

May Department Stores lays off 1,800 in Pennsylvania and Oregon

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The May Department Stores Company announced May 3 it would close two divisional stores and consolidate operations, resulting in 1,800 job cuts. The retailer said it would combine its Kaufmann's and Filene's divisions in the Northeast, as well as its Robinsons-May and Meier & Frank division in the West and Northwest, cutting its business divisions from eight to six.

The news came as a shock to the workers who will lose their jobs in Pittsburgh, Pennsylvania and Portland, Oregon this summer. In Pittsburgh, 1,200 workers in offices inside May Co.'s downtown Kaufmann's department store will lose their jobs. The giant retailer made the announcement to employees at a meeting held in the auditorium usually used for fashion shows and awards benefits.

"It was a surprise to everyone," said John, who has worked at Kaufmann's for nine years. "I don't think anyone knew about it. I am 62, I plan to retire, but there are a lot of people here who are going to be really hurt.

"We counted up, there are 17 couples that work here, both the husband and wife are losing their jobs; people with small kids, both out of a job. What a blow to them, what are they going to do?"

"It is going to be hard to find work, UPMC [the largest group of hospitals in the area] is laying off. There has been no recovery here. It is a hard area if you are young and looking for work."

May Co. operates 436 department stores around the country under several different brand names. It plans to consolidate two of its divisions, combining departments like billing, collections, purchasing and advertising.

Pittsburgh is headquarters to the Kaufmann's division, which operates 52 stores. Work there will be moved to Boston where May Co.'s Filene's division is headquartered. In Portland, Oregon, the retailer is

closing offices for its Meier & Frank stores, destroying 600 jobs and moving work to its Robinsons-May group in Los Angeles.

Danene Spisak, who has worked one year in collections in Pittsburgh, said, "I am still waiting to see what happens. None of us expected this. We all thought we were doing great. It was very shocking."

Danene left a job at Echo Star in McKeesport, Pennsylvania to work at Kaufmann's. She added, "I don't know what I will do. I will collect unemployment and hope that I can get something. They are just getting richer while they throw us out of work. They don't care about the workers."

May Co. stores have been hard hit by declining sales and tight competition in the retail industry from discounters such as Wal-Mart, Target and Kohl's. Last year, sales in stores that have been open at least a year fell by 4.6 percent and first-quarter sales dropped by another 2.4 percent. The company expects to save \$60 million a year though the layoffs. Wall Street welcomed the news, sending the company's stock prices up.

Brian Wolfe, a new employee, described the conditions for young workers in the Pittsburgh area. "I was all set to have a job and work. There was no notice. Right now I am scrambling to find another job so I can take care of my family. I have a wife and a two-and-a-half-year-old daughter."

"There are jobs if you need a paycheck, but you have to settle for a job that pays at poverty level. I am not making all that much here—it pays about \$300 a week after taxes—but if you take a few thousand a year cut you are looking for money to make the next rent or car payment."

"I am a collector and it is hard to call people for money when you know you are two paychecks away

from being on the other end of the phone.”

In 1998 the city of Pittsburgh gave the May Department Stores Company \$28 million so the company would locate one of its high-end stores, Lord & Taylor, in an old bank building across the street from the Kaufmann’s store.

Most of the money was an outright incentive, while \$11.75 million was in the form of a loan which does not have to be paid back until the store reaches sales of \$259 a square foot. Nationally, Lord & Taylor only sells \$220 a square foot and the Pittsburgh store has not even reached that level.

The Lord & Taylor deal also included a \$12.3 million payment from the city to buy out Kaufmann’s lease on a parking garage and covering \$4 million in loans to the company. The deal is similar to many such agreements throughout the country, in which cities, counties and states give companies large tax breaks, loans and other incentives to locate businesses in their area.

In addition to declining sales, May Co. has cited the ability to use technology to combine jobs. A purchaser, who in the past could only track and order for at most two dozen stores, can now track several hundred. Only a few people in upper management have been offered jobs in Boston or at May Co.’s St. Louis headquarters.

Sarah Dombrowski, with over a year in collections, said, “Only a few people have been offered jobs, but most people have not. Even if you were offered a job, not many people can afford to uproot their family to move. I work 36 hours a week. I will get nothing—no severance or any benefits—because I am classified as part-time.

“There are real bread winners here. The woman who referred me is a single mother. She has a 10-year-old son and her mother who depend upon her for support. She has worked here a long time; this has been her whole life. She worked her way up the ladder and now the ladder has been taken away. People commute an hour a morning for these jobs because the pay was good.”

The retail sector in the US has been hard hit in the recent period. In January, Kmart Corporation filed for bankruptcy protection and is closing 284 stores and laying off 22,000 workers. This past week grocery store chain Winn-Dixie said it will close all 76 of its stores in Texas and Oklahoma, throwing 5,300 people out of work. The company, which operates one of the nation’s

largest retail food business in the Sunbelt, expects to save \$31 million a year through the closures.



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