

6,000 Chicago workers lose jobs in Dominick's grocery chain closure

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About 6,000 Dominick's grocery store workers lost their jobs on December 28 across the Chicago, Illinois region, after the chain's parent company, Safeway, failed to find buyers for the stores. Safeway put the stores up for sale in October, responding in part to pressure from a major shareholder, the hedge fund Jana Partners.

The thousands of workers put out of work right after the holiday period will face a very difficult job market, as other retailers shed their seasonal holiday positions. Chicago's unemployment rate stands at 10.9 percent, according to the latest figures. The same day that Dominick's workers lost their jobs, 1.3 million people nationwide lost federal extended jobless benefits.

In contrast, Safeway, its stockholders, and Jana Partners have all reaped rewards from the closures. Safeway stock is up by 77 percent over the past year. The company's stock hit a low of \$17.22 in January 2013, and in September, Jana Partners purchased \$300 million of Safeway stock at \$25-26 a share.

Jana Partners, a hedge fund, publicly demanded that Safeway carry out changes that included exiting "subscale and lower margin geographies." The statement pushed Safeway stock above \$30, the highest price since 2008.

Safeway, which owns over 1,400 grocery stores, bought the Chicago-based Dominick's chain in 1998. Since that purchase, it had lost significant market share and closed over 40 stores, making it a target for asset strippers like Jana Partners.

Three weeks after Jana Partners' demand for cost-cutting was released, Safeway announced the sale or closure of the 72 remaining stores in the Dominick's chain. Safeway stock rose to \$33 a share, and has remained in that range as the stores have been closed.

The total earnings for Jana Partners has not been

disclosed, but at present prices it amounts to tens of millions of dollars, as Jana Partner's holdings are over 25 percent higher than their purchase price. This incredibly high rate of return is typical for activist hedge funds, even though they primarily serve to institute cuts and layoffs.

The result is the worst mass layoff in the Chicago region for years. Of the 72 suburban and city stores, only 19 are known to have new owners—Mariano's bought 11, Whole Foods four, and Jewel-Osco four. Only Jewel will carry over employees (450), otherwise, employees have to reapply for their jobs.

Steve Yamamoto, a Dominick's worker of eight years, made a satirical video about the devastation caused by the layoffs as a joke to "lighten the blow." In return, Safeway suspended him on his last day of work, and threatened his severance package of three weeks pay.

The satirical video is just a hint of the outrage and sadness over the closures, both at the layoffs and loss of the full-size grocery store. The locations that have been bought within the city of Chicago are nearly all in higher-income areas where retailers like Whole Foods and Mariano's see a market for high-end groceries. Five stores have no known buyers in the North Side of the city, as well as a location on 71st street in the South Shore neighborhood. Dozens of others in the suburbs remain unclaimed.

In these areas and others, customers will have to travel farther and possibly pay higher prices. The South Shore location in particular lacks many other food options; it was already only one of a few full-sized grocery stores in a vast area of Chicago's working class South Side.

Despite Dominick's having a unionized workforce, no opposition was organized by the United Food and

Commercial Workers union. It simply sought to make sure the closures proceeded in an orderly way, and stated that it would work with new buyers to negotiate labor contracts.

Even though the closures and layoffs loomed for months, Democratic Mayor Rahm Emmanuel waited until Christmas Eve to announce appointees to a “grocery store task force.” The group includes city, business, union officials, and will seek “to help address the potential impacts of closing grocery stores,” even though the layoffs and closures have already taken effect.



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