Executives reap millions in bonuses as US retail apocalypse escalates

Trévon Austin
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The retail industry in the United States has been ravaged by an unending wave of closures, bankruptcies and liquidations since the depths of the Great Recession in 2008. The current social and economic crisis triggered by the COVID-19 pandemic threatens to accelerate this collapse, which has been dubbed the retail apocalypse.

A record 9,302 store closures were announced last year and 2020 is on track to see three times as many closures. In April alone, 2.1 million jobs were lost in the retail sector making it one of the worst hit areas of the American economy.

Yet amid this historic crisis, US firms have continued to shower executives with millions of dollars in bonuses while millions of retail workers were laid off. A Reuters analysis of securities filings and court records found that nearly a third of the more than 40 large companies filing for bankruptcy this year awarded bonuses to executives within a month of filing.

Reuters analyzed financial documents and court records from 45 companies that filed for bankruptcy since March 11, the day COVID-19 was declared a pandemic by the World Health Organization. The companies reviewed either held publicly traded stock or debt or more than $50 million in liabilities.

A total of fourteen companies issued bonuses within a month of filing and six cited challenges executives faced during the coronavirus pandemic to justify the handouts. Eight companies, including JCPenney and Hertz Global Holdings, dished out bonuses within as little as five days before filing for bankruptcy. Hi-Crush Inc., which supplies sand for fracking, did so two days before filing on July 12.

A majority of the companies issued bonuses six months before their bankruptcies. Out of the 45 companies Reuters analyzed, 32 gave bonuses within a half year before filing. Almost half authorized bonuses within two months.

JCPenney, which was forced to temporarily close 846 stores and furlough 78,000 out of 85,000 employees, issued almost $10 million in bonuses before its bankruptcy filing on May 15. On Wednesday, the company announced it would permanently close 242 stores. JCPenney claimed the exorbitant bonuses were aimed at retaining a “talented management team.” The annual pay of the company’s median employee, a part-time hourly worker, was $11,482 in 2019, Reuters noted.

Neiman Marcus Group, which temporarily closed all of its 67 stores in March and furloughed more than 11,000 employees, paid out $4 million in bonuses to its Chairman and Chief Executive Geoffroy van Raemdonck in February, and an additional $4 million to other executives just weeks before it filed for bankruptcy. In the company’s proposed plan as part of its filing additional bonuses were already laid out.

In a company filing, Hertz said it had paid senior executives $1.5 million in bonuses, just days before its bankruptcy filing, in order to recognize the uncertainty corporate management faced due to the reduction in travel caused by the pandemic.

Whiting Petroleum Corp. gifted $14.6 million in bonuses days before its filing. Chesapeake Energy Corp. awarded $25 million to executives and lower-level employees in May, about eight weeks before filing for bankruptcy. Both companies stated the extra compensation was in response to falling oil prices sparked by the recent Saudi-Russian oil price war, which scrapped incentive plans in place for execs.

Meanwhile, Levi Strauss’s chief executive has issued a warning that the string of retail bankruptcies announced in the first half of 2020 is “just the tip of the iceberg." Chip Bergh told the *Financial Times* "the list [of recent failures] is already pretty long and I expect it's going to get longer."

The manufacturer and retailer of the Levi's, Dockers and Denizen clothing brands has faced troubles during the pandemic like its competitors but has managed to avoid bankruptcy. Its second quarter was the weakest in at least two decades, with net revenues 62 percent lower than last year. Currently, most of Levi Strauss's almost 1,000 company stores are open, but Bergh worried the retail sector would be disrupted again as coronavirus cases surge. In an attempt to lower expenses, the company recently announced it would cut 700 corporate jobs to save $100 million a year.

The bestowal of millions of dollars to corporate executives, while tens of millions of workers in the US face severe financial insecurity or are being forced to toil in unsafe conditions, is an indication of the absolute criminality of the American ruling class. Its response to the pandemic has been limited to providing trillions to large corporations and banks and ensuring the continued exploitation of the working class. While CEOs rake in millions, workers face financial ruin as the $600 weekly enhanced federal unemployment benefit expires even as new unemployment claims continue to accumulate at the unprecedented pace of more than 1 million every week.