

The Stop Wall Street Looting Act Would Protect Alabama’s Retail Workers

The private equity industry has taken a bite out of the retail industry—flexing some of its \$5 trillion muscle to loot well-known retailers like Sears, Toys ‘R’ Us and Gymboree costing workers their jobs and economic security and eroding the economic vitality of Alabama’s communities.

Private equity (PE) firms gain often control of companies like retail chains by using high-risk leveraged buyouts before extracting money from the target firms. The purchased retailers are forced to pay millions in fees, take on massive debts, and often even borrow money to pay dividends to the PE firms that seized control. This puts the viability of the stores and the livelihoods of workers at risk in order to deliver vast wealth to a tiny handful of PE executives.

Over the past decade, private equity has targeted the retail industry, buying up scores of retail chains. Too often, the PE firms’ predatory practices are putting those chains at risk, and forcing them into bankruptcy and liquidation. Since 2012, 10 of the 14 biggest retail bankruptcies have been at private equity-owned firms. Just two of these PE-driven bankruptcies cost 2,716 jobs at Sears and 495 at Toys ‘R’ Us in Alabama.

Across the country, hundreds of thousands of other workers have lost their jobs—and often their pensions and benefits—because of private equity-owned bankruptcies or shutdowns at A&P, Payless Shoesource, Radio Shack, Shopko, and many more.

Nearly 6 million people work at PE-owned companies, including about 1 million at retail chains. Today, there are more than 21,000 private equity-owned retail stores across the United States, including 269 in Alabama. There are 246,600 workers at retail companies earning an average of \$28,322 annually in Alabama. These workers, their families, and communities are vulnerable to the private equity industry’s looting that has already cost so many so much.

PE-Owned Retail Stores in Alabama 2019	
Total Alabama Stores	272
Academy Sports + Outdoors	15
Aeropostale	6
At Home Group	5
Avenue Stores	2
Bargain Hunt	10
Bass Pro Shops/ Cabela's	4
Belk	20
Charming Charlie*	3
David's Bridal	4
Earth Fare	2
Floor & Decor Outlets of America	1
Guitar Center	4
Hot Topic	7
J. Crew	3
Jetro Cash & Carry/ Restaurant Depot	1
Jo-Ann Stores	7
Michaels	13
National Vision	18
Party City	6
PetCo	13
PetSmart	21
rue21	13
Save-A-Lot	15
Sears Holdings†	9
Southeastern Grocers (SEG)‡	40
Staples	10
The Fresh Market	7
The Talbots, Inc.	8
True Religion Apparel	2
West Marine	3

It’s time for Washington to stand up to Wall Street and protect workers and communities from the threat of predatory private equity tactics. The Stop Wall Street Looting Act (S. 2155/H.R. 3848) would prevent private equity funds from using financial engineering to raid retailers by loading them with debt, stripping them of assets, charging multimillion-dollar fees, and more. It also would give workers’ pensions, benefits, and severance higher priority in bankruptcy, and hold PE executives liable for the obligations of the companies they own, preventing the private equity firms from cannibalizing the companies and forcing the economic losses on workers and communities.

For more information, contact:

Terrysa Guerra at United for Respect, terrysta@united4respect.org or Rion Dennis at Americans for Financial Reform, rian@ourfinancialsecurity.org

Sources: State retail jobs from Census Bureau 2017 American Community Survey; wage data from Bureau of Labor Statistics Quarterly Census of Employment and Wages; Sears and Toys ‘R’ Us layoffs estimated based on change in state stores since bankruptcy and average per-store employment based on Securities and Exchange Commission filings; store counts from corporate websites or Securities and Exchange Commission filings; * Charming Charlie announced it was closing its remaining stores in July 2019; † Sears Holdings includes only Sears, Sears Hometown, and K-Mart not appliance, hardware or auto; ‡ Southern Grocers locations based on job listings; total does not include private equity-owned retailers Ashley Stewart, BCBG Max Azria, Claire’s Stores, GPM Investments, or Vitamin World where store counts by state were unavailable.