

The Stop Wall Street Looting Act Would Protect Michigan’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 Michigan’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 7,160 jobs at Sears and 1,760 at Toys ‘R’ Us in Michigan.

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 630 in Michigan. There are 504,200 workers at retail companies earning an average of \$31,098 annually in Michigan. 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 Michigan 2019	
Total Michigan Stores	634
Aeropostale	10
Art Van Furniture	98
At Home Group	10
Avenue Stores	14
Bachrach	2
Bass Pro Shops/ Cabela's	5
BJ's Wholesale Club	2
Bob's Discount Furniture	5
Charming Charlie*	6
David's Bridal	8
Earth Fare	1
Forman Mills	8
Guitar Center	10
Hot Topic	20
J. Crew	10
Jetro Cash & Carry/ Restaurant Depot	3
Jo-Ann Stores	43
Michaels	35
National Vision	41
Neiman Marcus Group	1
Party City	27
PetCo	23
PetSmart	40
PSEB Group (PacSun)	8
rue21	21
Save-A-Lot	75
Savers	1
Sears Holdings†	29
Staples	33
The Container Store	2
The Talbots, Inc.	15
Things Remembered	8
True Religion Apparel	1
Value City Furniture	8
West Marine	13

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:

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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; 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.