

RadioShack to close up to 1,100 stores

Gabriel Black
5 March 2014

RadioShack announced Tuesday that it would shutter roughly 1,100 of its stores. The announcement comes amid a growing wave of layoffs and store closures in the United States and only a few months after Republicans and Democrats decided to cut federal aid to the unemployed.

Thousands of RadioShack employees will likely be out of work by the end of this year. However, the company has not yet announced how many of its 27,500-strong retail workforce will lose their jobs.

RadioShack has about 5,200 stores, making it, in terms of presence, the sixth-largest retailer in the United States. According to the company's statement Tuesday, up to 21 percent of these stores could be closed within the coming months. If that percentage is translated proportionately into job figures, it would amount to the layoff of 5,775 employees.

"We are over-stored," said RadioShack CEO Joseph Magnacca to the company's investors. The retail giant has experienced trouble since 2010. Its decision to close stores was announced alongside its dismal sales figures for the fourth quarter of 2013.

The company sold \$1.17 billion worth of goods in the fourth quarter of 2012. In 2013, for the same period, sales were only \$935.4 million—a 20.1 percent decline.

In this past fourth quarter, sales were down 19 percent compared to the third quarter. During the fourth quarter, RadioShack lost \$191.4 million. Summing up 2013 as a whole, the company suffered a \$400.2 million loss. This is on top of a \$139.4 million loss in 2012.

The news ushered in a slide in RadioShack's stock price. At the time of writing, worried investors had brought the stock down by 17.28 percent. The stock has lost more than 80 percent of its value since the end of 2010.

Despite the dramatic announcement, *Forbes* magazine reports, "that may not be the end of store

closings." An analyst, Brian Sozzi, CEO of Belus Capital Advisors, spoke to *Forbes*: "I think [RadioShack] will be gone. This is just the first wave. You'll see more closures over the next few years, then it will be out."

The thousands of workers to be laid off will receive little or no assistance. At the end of last year, Congress and the White House cut off emergency federal jobless benefits for 1.3 million people. Since the cut-off around Christmas, 576,000 people have been denied benefits, bringing the total number of people asking for but not receiving benefits to 2 million.

Additionally, the government has cut billions from food stamps: \$8.7 billion was cut in February on top of an \$11 billion cut in November 2013. The program currently helps to feed a record 47 million Americans, about a sixth of the entire population.

Just a few days ago, the US Commerce Department announced that economic growth for the final quarter of 2013, previously placed at an annual rate of 3.2 percent, had been revised downward to 2.5 percent. The first quarter of 2014 is expected to see an annual growth rate of 2 percent.

RadioShack is one of the many companies that have announced mass closures and layoffs recently. In the past week, JPMorgan, Best Buy, and IBM announced plans to lay off thousands of workers each. Retailers such as JC Penney, Macy's, and Best Buy have seen progressive declines in sales, leading to closures and layoffs.

Also, Chrysler announced on Tuesday that it would be laying off 325 workers at its Illinois assembly plant. The decision was announced after the company revealed a 37 percent decline in Dodge Dart sales in February of this year.

In the past week, Toys "R" Us said it would lay off 200 people at its headquarters in New Jersey, Michelin Canada announced 500 layoffs at a tire factory in Nova

Scotia, Bechtel Power Company cut 155 contract construction workers in Ohio, and 88 employees of aerospace company General Dynamics lost their jobs.

Though the official unemployment rate is at 6.6 percent the statistic does not count the millions of Americans who have simply given up looking for work. The US labor force participation rate continues to decline, from about 66 percent in 2008 to below 63 percent in 2014. *Market Watch* estimates that roughly 15 percent of Americans want work but cannot find it.



To contact the WSWWS and the
Socialist Equality Party visit:

wsws.org/contact