The US Bankruptcy Court in nearby Grand Rapids recently announced that it has handled 1,084 personal bankruptcy cases through November, a record high outside of the year 2006, when impending federal restrictions on bankruptcies caused a flood of cases.

There have been nearly 2,000 home foreclosures over the past two years in Kalamazoo County. The total number decreased slightly in 2009 over 2008, but this has been the result of moratoriums and repayment modifications that will expire. It is anticipated that foreclosures will increase markedly in 2010 in the area.

A representative of a local Kalamazoo charity, Ministry for Community, on Tuesday told a local station that volunteers have seen the number of people using their day-time homeless shelter double over the past year, and that she expects this to increase rapidly in the coming months as a growing number of unemployed workers lose their unemployment benefits. Homelessness reportedly increased in Kalamazoo by 40 percent between 2007 and 2008.

Kalamazoo has a high poverty rate, with over one in three residents living at or below the official poverty level. This is higher than the statewide average. According to a recent study by the Michigan League of Human Services based on the 2008 census, one in seven residents statewide lives below the federal poverty threshold.



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