

UK retail chain Wilko collapses, threatening 12,500 jobs

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Hundreds of stores of the retail giant Wilko will close in the coming weeks, after talks to rescue the bankrupt company failed.

Administrators at PwC confirmed on Monday that nearly 300 Wilko stores and its distribution centers will cease operations in the coming weeks. The company collapsed owing £410.9 million to landlords, suppliers, HM Revenue & Customs and others.

Since the bankruptcy announcement August 10, last-ditch efforts by HMV owner Doug Putman to strike a rescue deal aimed at taking over 200 stores took place, only to fall through. Administrators at PwC explained, “no aspect of the retail chain could be salvaged in its current configuration”.

At the beginning of the year, Wilko borrowed £40 million from Hilco Capital, a financial services holding company that specialises in restructuring distressed companies. Hilco has been separately advising the administrators (PwC) on the possible liquidation of assets, suggesting plans for the bankruptcy of Wilko were made as long as nine months ago. Hilco’s deal will reap rewards with the *Sunday Times* noting, “Hilco also stands to rake in fees from the liquidation of Wilko’s stock, valued at £117.6 million when the discount chain collapsed.”

In recent months, Wilko also considered entering a “company voluntary agreement” (CVA, in which an insolvent business proposes a repayment plan for its debts over a specified period) with some of its landlords, in return for reduced rents. Management eventually decided against it, for undisclosed reasons.

PwC had already offloaded 51 sites out of Wilko’s total of 408 to its competitor, B&M, for £13 million, while announcing the closure of 52 others. On Tuesday, rival retailer Poundland announced that it will take over another 71 Wilko stores and rebrand them under its name. The following day, another retailer, The Range, bought

Wilko’s brand for £5 million, including its online operations.

The collapse of Wilko will mean job losses for most of its 12,500 employees, with as many as 1,300 being dismissed as soon as next week, when the first stores begin to close. The rest of the stores are set to close by early October. Employees will be asked to work two extra days after closure.

Workers in stores that have been acquired by competitors are not safe either, with Poundland only saying it will give “priority” to former Wilko workers when hiring new staff for the shops.

Another 300 jobs were lost last week when Wilko’s two big warehouses in Worksop, Nottinghamshire, and Newport, Wales, were closed. Most of the redundancies take place in poorer areas of the UK, where the affected workers will have a hard time finding alternative employment, amid a biting cost-of-living crisis.

The failure of Wilko is another in a mounting string of bankruptcies of traditional “brick-and-mortar” retailers, such as Debenhams and Arcadia in the UK, and Galeria Karstadt Kaufhof in Germany. In terms of the numbers of staff and stores, this is the largest retail failure since Woolworths in 2008, and the second largest in terms of turnover (£1.2 billion compared to Debenhams’ £1.3 billion in 2020).

High street retailers face increasing pressure from online retailers such as Amazon, ballooning rents, especially in prime locations in city centers, as well as declining demand with mounting inflation and falling real-terms wages leaving workers unable to afford to buy as much as they used to.

Wilko was one of the oldest retailers in Britain. It was founded as a shop (then named Wilkinson) in Leicester in 1930 by James Kemsey Wilkinson. It expanded across the Midlands initially and by the 1990s became one of Britain’s fastest-growing retailers. It rebranded as Wilko

in 2012. The chain benefited from the collapse of Woolworths in 2008 but its failure to adapt to the switch to online shopping meant that its sales started falling below those of its lower-cost competitors such as Poundland, Home Bargains and The Range.

According to the *Financial Time* (FT), “a combination of supply-side problems and not enough liquidity to get those supplies back in again, has meant shrinking sales”. Wilko reported sales of £1.3 billion in the year to January 29, 2022, down from £1.6 billion in 2018. The group plunged to a £36.7 million loss before tax that year, from a £4.3 million profit the year before.

Some big suppliers, including Unilever and Procter & Gamble, which provide many staple household cleaning and food products, refused to supply the store until their debts were repaid, which led to empty shelves compounding the drop in sales. By August 10, Wilko owed about £70 million to suppliers and would have needed at least this amount to continue trading.

This proved a major stumbling block for any investors looking to acquire Wilko on a “going concern” basis. HMV owner Doug Putman was initially interested in an acquisition but pulled out after learning the extent of Wilko’s debts. As a result, a veritable vultures’ feast is taking place, with rival retailers cherry-picking the most profitable parts from Wilko’s corpse to add to their own businesses.

Despite its worsening financial situation, the retailer continued to pay its owners £2.25 million in dividends during 2021 and a further £750,000 in February 2022. Over the past decade, Wilko shareholders, most prominently the Wilkinson family, extracted £77 million in dividends from the company—more than the amount owed to suppliers by the end. Over the last 20 years the family took out more than £100 million in dividends from Wilko.

In a final kick in the teeth, “Members of Wilko’s pension scheme face a cut to their savings after the collapsed retailer’s defined benefit scheme fell into the Pension Protection Fund (PPF),” reported the *Sunday Times*. The newspaper added, “The deficit in the scheme, with some 2,000 members, has swelled to £76 million on a buyout basis, according to the latest estimates from administrators at PwC, greater than the £50 million initially thought.” While the “PPF, an industry-backed lifeboat, stands ready to plug much of the shortfall,” the result is that “members of the scheme at retirement age will receive their full pension; those under that age face a 10 per cent cut to benefits.”

The trade union representing Wilko workers, the GMB, has played its usual role during the entire affair, supporting the owners over the workers. Even though it was aware of the retailer’s dire financial straits, the union did not warn workers of the threat to their jobs, nor did it mount any struggle in their defence. Throughout the bankruptcy proceedings, the union acted as a partner to the company, aiming to make the store closures as smooth as possible, while merely “pushing” for any prospective new owners to retain as many Wilko staff as possible.

The GMB were complicit in attacks against the workers, as was tacitly admitted by Nadine Houghton, national officer of the union, when she said “GMB members have remained loyal and committed to Wilko, accepting pay cuts and cuts to terms and conditions to help the business stay afloat”.

The union betrayed struggles by Wilko workers in 2019 (calling off a strike against the introduction of a seven-day schedule described as “brutal”) and in 2021, when the retail chain cut workers’ sick pay. This, while Wilko stores remained open during the entire COVID-19 pandemic with its workers on the frontline. In 2017, the GMB collaborated with management to cut 1,000 jobs after the retail chain recorded an 80 percent drop in profits the previous year.

To defend their wages and jobs, Wilko workers must organize themselves into rank-and-file committees independent of the GMB. These would discuss and organise the necessary fighting measures and form links with workers in retail and other industries facing similar issues: mass layoffs, closures, and constant attacks on conditions.

Rank-and-file committees are also the basis for the necessary political offensive. Jobs on which working-class families depend for their income should not be at the mercy of the market. The fight for full and secure employment must be taken up against the capitalist profit system and its defenders in the government, the Labour Party and the trade unions.



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