

US retailer J.C. Penney cut 43,000 jobs last year

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Over the past year, department store chain J.C. Penney cut 43,000 jobs, 27 percent of its workforce, a report filed Wednesday with the federal Securities and Exchange Commission revealed. The filing listed a total workforce of 116,000 full- and part-time employees at the end of the fiscal year ending in February, down from 159,000 the year before.

This is a far higher number of layoffs than J.C. Penney executives had previously reported. Earlier this month, CEO Ron Johnson said the company had laid off 19,000 employees since November 2011.

Like many department and big-box stores, J.C. Penney has seen its customer base and sales volume shrink over the past five years. Sales at the store are down 28 percent since last year, and the share value of J.C. Penney stocks has plummeted 56 percent. In the fourth quarter of last year, losses exceeded \$427 million.

The scale of the layoffs belies the claim of the Obama administration that the American economy is steadily recovering from the impact of the 2008 recession. While the stock market has been inflated to pre-crisis levels, the foundations of the economy continue to deteriorate. Millions of people have been impoverished in the past five years. Tens of millions more have severely curtailed their spending, especially on items such as clothing and household goods.

Department stores such as J.C. Penney experienced a dismal holiday shopping season in the fourth quarter, and the downward trend has continued in the first quarter of 2013. Competitors Macy's, Target, Kohl's, and Nordstrom all reported significant sales declines over the peak Christmas shopping period, including during the post-Thanksgiving "Black Friday" sales events. Many of the mall retailers depend upon strong holiday sales, which can make up between 25 and 40

percent of annual revenue, to carry their operations for the year.

Several large store chains have gone bankrupt since 2008, including electronics retailer Circuit City, which liquidated in 2009, and Borders books, which filed for bankruptcy in 2011. After a poor holiday season that year, Sears Holdings announced the closure of more than 100 Sears and Kmart stores.

Even discount stores such as Dollar General and Family Dollar, which market to the poorest section of the population, have recorded a slowing of sales and narrowing profit margins in 2012 into 2013. Customers were passing up toys for "basic need" items, Family Dollar chief executive Howard Levine told analysts in a February conference call. "Clearly [customers] don't have as much for discretionary purchases as they once did."

The situation is set to worsen as the impact of the federal sequestration cuts work their way through the economy. Some 1 million federal workers face furloughs costing up to 20 percent of their annual incomes. Reductions in basic programs including education and public health will trigger the layoff of hundreds of thousands of workers at the state and local levels. The tsunami effect of the budget cuts will be devastating to the working class as a whole.

The expiration of the 2010 federal payroll tax cut in January has already had a significant impact on the working class, cutting an estimated 6 percent of discretionary income for households earning under \$40,000 a year. Executives of retail giant Walmart complained of the worst February sales figures in at least seven years. "Have you ever had one of those weeks where your best-prepared plans weren't good enough to accomplish everything you set out to do?" Senior Vice-president Cameron Geiger asked in a

February 1 email. “Well, we just had one of those weeks here at Walmart US. Where are all the customers? And where’s their money?”

J.C. Penney has attempted, without success, to combat the impact of the economic crisis through sales gimmicks, commercial makeovers, and a blunt ax. CEO Johnson was brought on board from Apple Corporation as part of the effort to resuscitate the 111-year-old chain. In remarks last month, Johnson said the company had “made some big mistakes” with its marketing, which “didn’t connect very well with our customers last year.”

The response of the company to declining sales has been to eliminate checkout counters in stores. Cashiers and sales representatives have been replaced by mobile- and self-checkout counters in many stores.

On March 5, *Business Insider* reported, store managers were informed via “secret broadcast” that stores must prepare to “work harder with less” in 2013. “Service Leaders” (sales managers), “administrative assistants,” and “office/cash room associates” are all to be cut from the business hierarchy effective April 5, an anonymous source told the magazine. This would amount to a layoff of at least 2,200.

“It was right after a secret broadcast that we were all called one by one to be notified about the dismissal,” said one Service Leader who was abruptly fired. “We were told ‘thank you for your hard work, your last day will be April 5.’”

“And there’s nothing we could offer you,” he added.

Another longtime sales associate told *Business Insider* that for those administrative workers not laid off, the company was offering low-level sales or support positions. “That’s a rather hollow offer,” he said.

J.C. Penney locations across the country are closing entirely. In the past month, workers at numerous stores were informed they were losing their jobs.

All the store’s West Palm Beach, Florida mall employees received a notice March 4 stating, “Since plans call for the permanent closing of the entire store, all 125 team members will be affected. Based on the business needs and team members’ interests, it is anticipated that a few team members may be offered employment in other J.C. Penney locations.”

On March 14, Aberdeen, Washington workers were

told their store would close by August because it was “underperforming.” The sudden announcement will leave a hole in the SouthShore Mall, where J.C. Penney holds a lease until 2015.

In North Carolina, stores in Wilkesboro and Salisbury will be closed. Closures have a sinkhole effect on the local economy. At the Salisbury Mall, department chains Rose’s, Belk, and Big Lots are also departing. Because of such closures, local Economic Development Commission director Robert Van Geons told the *Salisbury Post* that residents will be compelled to spend some \$271 million per year outside of the county for goods and services, a phenomenon he called “retail leakage.”



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