

US: Market Basket workers protest ousting of CEO, threat to jobs and benefits

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This past month has seen unprecedented action by nonunion employees of New England grocery chain Market Basket. Rallies at company headquarters and stores across the region have drawn as many as 15,000 workers and supporters protesting against the board of director's decision to fire company CEO Arthur T. Demoulas.

Two hundred workers from company headquarters and distribution centers who have refused to work since July 17 have received notice that they will be considered to have abandoned their posts if they do not return to work by today, Friday, August 15. Supermarket shelves stand largely empty and customers are boycotting Market Basket stores across New England. Most of the 25,000 employees are involved at some level in the protest.

Demoulas was fired June 23 after losing control of the company to his cousin and longstanding rival Arthur S. Demoulas last year. VP Joe Rockwell and Bill Marsden, Market Basket's director of operations, were also fired.

The firing of Demoulas and two other executives triggered immediate opposition from workers across many levels of the company. Protests have been held under the single demand "Bring back ATD" (referring to Arthur T. Demoulas) and much of the media coverage has centered on the rivalry between the two cousins.

The popularity of Arthur T. Demoulas among employees is in large part due to his defense of a profit-sharing scheme. In May this year, Demolous shared with employees a letter to board chairman Keith Cowan, denouncing the board for having replaced the plan's company-based trustees with a New York investment advisory firm, Evercore. Demoulas also protested the board's rejection of his recommendation

to increase the company's contribution to the profit-sharing plan last year.

Demoulas was fired despite the apparent success of his management team. The chain, formerly known as Demoulas Super Markets Inc., has 71 stores and about 25,000 employees in Massachusetts, Maine and New Hampshire. It reported \$4.6 billion in revenue in 2013 and is ranked as the 127th largest private company in the United States by Forbes. The debt-free company reported profits of \$217 million in 2012.

The shake-up in the Market Basket board flows not from cousin rivalry but from the demands of shareholders for the maximum dividends at the expense of the workforce. Senior managers, eight of whom have since been fired, have been prominent in organizing protests among the nonunionized workforce because they too stand to lose under the new leadership. The profit-sharing scheme is said to be worth \$550 million and some senior managers could get payouts in excess of \$1 million. For workers, the scheme essentially provides a 100 percent company-funded retirement plan and they fear the new board is trying to abandon the plan, along with other benefits, in preparation for a sale of the company.

The *World Socialist Web Site* spoke to workers protesting outside the Somerville, Massachusetts branch of Market Basket on August 10. Tim Tobin, a bagger who has worked at the store for 11 years, commented, "They are going to get rid of the benefits," and said that part-time workers have seen their hours cut to zero. "They just laid off all the part-timers," he added. "There are only full-timers working right now." Referring to the automatic price discount practiced by the chain, Tim said, "they will get rid of the four percent. ATD was the one who brought in the four percent."

Johnny Miller has been employed at the store for eight years in the deli. Asked what he thought the issues in the protest were, Johnny said, “Probably the best way to go is to get this guy [ATD] back in and get the company rolling like it was before. The existing management is going to ruin it.”

Discussing the media coverage on the possible sale of the company, Johnny said that if the company were sold, “the whole character of the place would change. There wouldn’t be discounts. We would lose this great profit sharing plan we have got. It is a point of pride. We are doing something the right way and now they just want to cash it in. That’s what we’re afraid of.”

He continued, “The profit sharing scheme gets us about 15 percent a year. It is a retirement plan. You can’t get it without penalty until a certain age, but they don’t draw anything from us. It is not like a 401k, it is a 100 percent company-funded retirement and you don’t see too many of those. I think people are afraid that’s what they are going to do.”

Store workers themselves are not on strike. Johnny told the WSWS, “The guys that are on strike are the warehouse and the truckers. The rest of us kept working, but all the store managers are supporting ADT. It has been a long time since anything like this happened in America.”

Speaking of the new management, Johnny said, “One of the first things they did when the ADS side got control over a year ago, they supposedly raked in a lot of money that had been set aside to open new stores and instead cashed in themselves. That type of thing gets people worried. It’s no bed of roses working here, don’t get me wrong, but it will get worse. Two weeks ago I went down to 15 hours and it will be zero this week. One of the reasons I came here today was to find out about claiming unemployment.”

Boston.com reported that Arthur S. Demoulas discussed a sale of his family’s stake in Market Basket with private equity company Cerberus Capital Management in the spring of 2011. According to a July 25 article, “Boston.com confirmed the discussed deal with multiple sources with direct knowledge of it.” The author writes, “new information indicates that Arthur S. Demoulas has at least considered selling the company to private equity, if he could arrive at a controlling stake in Market Basket, since before he gained control of the chain last summer.”

For the Cerberus deal to go through, Arthur S. Demoulas would have had to be able to offer more than a 50 percent share in the company. Arthur S. Demoulas eventually won control of the company after his sister-in-law Rafaele Evans began to vote in concert with him among shareholders. That began the process that eventually led to the firing of his cousin.

Arthur T. Demoulas was replaced by two former retail and grocery executives who had been acting as consultants for Market Basket, Felicia Thornton and James Gooch. Boston.com notes that Felicia Thornton was the CFO of the Albertsons supermarket chain in 2006 when that company was acquired by multiple parties, including Cerberus.

Cerberus in recent years also bought the grocery chains Shaw’s and Safeway. Boston.com speculated that Cerberus’s interest in the chain may have more to do with its real estate than running the food chain as a going concern: “A source says Cerberus valued the real estate owned by the company. According to the *Boston Business Journal*, Market Basket owns more than 15 million square feet of property in Massachusetts.”



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