US grocery chain takeover threatens workers' jobs

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Private equity firm Cerberus Capital Management has agreed to acquire Safeway, the second largest grocery store in the US, for $9.4 billion. Albertsons, another Cerebrus-owned supermarket chain, would take over the California-based Safeway, creating an unprecedented rival to Kroger, the largest supermarket chain in the US. The deal would pay Safeway investors $40 per share, including $32.50 in cash.

With estimated revenues of up to $60 billion, the new company will dominate large portions of the grocery market, especially on the west coast of the US. It would include 2,400 stores, 27 distribution facilities and 20 manufacturing plants.

Wall Street views the consolidation of the supermarket industry as a necessary step in an increasingly cutthroat market. Analyst Jason Moser observed, "This is a total scale play in an industry where scale is what matters the most."

While the companies involved have said there are no immediate plans for store closures or layoffs, Cerberus is widely known as a "vulture fund" that invests in companies teetering on the verge of bankruptcy. Through asset stripping, facility closures, and the cutting of wages, benefits and jobs, Cerberus restructures companies and makes them more attractive and profitable to investors.

In 2006, Cerberus bought 661 Albertsons stores. A week after the purchase, the company announced the closure of 100 stores within two months. In the years following the purchase, store closures took place in Texas, Oklahoma, Nebraska, South Dakota, Florida and Colorado.

Months after the acquisition, 1,000 workers were laid off. A year later, Cerberus divested of 72 Albertsons fuel centers and sold 49 store locations. More recently, 26 closures were announced in 2012 as part of a broader strategy to shut down 60 stores nationwide. Meanwhile, last year Cerberus acquired SuperValu, Inc., which controls the remaining 564 Albertsons stores.

Similarly, in 2004 Cerberus acquired the Mervyn department store chain. A year later, 4,800 jobs were destroyed and 62 stores shuttered.

This type of financial stripping creates immense wealth for a small number of investors, while workers suffer the social and economic consequences. Cerberus has played a central role in the wholesale transformation of US auto manufacturing into a low-wage industry.

In 2007, Cerberus bought 80 percent of the Chrysler Group. The purchase was hailed by politicians of all stripes, as well as the United Auto Workers (UAW), which portrayed the sale as a blessing for Chrysler workers. In reality, the union's approval was a signal to investors that it would help the company impose sweeping cuts to wages and benefits.

In a statement that has since been fully vindicated, the WSWS warned at the time about the implications of the Chrysler takeover by Cerberus.

Working in tandem with the UAW and the Obama administration, tens of thousands of jobs at Chrysler were axed, benefits were stripped down or eliminated, and a two-tier wage system was established that saw a 50 percent cut in pay for new hires.

At the same time, the UAW became a major stockholder in Chrysler, acquiring an initial 39 percent ownership stake.

The possibility that Safeway's biggest rival, Kroger, may outbid Cerberus and acquire Safeway itself, as has been rumored in financial circles, would not signal any improvement for workers. Kroger is equally committed to attacking employees' living standards.

In 2004, California grocery workers were defeated after a 19-week strike, the longest work stoppage in the history of the industry. With the assistance of the United Food and Commercial Workers Union (UFCW), Kroger-owned Ralph's supermarket imposed a two-tier wage system, slashed wages for new hires, capped employers' contributions to workers' medical insurance, and won the right to downgrade pension benefits.

After the strike, 33,000 so-called "second tier" workers making $7.55 an hour were hired at California grocery chains covered under the agreement. In 2007, a new contract eliminated the two-tier system, but increased the time it took to reach the top pay scale from six to nine years.

In 2011, another contract was quickly pushed through with little information made available to either the membership or the public. It included an increase in health care contributions. UFCW President Rick Icaza made clear from the beginning that his goal was "preserving the company's competitive position to be able to make a profit."

In 2012, the new UFCW agreement with Food 4 Less (Kroger) also included a drastic increase in health care contributions.