

Thirteen thousand jobs threatened at UK's Arcadia Group

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Sir Philip Green's Arcadia Group, whose 500 high street fashion stores include Topshop, Burton, Miss Selfridge, Dorothy Perkins, Evans, and Wallis, went into administration November 30. The corporation had debts of more than £500 million and an estimated £350 million hole in its pension fund.

The 13,000 staff at its 444 stores in the UK and 22 stores overseas stand to lose their jobs and at least 10 percent of their pensions if Arcadia hands over its commitments to the tax-payer-backed Pension Protection Fund, with around 10,000 retirees seeing their pensions capped.

The Pensions Regulator is party to this theft, having agreed last year to allow Arcadia to halve its £50 million annual pension contributions to the company's pension fund as part of a rescue deal to keep the company afloat. In return Tina Green, Sir Philip's wife and ultimate owner of Arcadia, guaranteed to put £100 million into the schemes over several years. The furore surrounding the collapse has forced her to stump up the outstanding monies within the next 10 days.

The store's collapse also leaves taxpayers to foot the bill for unpaid VAT and other taxes, as well as the cost of redundancy and payments to Arcadia workers. Suppliers are expected to lose up to £250 million.

Meanwhile, billionaire Sir Philip Green is reportedly planning to spend the festive season at a luxury resort in the Maldives where private villas cost up to £30,000-a-night. This is a drop in the bucket for the Greens, who have an estimated net worth of £950 million, according to the *Sunday Times* Rich List—which only measures *identifiable* wealth—more than enough to plug the pension fund deficit and pay off Arcadia's creditors.

The announcement comes in the wake of 500 redundancies at its head office earlier this year, following a rescue deal with Arcadia's creditors last year that included rent reductions on its stores, 1,000 job cuts and

dozens of store closures. Last Monday's decision follows the failure to agree a £50 million loan deal with Mike Ashley's Frasers Group.

It was an open secret that Green had been looking to offload Arcadia, whose breakup value has been greater than its value as a going concern for some time. The administration process protects the business from creditors while Arcadia's stores continue to trade and the administrators, global accountancy services firm Deloitte, seeks buyers for all or parts of the business to pay off Arcadia's creditors, who include Green and his family.

This odious billionaire, once lauded as the "king of retail," was knighted by Tony Blair's Labour government in 2006 in recognition of his "services to the retail industry." His "business model" is the standard rapacious template for corporate looting used across the globe and says as much about the Labour Party as it says about Green himself.

In terms of the production process, it involves paying minimum wages, sourcing supplies from sweatshops at home and abroad, stripping the pension fund and paring down investment so that it is incapable of adjusting to changing conditions.

In line with the financialization practices, it means loading one company with debt—payable to one or other sister companies and secured against its assets—and then siphoning off the cash in the form of dividends to the shareholders, his wife, who resides in Monaco, thereby avoiding UK tax.

He used this mechanism to strip BHS, a rundown chain of department stores that went bust in 2016, of around £807 million. He funnelled £252 million of this to its parent Arcadia Group and £414 million in dividends to his wife, the owner of the investment fund that owns the Arcadia Group. In 2005, Green famously paid his wife a jaw-dropping £1.2 billion via a loan taken out by Arcadia, reducing Arcadia's corporation tax liability, as interest

charges on the loan were tax-deductible.

Arcadia's demise follows that of a raft of retailers that were already ailing before the pandemic and ensuing lockdowns curtailed sales, due to the ferocious competition from low-cost rivals on the high street like Primark, online retailers such as Asos, Pretty Little Thing and Boohoo, and the decade-long fall in real wages. It comes just weeks after Edinburgh Woollen Mill Group, Peacocks, Jaeger and the Ponden Home chain, all part of Phillip Day's retail empire, went into administration leading to about 1,000 job losses so far, with 7,300 more at risk.

On December 1, hours after Arcadia collapsed, Debenhams, the 242-year-old department store chain, which is home to many Arcadia brands and has already closed more than 40 stores in the last 12 months, announced that its administrators were winding down operations. All 12,000 employees are likely to lose their jobs when the chain's 124 shops cease trading. Debenhams is seeking a rescue deal with Mike Ashley's Frasers Group. Like the Arcadia Group, it too had suffered in the early 2000s from financialization in the form of a sale and lease back of some of its stores, arranged by a previous owner, a private equity firm, from which it never recovered.

Even before these collapses, more than 125,000 UK retail jobs have been lost and nearly 14,000 shops closed for good up to September this year. More than half the closures were the result of cost cutting programmes. This was on top of the 140,000 jobs lost in 2019 and 16,000 shops that closed their doors for good.

Ashley, a billionaire, is expected to bid for some of Arcadia's fashion brands. He is notorious for his exploitative work practices. A parliamentary report said he ran Sports Direct like a Victorian workhouse, building his success on a business model that treats workers "without dignity or respect," using "appalling working practices" and treating his "workers as commodities rather than as human beings."

He is also bidding to take over the collapsed retailers, Edinburgh Woollen Mill Group, Peacocks and Jaeger, where he faces stiff competition from their former owners seeking to buy back the assets while dumping the liabilities, a common practice after companies have been put into administration.

The timing of these collapses is significant. Creditors, including landlords facing rent shortfalls that could drag down share prices, are piling on the pressure in the run up to Christmas when retailers make most of their money.

Secondly, they were determined to push these retailers into administration before December 1, when new rules, known as "crown preference," came into force, to preserve their own position. The rules would rank the claims of HM Revenue & Customs (HMRC), which collects VAT, national insurance, corporation and other taxes, above other unsecured creditors. While the new rules will see suppliers and other unsecured creditors rank below HMRC, Arcadia's secured and therefore highest ranked creditor—who include Sir Philip's wife—will continue to take precedence, making it more likely they will recoup their loans.

While broader economic and social changes have undoubtedly affected the retail sector, the fate of these—and many other—corporations was sealed by the predatory actions of their owners who siphoned off or squandered the enormous wealth created by generations of workers while loading the companies they presided over with debt. Yet again, pension obligations are to be transferred to the taxpayer, while the corporate heads' own tax obligations are wiped out, courtesy of complex debt-financed transactions and off-shore tax havens.

The collapse of these corporations reflects the parasitism and financial skullduggery of Britain's ruling class. The corporate bosses in every sector have demonstrated time and time again that they are entirely unfit and incapable of running industry, trade or services in a way that satisfies the needs of their workforce, customers, or society at large. Government, regulators, bankers, a compliant media, and trade union leaders have for decades aided and abetted them, while hundreds of thousands of workers lost their jobs and pensions, the taxpayer foots the bill, and those responsible walk away and continue their champagne lifestyle.

The enrichment of a wealthy few, while those that create all of society's wealth, the working class, struggle to survive, confirms the irrationality of the capitalist system. It must serve as a call to action for all those who want to change it to join the Socialist Equality Party and take up the fight for socialism.



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