

Large bonuses awarded to executives of bailed-out US companies

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Since the start of the pandemic, large corporations, including Hertz Global, JCPenney and Neiman Marcus, have awarded their executives millions in payouts just before filing for Chapter 11 bankruptcy protection, according to court documents and regulatory filings obtained by the *Washington Post*.

Altogether at least 18 companies, many of which were bailed out with taxpayer money under the CARES Act, paid out more than \$135 million to executives while listing \$79 billion in debts to landlords, suppliers and other creditors. Experts say the timing of the payouts was calculated to bypass a 2005 law forbidding such actions by companies that are under bankruptcy protection.

While these companies awarded their executives anywhere from \$600,000, as in the case of retailer New York & Co., to Chesapeake Energy's \$25 million, they laid off tens of thousands of workers, who on average earned less than \$29,000 a year.

One of the laid-off workers interviewed by the *Post* was Utobia Hornbuckle, a grandmother who worked at the family restaurant chain Chuck E. Cheese's corporate offices near Dallas. Her part-time job barely allowed her to afford a motel room. She was saving to move into a single-bedroom apartment with her daughter and three grandchildren.

Her hopes were dashed after being furloughed from her \$12.50-an-hour job on March 17 and laid off six months later, along with dozens of her colleagues. Chuck E. Cheese's parent company had filed for bankruptcy with \$2 billion in debt.

Chief Executive David McKillips, who had been with the company for less than five months, was awarded \$1.3 million, part of nearly \$3 million in bonuses he shared with other top executives. The parent firm, CEC Entertainment, told the *Post* the bonuses were a way to

retain employees "while providing them with financial stability."

Hornbuckle was quoted as saying, "Of course it makes me mad. But that's the way of the world now. Big corporations do what they want to, and the rest of us—the peons, the small people—fall off our feet."

She and her daughter, who works at a day care center, pay \$268 a month for their motel room and rely on food stamps to make ends meet. She continues to apply for jobs, her \$600-a-week supplemental unemployment benefit having long since expired.

Many companies awarded their CEO bonuses only a few days before declaring bankruptcy. Extraction Oil & Gas paid out \$6.7 million in retention bonuses a week before its June bankruptcy filing, while laying off more than 120 employees, about 40 percent of its total workforce.

JCPenney awarded its top four executives \$7.5 million only five days before it declared Chapter 11 bankruptcy. The retail chain has not turned an annual profit in almost a decade and is saddled with more than \$8 billion in debt. The company is now starting to close almost 150 stores and lay off thousands of workers.

Car rental company Hertz argued in bankruptcy court that its bonuses were meant as an "incentive" for executives to stay while the company reorganized. In its Chapter 11 filing in May, the company asked the court permission to pay out another \$14.6 million in bonuses, on top of the \$16.2 million already paid out before declaring bankruptcy.

The judge rejected Hertz's request and called it "offensive," but later approved a smaller payout of \$8.2 million on the condition that the company met "certain financial goals." Hertz has more than \$24 billion in debt and has already laid off a third of its workforce, more than 11,000 employees.



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