

Sports Direct and BHS: The real face of British capitalism

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The grossly exploitative, parasitic and downright criminal character of British capitalism was laid bare in sessions before a parliamentary select committee. Last week the Business, Innovation and Skills select committee held two separate hearings—into the retail giants Sports Direct and the now-collapsed BHS.

The Sports Direct hearing was prompted by the disclosure that the retailer paid its employees below the minimum wage and had created a climate of fear such that workers were so scared to take time off that one even gave birth in the warehouse toilet.

The warehouse in the former mining village of Shirebrook, Derbyshire, employs around 3,200 people, of which just 200 are employees of Sports Direct. Some 80 percent of the remainder are supplied by temping agencies on zero-hour contracts, while others are on short-term contracts of just 336 hours a year.

A *Guardian* investigation last year showed how staff—already amongst the poorest paid in the country—were held back at the end of their shifts for security searches.

Sports Direct's billionaire founder, Mike Ashley, appeared before the committee, which heard that workers were also subject to penalties including being docked 15 minutes pay for being one minute late. The unpaid time in security checks—which could take up to 15 minutes—and other deductions, meant that staff were effectively being paid approximately £6.50 per hour, less than the statutory rate of £6.70, or £7.20 for those 25 years of age and older.

The hearing was told that some staff were paid through a pre-paid card, which they were charged £10 to receive. In addition, they were subject to a £10-a-month management fee, charges of 75 pence when they used it in a cash machine and 10 pence when they got a text message confirming it had been used. Agency workers were also paying deductions for unknown “insurance services” of up to £2.45 a week.

Staff were subject to a “six strikes” rule, over a six-month period, after which they faced instant dismissal. The “strikes” included “errors,” “excessive/long toilet breaks” and a “period of reported sickness.”

Workers, who typically walk 20 miles a day in the warehouse, are harangued by a public address system for not working fast enough.

The Dickensian conditions of work were underscored by evidence presented by the Unite union. There were 110 ambulance callouts to the warehouse, it reported, over the last two years. Some 50 occasions involved “life-threatening” conditions, including chest pains, convulsions and strokes. Five involved birth and miscarriage-related matters, including the instance in which an employee gave birth in the toilet.

Evidence was presented that some staff were “offered” better contracts, or longer hours, in return for sexual favours.

The Sports Direct founder was forced to appear before the committee after he had continuously refused, saying it was a “joke.” Only when threatened with contempt of Parliament did Ashley finally show his face.

With consummate arrogance and bluster, Ashley—one of the wealthiest men in Britain with a fortune estimated at £3.5 billion—described his company as a “victim of its own success.” It had grown so quickly that he could not be aware of everything taking place, he said.

He dismissed the ambulance callouts, saying that some staff had called 999 “willy-nilly.”

Ashley told the committee that the company had agreed with Her Majesty's Revenue and Customs to give some backdated compensation to employees—but this does not include temporary staff, which make up 80 percent of the total. “I'm not Father Christmas,” he said. “I'm not saying I'll make the world wonderful.”

In the media, Sports Direct and its owner were presented as the “ugly” face of capitalism—a nasty boil on

an otherwise healthy system. But that same afternoon, the committee met again to hear evidence on the collapse of the retail group, BHS (British Home Stores) with the loss of 11,000 jobs.

The group filed for administration on April 25, with debts worth £1.3 billion including a £571 million pension deficit. Some 164 stores are to close, with workers losing not only their jobs but at least 10 percent of their pensions as pension liability is handed over to the taxpayer-backed Pension Protection Fund.

The committee was presented with evidence indicating complex fraud and outright gangsterism. It heard that Dominic Chappell, the twice bankrupt former racing car driver who purchased BHS from Sir Philip Green's Arcadia group for just £1 only a year ago, had tried to move £1.5 million out of BHS just before its collapse to a firm called BHS Sweden. The latter is not controlled by BHS, but by one of Chappell's directors.

BHS CEO Darren Topp told the committee that he had telephoned Chappell and told him, "That's theft." "Between expletives," Topp said Chappell—who also claimed to be an ex-SAS soldier and to have a gun—had threatened, "If you kick off about it, I'll come down there and kill you."

The money was returned minus £50,000 for "fees," Topp said.

Chappell's Retail Acquisitions Limited (RAL) had taken at least £17 million from BHS during its brief ownership. The former owner refused to say how much he had received personally.

Chappell was described during the hearing as a "Premier League liar" and "someone with his fingers in the till."

He is not alone. It was Allied Commercial Exporters (ACE), the property company held by the Dellal family that loaned Chappell the £35 million he needed to prove he was a credible buyer of BHS.

ACE subsequently made up to £18 million from a number of transactions with BHS in the 13 months leading to its collapse. In addition to a £25 million loan, on which £31 million was repaid only months later, ACE also made more than £10 million from property transactions, including the sale of BHS' headquarters in London's exclusive Marylebone district.

Top of the pile is Green. The billionaire, dubbed "King of the High Street," is due to appear this week but there are allegations that he took £580 million out of the business in dividends, rental payments and interest on loans. Much of this was reportedly transferred to offshore

private companies controlled by Green's wife, who lives on one of the family's three yachts in Monaco.

On top of this, the Greens earned £12 million annually in rent on BHS properties sold to their private companies, and an additional £38 million a year in "administrative and accounting charges." This reportedly rose to £58 million in 2013. Lady Green received a £1.2 billion dividend tax-free in 2005.

Green, who was knighted under the Blair Labour government for his services to the retail industry, was accused by one committee member of "wealth extraction rather than wealth creation." But this sums up much of Britain's ruling elite.

To add to the stench, it was revealed that Chappell had sought a "rescue deal" to sell BHS to Ashley before it went into administration.

More damning, perhaps, than the evidence heard by the select committee is that virtually nothing will come of it. While lamenting Ashley and Green as the "unacceptable face of capitalism," the media made clear that much of what had occurred was perfectly legal. The most demanded was that Ashley should "apologise" and Green relinquish his knighthood.

Even so, Conservative Prime Minister David Cameron declined to comment on whether he supported calls for Green's knighthood to be withdrawn.

Gaby Hincliff wrote in the *Guardian* that with no prospect of a Labour government any time soon, "all that's left is shame ... forcing people simply to explain themselves in public, to look the rest of us in the eye and defend what they have done."

In fact, Labour leader Jeremy Corbyn has been conspicuous only in his virtual silence. Besides describing Ashley as "scrooge" and proof of why Britain need to remain in the European Union, Corbyn has passed no comment, much less demand anyone be held to account. Only after days did Shadow Chancellor John McDonnell make any statement, and then only to say that Green should be "stripped of his knighthood" if he refused to appear before the committee this week.



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