12,000 Sears workers laid off as Canadian retailer liquidates operations

Carl Bronski
21 November 2017

An Ontario Supreme Court judge ratified the liquidation of Sears Canada last month and the closure of its 130 outlets, entailing the loss of 12,000 jobs by early next year. In the run-up to the liquidation, the company had shed an additional 4,000 retail jobs earlier this year.

While top Sears executives will be rewarded with a multi-million dollar payout for their role in destroying the livelihoods of thousands of workers and their families, the workers have been left to fend for themselves.

With the collapse of the company, 36 executives and senior managers will share $6.5 million in “retention bonuses” for overseeing the “restructuring,” despite failing to save a single outlet from closure. Meanwhile, the 16,000 store workers who have already, or will shortly, lose their jobs will receive no severance pay. A federal “Companies Creditors Arrangements Act” relieves bankrupt corporations of severance pay obligations.

Many of the laid-off workers have spent a decade or more in the company’s employ. Benefits are immediately ended for all sacked employees. To deflect from public outrage over management bonuses, Sears Executive Chairman Brandon Stranzl undertook to donate $500,000 for an “employee relief fund”. However, to date the fund has received only $300,000. In any case, because any employee drawing from the fund will have the money clawed back from Employment Insurance claims, only 22 workers have applied for the emergency relief.

Sears management consistently underfunded the corporate pension plan. While the plan had a surplus of $220 million in 2008, today there is a $270 million shortfall. Some 13,000 retirees with defined benefits and 4,000 other workers nearing retirement have been warned that they will be forced to take an as yet undisclosed “haircut” in their monthly cheques. They have already lost their health benefits.

Sears workers are justifiably outraged. Vera Asselin, who worked for Sears for 33 years and was laid off in June, told CBC, “We are getting absolutely nothing. It’s a complete joke.” Sobedida Maharaj, with 28 years of service, told the *Toronto Star*, “It’s like getting slapped in the face.”

The liquidation of Sears Canada offers a case study in the mechanisms that have allowed for the continued enrichment of financial parasites at the expense of low-paid workers in retail and other economic sectors. For over a decade, billionaire hedge fund manager and CEO of Sears Holding Corporation, Eddie Lampert, oversaw a massive asset-stripping operation of Sears Canada. Under a predatory “efficiency plan,” $1.4 billion was funneled into stock buy-back schemes and special dividends rather than investments in retail operations. Just prior to declaring bankruptcy, Sears Canada registered a quarterly profit of $244 million, despite a continuing collapse in retail sales, largely as a result of asset sales.

The fate of Sears workers is only the most extreme expression of a broader assault on the jobs and working conditions of retail workers. Canada’s largest food retailer, Loblaws, announced last week that it plans to close 22 grocery stores in early 2018 as part of a restructuring drive that has already seen the company slash 500 store support positions at its head office. In addition, Loblaws will open an internet-based home delivery e-commerce option as part of a shift by retailers away from “brick and mortar” retail outlets.

The cost-cutting moves have been explained by corporate spokesmen as a response to anticipated economic “headwinds” in 2018, including pending minimum wage increases in Ontario and Alberta and the encroachment of Amazon into the retail grocery space. Loblaws more than doubled its third quarter profit this year to $883 million, largely due to the sale of its gas bar division.

The store closure announcement at Loblaws came the same week that business analysts raised the spectre of a possible restructuring of the iconic Hudson's Bay Company department store chain. HBC shares have dropped a precipitous 60 percent since 2015 with 2,000 employees laid off this past summer. The retailer has posted almost $1 billion in losses since 2016.

These events follow closely on the heels of another major retail bankruptcy. Target Canada ceased operations in early 2015 as it was projected to lose $2 billion annually, forcing over 17,000 workers out of a job over the course of the year.

A major contributor to the fall in retail sales and the ensuing bankruptcies in Canada—and internationally—has been the emergence of online shopping. This sector is dominated by Amazon, whose lower prices are underwritten by the brutal exploitation of a workforce subject to poverty wages, grueling working conditions, forced overtime and temporary contracts. Last Christmas, Amazon reported shipping a total of 1 billion items worldwide, accounting for 38 percent of all internet sales.

The steady demise of brick-and-mortar retail is also an expression of stagnant and declining wages. Statistics Canada reports that real wages across the country have flat-lined for the last 40 years. This year has seen the lowest rise in hourly wages—a paltry 0.7 percent—since the government began tabulating this statistic in 1997. The tiny increase means a cut in real wages, when inflation is added into the equation.

The plight of Sears workers and retirees mirrors situations faced by workers at Nortel, US Steel, Algoma Steel, Wabush Mines and other instances of major bankruptcies in Canada. Despite promises whilst in opposition to address the massive inequities in Canada's bankruptcy laws, the big business government of Prime Minister Justin Trudeau has explicitly rejected introducing any such legislation. Trudeau, whose election was promoted by the trade unions and who continues to be lauded by them as a "progressive," restricted himself to offering his sympathies to the 16,000 Sears workers who have been robbed of their jobs, benefits and pensions.

The bankruptcy laws are designed to ensure that the interests of the banks and other so-called "preferred" creditors are protected, while workers are left empty-handed. Only after the preferred creditors receive what they are "owed" by Sears in full, will any consideration be given to workers' claims.

The unions have not lifted a finger to defend Sears workers. A Teamsters article on their plight in July restricted itself to appealing for new customers to the Teamsters pension plan. This is in keeping with the unions' role over the past three decades as enforcers of the demands of big business and the ruling elite's chief instrument for suppressing the class struggle.

The social-democratic NDP has confined itself to impotent appeals to Trudeau's big business Liberals to see the light and reform the bankruptcy laws so as to provide a small measure of protection for the wages and pensions that workers have already earned. Predictably, the NDP has said nothing that calls into question a "legal" system in which the courts rubber-stamp the fleecing of workers or an economic system where capitalist owners line their pockets by throwing workers onto the garbage heap.

The gang-up of the corporate elite, their bought and paid for political representatives, and trade union bureaucrats against Sears workers underscores that working people cannot take a single step forward in the defence of their most basic interests to a decent-paying, secure job without taking matters into their own hands.

Workers at Sears and throughout the retail industry must form their own independent action committees to wage a struggle against the destruction of their livelihoods. The power of the super-rich elite to take decisions ruining the lives of tens of thousands of workers at a shot must be broken. This requires the turn to a socialist program and the fight for the establishment of a workers' government committed to the prioritization of the social needs of the vast majority, rather than the profit drive of a handful of speculators and corporate criminals.