

Double Exposure

*Retail workers nationwide hammered by
the combo crisis of pandemic and private equity*



Double Exposure: Retail workers hammered by combo crisis of pandemic and private equity

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United for Respect (UFR) is the largest non-profit organization fighting to elevate the voices and experiences of working people in retail, including those who worked at private equity-controlled retailers such as Toys R Us, Sears/Kmart, ArtVan, Shopko and others. UFR is also working with essential frontline workers at PetSmart and Petco to hold their private equity owners publicly accountable to the health, safety and well-being of their employees, and to ensure that workers are protected in the event of a bankruptcy.

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Executive Summary

Private equity has had a disastrous impact on the retail industry, driving dozens of firms into bankruptcy, shutting down tens of thousands of stores, and costing hundreds of thousands of jobs nationwide. These layoffs upend the already fragile economic security of the low-paid and often Black and Brown women who work in retail. Private equity retail shutdowns also undermine local economies when retailers large and small disappear, compromising the future of shopping centers and eroding local sales and business tax revenues.

Private equity is an especially predatory type of Wall Street investment firm that has taken

over scores of national and regional retail chains. The private equity business model poses considerable risks to retailers and workers. Private equity relies on extractive financial engineering — including imposing high-debt loads from leveraged buyouts, wringing out value in fees and dividends, and stripping out real estate assets — that impose severe burdens on the retail takeover targets.

The private equity-owned retailers have often collapsed into bankruptcy as they are unable to service the large debt loads. While the private equity firms and executives walk away largely unscathed or even profiting from the deals that led to the retailer's collapse, hundreds of thousands of women and people of color in frontline retail jobs have lost their

livelihoods, often with no severance and no recourse.

The Coronavirus pandemic is exacerbating the headwinds challenging the brick-and-mortar retail industry, but the extractive private equity business model compromised the economic viability of retailers long before the pandemic. Changing consumer tastes and online and big box retail competition have created difficulties for the retail industry, but what has been called the “retail apocalypse” over the past few years has been driven largely by the collapse of private equity-owned retailers. Private equity-backed retailers have accounted for a substantial portion of retail bankruptcies before and after the pandemic.

These private equity-driven bankruptcies and jobs losses have hit every state. This analysis estimates state-level retail store job losses from 65 private equity-owned retailers where state store locations were identifiable at the time of private equity takeover and in February 2020, just before the pandemic, and found widespread job losses in every state.

The pandemic has added fuel to the already well-fed fire created by private equity greed and added new uncertainties for the millions of women and people of color who work at these retailers. The twin crisis has left these retailers uniquely ill-equipped to weather 2020’s economic downturns due to the mismanagement and heavy debt loads imposed by private equity firms.

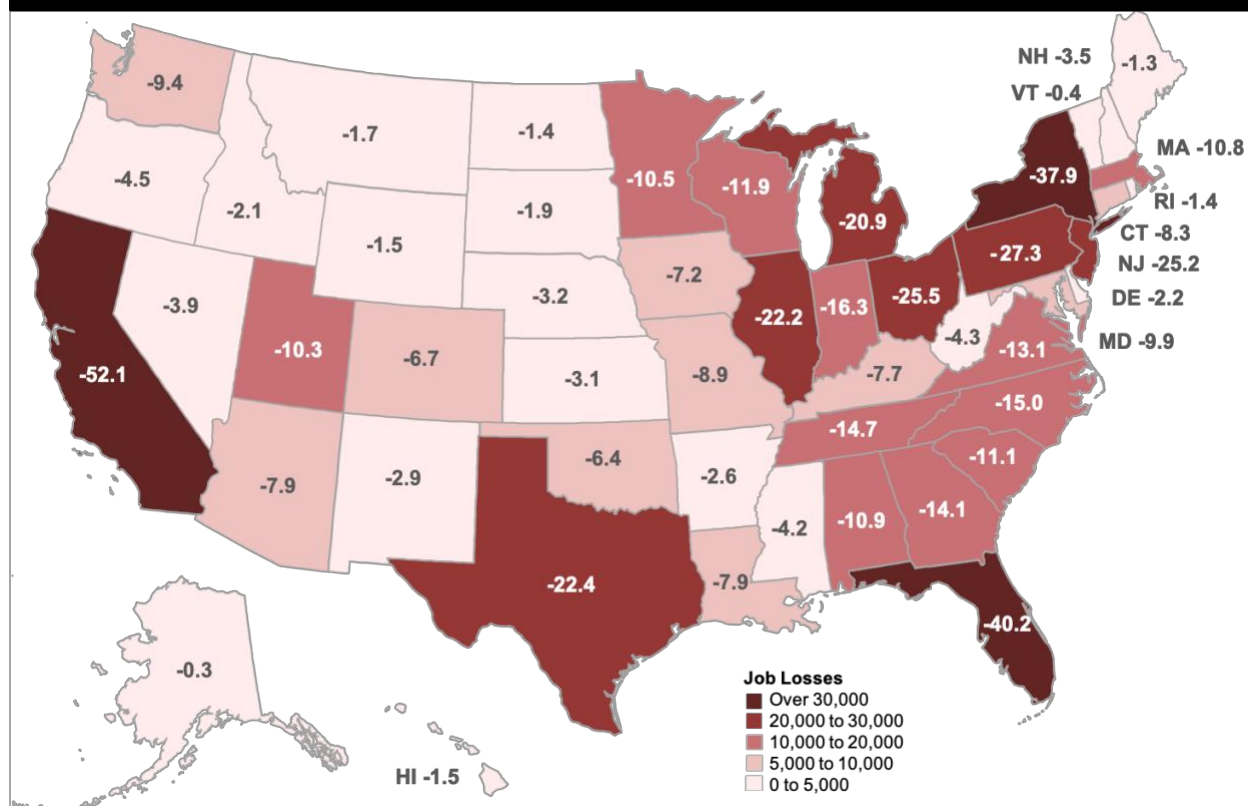
Many private equity-owned retail chains that have disappeared over the past two decades caused devastating layoffs across the country — like the failures of Payless Shoes, Toys R Us, and the downsizing of Sears/Kmart. Other private equity-driven failures have destroyed popular regional chains like A&P (Northeast), Fred’s (Southeast and Midwest),

Mervyn’s (West and Southwest), and Shopko (Midwest to West). Over one-third (26 of 65) of the chains covered in this analysis taken over since 2003 had disappeared by February 2020.

Key findings include:

- **Private equity has been a driving force in retail bankruptcies:** More than half (55.4 percent) of retail bankruptcies since 2015 were at private equity chains. Before the pandemic, from 2015 to 2019, nearly two-thirds (62.5 percent) of retail chains that entered bankruptcy were owned by private equity firms. During 2020, when the pandemic drove a broader retail downturn, nearly two out of five (39.3 percent) of bankruptcies were at private equity-owned chains.
- **Private equity-owned retailers had slashed over half a million jobs before the pandemic:** They cost nearly 542,000 jobs and closed nearly 18,000 stores by February 2020. Total job losses were substantial and widespread with more than 10,000 jobs lost in 20 states and more than 30,000 jobs lost in California, Florida, and New York (see Map 1 on page 3).
- **These job losses disproportionately hit women and people of color:** Low-wage retail jobs are often the only ones available to marginalized and oppressed communities and are predominantly held by women and people of color. An estimated 300,000 women, 101,000 Latinx, and 68,000 Black workers lost their jobs at private equity-owned retailers based on their share of the retail workforce.

Map 1: State private equity job losses through February 2020
(in thousands)



- Private equity retail job destruction was nearly quadruple job creation:** Although some private equity chains added jobs through mergers or expansions, these gains were swamped by the job losses (542,000 jobs lost compared to 145,500 jobs added).
- Private equity-owned retailers had net job losses of nearly 400,000:** The private equity-driven retail failures and downsizing caused a net job loss of 396,300 by February 2020, even accounting for the more modest job growth at private equity retailers. Most states had substantial net private equity retail job losses. Seven states had private equity-owned retail net job losses of 20,000 workers (Florida,

California, Ohio, New York, Pennsylvania, New Jersey, and Illinois).

- Precarious private equity-owned retailers employed over 215,000 workers as the pandemic broke:** As the pandemic unfolded, twelve of the private equity-owned chains were at risk of collapse and some went into bankruptcy, such as J. Crew, Neiman Marcus, and Guitar Center. There were more than 215,000 workers at these 12 chains at heightened risk of job loss in 2020. Some of these workers may have already lost their jobs as retailers shutter locations or reorganize during the bankruptcy process. Thirteen states have more than 5,000 workers at vulnerable private equity-owned retailers — four

states (California, Florida, North Carolina, and Texas) have more than 10,000 workers at these precarious retailers.

Private equity's predatory practices have had a devastating impact on the retail industry, its workers, and the communities where these stores have disappeared. Today, private equity firms are poised to buy up even more chains as the pandemic wreaks havoc in the retail sector, deploying their amassed wealth to takeover troubled retailers at bargain basement prices.

Introduction

Over the past 15 years, private equity firms have bought scores of retail chains. Private equity firms are Wall Street investment houses that take advantage of tax and regulatory loopholes to deploy risky financial engineering to take over companies like retailers. By March 2020, global private equity firms controlled \$5.7 trillion in assets, including about 65,000 portfolio companies worldwide.¹ The extractive and predatory practices of the private equity industry can undermine the viability of the firms they take over, threatening the livelihoods of workers and the economic vitality of communities.

The negative impact of private equity takeovers has been especially pronounced in retail, where they have led to major bankruptcies, collapses, and shutdowns, like those of Toys R Us and Payless ShoeSource. The private equity industry claims that it brings investment dollars and managerial expertise to salvage floundering companies and restore profitability. But the strategies private equity uses to take over firms frequently overburden the target firms with debt and extract too much value for the target companies to survive.

While the retail industry faced challenges prior to the pandemic, especially competition from online giants like Amazon and big box stores, private equity-owned retailers fared worse. Private equity-owned retailers have been too burdened by debt to make the necessary investments to cope with the changes in the retail sector.² Amazon and Walmart and other giants had been major retail competitors for years before private equity began to prey upon retail chains, and non-private equity retailers were less likely to collapse. Nearly two-thirds of the retail bankruptcies from 2015 through 2019 were at private equity-owned retailers.³ The *Business Insider* wrote in 2017 that “nearly every retail chain caught up in the brick & mortar meltdown is an LBO queen — acquired in a leveraged buyout by a private equity firm.”⁴

The pandemic has upended the already precarious retail sector because of social distancing and zero-touch requirements or preferences.⁵ Private equity-owned chains may be especially vulnerable because their higher debt loads leave them with fewer resources and options during the public health and economic crisis.

While private equity-owned retailers face significant pandemic headwinds, the private equity industry is poised to profit from the pandemic by buying distressed companies and assets, often at substantial discounts as a result of the economic downturn. In late 2020, private equity firms had \$1.5 trillion in what the industry calls “dry powder” available to invest in more buyouts.⁶ McKinsey & Company reported that “private equity firms are already adapting — looking both for ways to salvage adversely affected parts of their portfolios and for new bets that emerging trends could support.”⁷

Private equity firms are already aiming to buy up firms to get a deal during the economic crisis. Private equity firms spent \$423.2 billion buying over 3,400 portfolio firms in the first nine months of 2020.⁸ This includes pursuing retail companies. Sycamore Partners tried to use a leveraged buyout to purchase the distressed J.C. Penney in 2020, but Penney's rejected the bid because Sycamore was unwilling to make a substantial investment in the retailer.⁹ In November 2020, LionRock Capital took a majority stake in the global shoe retailer Clarks, which has 200 stores in the United States.¹⁰

Predatory private equity practices shattered retail chains

Private equity firms extract value from their portfolio companies through financial tricks that enrich the private equity owners but leave the retail chains on shaky ground; vulnerable to collapse, bankruptcy and liquidation that have cost hundreds of thousands of families their jobs and economic security. Private equity firms take advantage of tax and legal loopholes as well as regulatory blind spots to rapidly siphon profits and value away from their portfolio companies while dodging responsibility for the damage or repaying the debts they forced onto the retail companies they buy.

The predatory practices of private equity firms include imposing huge debt burdens through leveraged buyouts, extracting exorbitant management fees, lading on debt-financed dividend payments, and asset stripping that undermine the financial viability of the retail chains. The private equity managers rarely have had retail sector experience and the firms failed to make necessary investments to sustain the retail chains through the rapidly changing retail environment.



Before the pandemic, private equity-owned retailers struggled under the debt and other economic burdens imposed by their owners — many private equity-owned chains collapsed. Even when sales revenues remained steady or even increased, the costs of servicing the debt, paying fees, and the cost of paying rent when real estate was stripped out of retail chains prevented the retailers from covering the private equity-imposed expenses. This pushed the chains into financial trouble, downsizing, bankruptcy and liquidation. These private equity-driven retail failures have cost hundreds of thousands of jobs across the country.

The impact of these predatory practices has made the financial prospects of many private equity-owned retailers even more precarious during the pandemic. The lack of investment and severe financial constraints imposed by the private equity firms have made it harder for private equity-owned retailers to survive



the seismic economic and public health impacts of the pandemic. The people of color and women working at these retailers are bearing the brunt of this precarity and already face enormous economic hardship.

Leveraged buyouts burden retailers with unsustainable debt loads: Private equity firms use leveraged buyouts to takeover companies that burden the target firms with often unsustainable debt loads that can — and often do — imperil the finances of portfolio companies and even drive them into bankruptcy. Private equity takeovers rely on substantial amounts of debt to finance the leveraged buyouts that are the “core of the business,” according to *Businessweek*.¹¹ Essentially, the private equity firm requires the target firm to borrow the money to finance the takeover. The company being acquired — not the private equity firm — is responsible for repaying the debt.

The initial debt burden from these leveraged buyouts has been the precipitating factor that drove many private equity-owned retailers into bankruptcy. In 2005, private equity firms

Bain Capital, KKR, and Vornado Realty Trust bought Toys R Us in a \$7.5 billion leveraged buyout that burdened the beloved retailer with over \$5 billion in debt.¹²

Although the company’s sales remained fairly steady (about \$11 billion annually before and after the takeover), its debt payments consumed almost all of its operating income (97 percent in 2007) making it impossible to make necessary investments into the chain in a difficult retail environment.¹³ The debt burden capsized the retailer and it slid into bankruptcy, ultimately shuttering all its stores in 2018 putting 33,000 total Toys R Us workers out of a job.¹⁴ Private equity-owned retailers have struggled under substantial debt burdens that have added substantial operating costs that made it harder for retailers to survive even before the pandemic.

Extracting debt-funded dividends enrich private equity firms but imperil retailers: The private equity firms often require the target companies to take on more debt to pay a dividend to the private equity firm, known as dividend recapitalization.¹⁵ According to *Bloomberg* “buyout firms

routinely extract large sums for themselves after taking companies private.”¹⁶ The private equity firm gets instant cash, but additional debt loads can damage portfolio firms’ credit ratings and even contribute to bankruptcies.¹⁷

Private equity dividend recapitalizations actually have increased during the pandemic. Dividend payouts to private equity firms were at record levels and were estimated to reach \$6 billion in September 2020 alone.¹⁸

Private equity owners have sucked out huge debt-financed dividends from their retail chains. The two private equity firms that bought Payless Shoes paid their own firms \$700 million in dividends between 2012 and 2013, but Payless slid into bankruptcy and closed all of its stores by 2019 largely because of its crippling debt load.¹⁹ In 2011, TPG Capital and Leonard Green & Partners bought J. Crew in a \$3 billion leveraged buyout.²⁰ The private equity firms subsequently forced J. Crew to borrow another \$787 million to fund dividend payments.²¹ Although the pandemic worsened the company’s struggles, the private equity-imposed debt loads and financial engineering made J. Crew’s May 2020 bankruptcy almost inevitable — putting J. Crew’s more than 14,000 workers at risk of losing their jobs.²²

Requiring retailers to pay exorbitant fees: Private equity firms actually charge their portfolio firms high fees for their purported management expertise. Management fees alone generated tremendous income for private equity firms. *Bloomberg* reported that fees generated a “geyser of profit” and calculated that Blackstone received \$2.46 billion in management fees and Apollo received \$1.12 billion in fees in 2016.²³ Cerberus Capital Management extracted nearly \$350 million in fees from Albertsons-Safeway (along with jacking up its debt load to

\$8.6 billion).²⁴ Between 2011 and 2019, J. Crew paid \$84.8 million in management fees to Leonard Green and TPG.²⁵

Siphoning away valuable retail real estate: Private equity firms often strip valuable assets out of the firms they purchase, primarily selling or shifting real estate into other subsidiaries controlled by the private equity firm. The private equity industry has targeted retailers in large part because of their valuable real estate. The private equity firms separate the real estate assets from the retail chain, moving the store real estate into another company (often held by the private equity firm) and forcing the chain to pay monthly rent on properties it formerly owned adding significant new operating costs on the retailer.

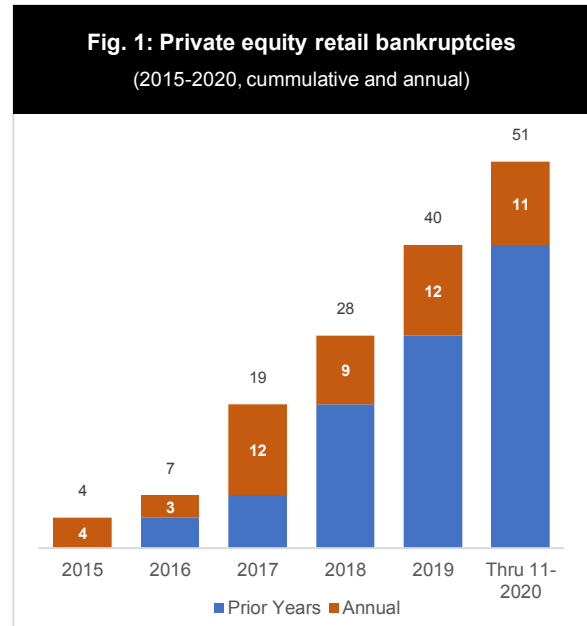
After Sun Capital bought the department store chain Shopko in a leveraged buyout, it sold off its real estate for \$800 million and forced the chain to lease-back its formerly owned real estate. The added rent costs helped drive the store into liquidation that closed 363 stores and destroyed over 20,000 jobs.²⁶ The three private equity firms that bought the West Coast department store Mervyns in 2004 shifted all of the store real estate into another shell company and then nearly doubled the rent and the added financial burden (on top of \$1.2 billion in debt from the leveraged buyout and dividend payments) drove the chain into bankruptcy that cost 18,000 jobs.²⁷ In 2005, K-Mart (backed by Eddie Lampert’s ESL Investments) bought Sears.²⁸ In 2015, as Sears struggled, it shifted 200 stores’ real estate into a separate company (chaired by Lampert); the transaction purportedly undervalued the Sears’ real estate by hundreds of millions of dollars and imposed expensive leases for Sears to rent back its formerly owned real estate.²⁹

Stripping out other valuable assets:

Private equity firms also siphon away other valuable assets from their portfolio companies, like brands or e-commerce platforms. These asset transfers weaken the retailers, enrich the private equity investors, and insulate the private equity firms from efforts to recover money for workers or other investors during bankruptcy proceedings. For example, even as Sears struggled, ESL Investments sold off some of Sears’ more valuable brands including Lands’ End in 2014 and Craftsman Tools in 2017.³⁰ Sears went into bankruptcy in 2018, but these assets that could have shored up the chain were gone – and ELS still had a controlling stake in the then-separate Lands’ End after Sears has slid into bankruptcy.³¹

Two recent retail bankruptcies were likely accelerated by private equity cannibalizing valuable assets from retailers. In 2016, private equity-owned J. Crew announced it was transferring its intellectual property (essentially the J. Crew family of trademarked brands) to a newly formed unrestricted Cayman Islands subsidiary.³² The offshoring shielded these assets from any attempt to recover losses by investors or workers; the company subsequently took out a \$300 million loan against the value of the J. Crew brand which it mostly used to repay the private equity firms TPC and Leonard Green for their initial stake in the leveraged buyout.³³

In 2013, Ares Capital Management and the Canadian Public Pension Investment Board bought the Neiman Marcus Group in a leveraged buyout leaving the retailer saddled with over \$5 billion in debt.³⁴ It subsequently bought the booming German online retailer MyTheresa that explicitly allowed the private equity owners to shift MyTheresa into other subsidiaries.³⁵ In 2018, Neiman Marcus moved the e-commerce platform into another company held by Ares and CPPIB without requiring *any* payment although it



was estimated to be worth about \$1 billion, essentially giving it away to the private equity owners.³⁶ By the time the pandemic struck, Neiman was overburdened with debt and shorn of valuable assets making it harder for the retailer to survive.³⁷ While the private equity firms extracted billions of dollars in value out of Neiman Marcus, an estimated 2,300 working people lost their jobs between the 2013 PE purchase and 2019;³⁸ another 14,000 remaining and currently furloughed workers could lose their jobs as the retailer slid into bankruptcy in 2020.³⁹

Private equity takeovers led to widespread retail bankruptcies

Private equity-owned retailer bankruptcies and liquidations cost working people their jobs, benefits, severance payments, and retirement security. Private equity-owned firms are more likely to go into bankruptcy and private equity retailers make up the majority of retail bankruptcies. A 2019 California Polytechnic State University study found that 20 percent of the firms taken over by private equity went into bankruptcy – a rate ten times higher than the non-private equity firms.⁴⁰

The higher risk of bankruptcy for private equity owned firms has been especially damaging in the retail sector and for hundreds of thousands of people that work at private equity-owned retailers. Private equity has been behind many major retail bankruptcies including at Toys R Us, Payless, A&P and more.⁴¹ Private equity had already driven the majority of retail sector failures before the pandemic. Since 2015, there have been more than 50 private equity-owned retail bankruptcies (see Figure 1 on page 8) and more than half (56 percent) of retail bankruptcies were at private equity chains.⁴²

Many of the largest private equity retail disasters from bankruptcy and other management failures cost tens of thousands of jobs. This analysis looked at 65 private equity-owned retail chains over the past two decades and estimated the change in the number of retail store workers (see Appendix

at page 16 and methodology at page 15). It estimates that Sears Holdings (including Kmart) had 200,000 fewer retail store workers in February 2020 than when it was taken over by ESL partners in 2005. Other private equity driven bankruptcies and liquidations cost more than 20,000 retail store jobs each at A&P (35,000), Toys R Us (27,000), Mervyns (27,000), Radio Shack (24,700), Payless ShoeSource (21,000), and ShopKo (20,500). These collapses have had a disproportionate effect on women and people of color who make up a large share of workers in the lowest-paid retail jobs.

Before the pandemic, the industry was already in the midst of what has widely been called a “retail apocalypse,” and it was driven by private equity. From 2015 to 2019, nearly two-thirds (62.5 percent) of retail firms that went into bankruptcy were owned by private equity.⁴⁴ Since the pandemic, a broader swath of retailers has been severely impacted by the public health and economic crisis but private equity retailers still constituted a sizable 39.3 percent of retail bankruptcies during the first 11 months of 2020 (see Table 1).

Private equity has slashed hundreds of thousands of retail jobs and it also has severely undermined the economic security of the families who lost employment. Many of these working people were pushed out with little notice and little or no severance. The private equity owners of several retailers, including Sears and Marsh Supermarkets, walked away from their pension obligations to workers who had contributed to their pension plans for years.⁴⁵

Laid off workers had to fight to get even a pittance in severance payments that sometimes took years to materialize. Shopko shut its doors in March 2019 but it wasn’t until October 2020 that 4,000 workers received promised severance payments under pressure from workers organizing with

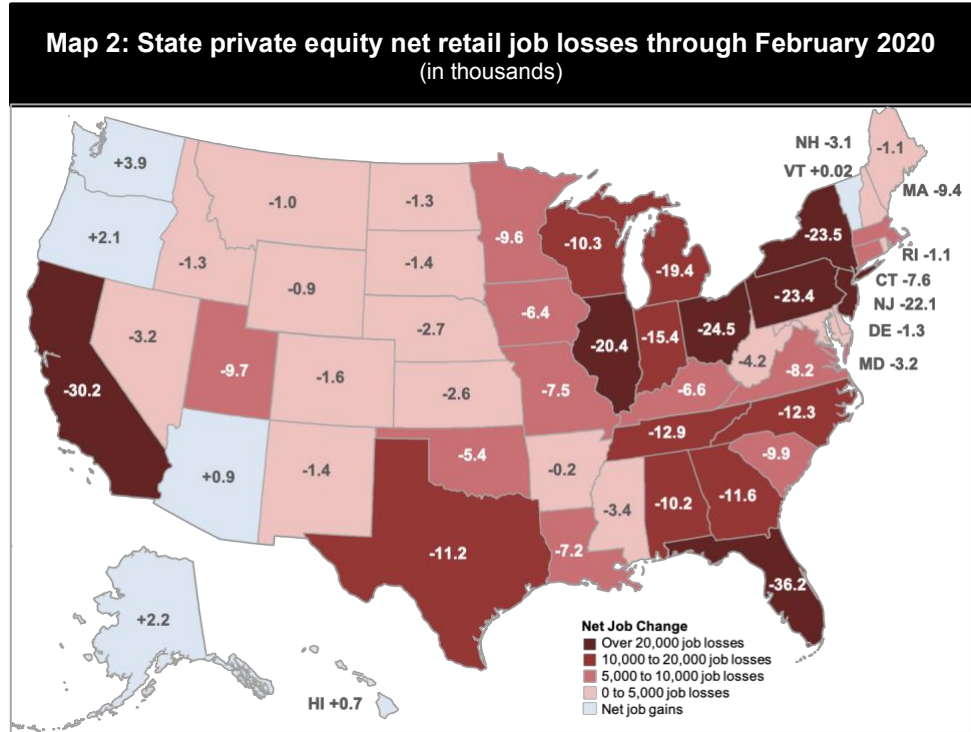
Retail Chain	Bankruptcy Date	Private Equity Owner [†]
Guitar Center	Nov-2020	Ares Capital
Lord & Taylor	Aug-2020	Le Tote
Paper Store	Jul-2020	Westview Capital Management
Lucky Brand	Jul-2020	Authentic Brands (PE backed)
Sur La Table	Jul-2020	TriArtisan Capital Advisors/ Capitala Group
J. Crew	May-2020	TPG Capital/Leonard Green & Partners
Neiman Marcus	May-2020	Ares Private Equity Group/Canadian Pension Plan Investment Board
Art Van Furniture	Apr-2020	Thomas H. Lee Partners
True Religion	Apr-2020	Towerbrook Capital Partners
Fairway Market	Jan-2020	Brigade Capital Management/ Goldman Sachs Group
Papyrus	Jan-2020	American Greetings (backed by Clayton, Dubilier & Rice)

Source: CB Insights, Retail Dive, Pitchbook ownership data.⁴³ † denotes second or multiple bankruptcies; * denotes most recent private equity owner.

United for Respect.⁴⁶ Midwest furniture retailer Art Van was taken over by T.H. Lee Partners in 2017 and collapsed in 2020, destroying 3,100 jobs; T.H. Lee established a “relief fund” for laid off workers that offered \$400 or less per worker, suspended health care premium payments, and even refused to pay back money the workers paid into their own flexible health savings accounts.⁴⁷

Before the pandemic, private equity-owned retailers cut over 540,000 jobs

The private equity-driven job losses have been substantial and affected every state. Prior to the pandemic, 65 private equity-owned retailers slashed over half a million jobs from the time private equity took over the chain until February 2020. These retailers closed nearly 18,000 stores that cost nearly 542,000 jobs across the country between the point of takeover and February 2020 (see Appendix at page 16). This estimate is based on state level job losses at 65 chains taken over by private equity firms over the past two decades where the store count could be determined at the point of takeover and in February 2020 (see Methodology at page 15). Over one-third of these chains had disappeared (26 of 65) by February 2020. Private equity retail job losses were substantial and widespread. California,



Florida, and New York each lost more than 30,000 jobs at private equity-owned retailers (see Map 1 on page 3). Private equity retail job losses exceeded 10,000 in twenty states.

The total retail job losses are undoubtedly higher, as some private equity-owned retailers were not included because it was not possible to estimate state level store counts. For example, there were significant job losses at private equity-owned retailers that collapsed in 2020 that were not included in this analysis, including Art Van Furniture (3,100 jobs) and Papyrus (1,000 jobs).⁴⁸ This conservative estimate describes the private equity-owned retail jobs losses, but the numbers are certainly higher and likely to grow during the pandemic.

The private equity retail job destruction was nearly four times greater than its job additions. Although some private equity chains added jobs through mergers or expansions, these gains were swamped by the job losses (542,000 jobs lost compared to 145,500 jobs added). The private equity-

driven retail failures and downsizing caused a net job loss of 396,300 by February 2020, even accounting for the modest job growth at some private equity retailers.

Most states had substantial net private equity retail job losses (see Map 2 on page 10). Private equity-owned retailers had more than 5,000 net job losses in 26 states. Seven states had private equity-owned retail net job losses of 20,000 workers (Florida, California, Ohio, New York, Pennsylvania, New Jersey, and Illinois). Only six states had net job gains and half of those added fewer than 1,000 workers.

Private equity made up a majority of retail job losses in states hit hardest by the retail apocalypse before the pandemic. The net job losses from private equity-owned retailers made up more than half the job losses in 10 out of the fifteen states and Puerto Rico that lost either 5 percent or 10,000 total retail sales jobs between 2005 and 2019 (see Table 2). New Jersey and Indiana would have gained retail jobs over the past fifteen years if it were not for the net retail job losses at private equity-owned retailers.

Over 215,000 jobs at private equity-owned retailers vulnerable during the pandemic

The pandemic has hit the retail industry hard, as non-essential brick and mortar retailers faced emergency shut-downs during the spring and reduced capacity as restrictions were eased. The evaporation of foot traffic into stores hurt all retailers, but private equity retailers were more vulnerable to these economic and public health shocks. As one Pitchbook private equity analyst noted in June 2020, private equity “portfolio companies are especially vulnerable to economic contractions due to the highly leveraged nature of the industry.”⁴⁹

Industry analysts identified retail chains at substantial risk of default or bankruptcy during the pandemic.⁵⁰ As the pandemic unfolded, 12 of the 65 private equity-owned chains in this analysis were at risk of collapse; three more had subsequently gone into bankruptcy since February 2020, including J. Crew, Neiman Marcus, and Guitar Center. These 12 chains represented about one-quarter of the 39 private equity-owned chains in this analysis that were still in business when the pandemic struck the United States in early 2020.

More than 215,000 workers at these 12 chains are at heightened risk of job loss in 2020. Some of these workers may have already lost their jobs as retailers shutter locations or reorganize during the bankruptcy

Table 2. Private equity drove retail job losses in states hit hardest by retail apocalypse

State	Private Equity Net Retail Job Change (takeover to Feb. 2020)	Total Retail Sales Job Losses (2005-2019)	% Total Retail Sales Jobs Decline	Private Equity Share of Total Retail Sales Job Losses
Ohio	(24,533)	(53,348)	-9.7%	46.0%
Pennsylvania	(23,381)	(44,497)	-7.5%	52.5%
New Jersey	(22,083)	(16,972)	-4.0%	130.1%
Illinois	(20,448)	(35,903)	-6.4%	57.0%
Michigan	(19,375)	(37,590)	-8.3%	51.5%
Indiana	(15,374)	(13,868)	-4.6%	110.9%
Wisconsin	(10,293)	(16,103)	-5.7%	63.9%
Virginia	(8,171)	(10,530)	-2.8%	77.6%
Connecticut	(7,646)	(15,255)	-8.8%	50.1%
Missouri	(7,500)	(10,598)	-3.7%	70.8%
West Virginia	(4,206)	(8,183)	-10.2%	51.4%
Maryland	(3,224)	(15,795)	-5.9%	20.4%
Rhode Island	(1,081)	(3,863)	-8.2%	28.0%
Maine	(1,080)	(4,312)	-5.6%	25.0%
Puerto Rico	(799)	(10,035)	-8.1%	8.0%
Vermont	18	(3,488)	-9.6%	-0.5%

process. Thirteen states have more than 5,000 workers at vulnerable private equity-owned retailers — four states (California, Florida, North Carolina, and Texas) have more than 10,000 workers at these precarious retailers (see Map 3).

Women and people of color hit hardest by private equity layoffs

The private equity industry’s predatory and extractive business model has cost jobs, cut wages, reduced benefits, compromised worker safety, and worsened economic inequality. Private equity’s playbook imposes aggressive cost-cutting on the companies they take over to juice revenues and profits for themselves. These cost-cutting efforts, often referred to as “efficiencies,” hit workers hard through workforce downsizing, wage cuts, and reductions in benefits like health care and retirement.⁵¹ These impacts are felt hardest by the people working in the important customer-facing positions, who are the same people that are paid the least.

These low-wage retail jobs are often the only ones available to marginalized and oppressed communities and are predominantly held by women and people of color.

These cost-cutting strategies have been especially caustic for retail workers. After Sears/Kmart was taken over, the private-equity owners shifted workers from hourly pay to commission-based pay, cut benefits, and forced workers into

untenable and unstable work schedules.⁵² While some retail workers have been furloughed during the pandemic, others are essential workers who have been at the mercy of their employers for adequate compensation, health benefits, and protective procedures and equipment. Workers at private equity-owned PetSmart and PetCo reported that they were forced to work without adequate protective equipment in often overcrowded stores and without receiving adequate pay or benefits during the pandemic.⁵³

These extractive private equity practices fall most heavily on women and people of color. The retail industry employs the most low-wage workers of any industry — some 4.5 million people — and more than three-quarters of all retail workers are low-wage, with typical workers earning only about \$10 an hour.⁵⁴ The typical cashier wages in the retail subsectors with widespread private equity investments (department stores, supermarkets, clothing stores, and furniture



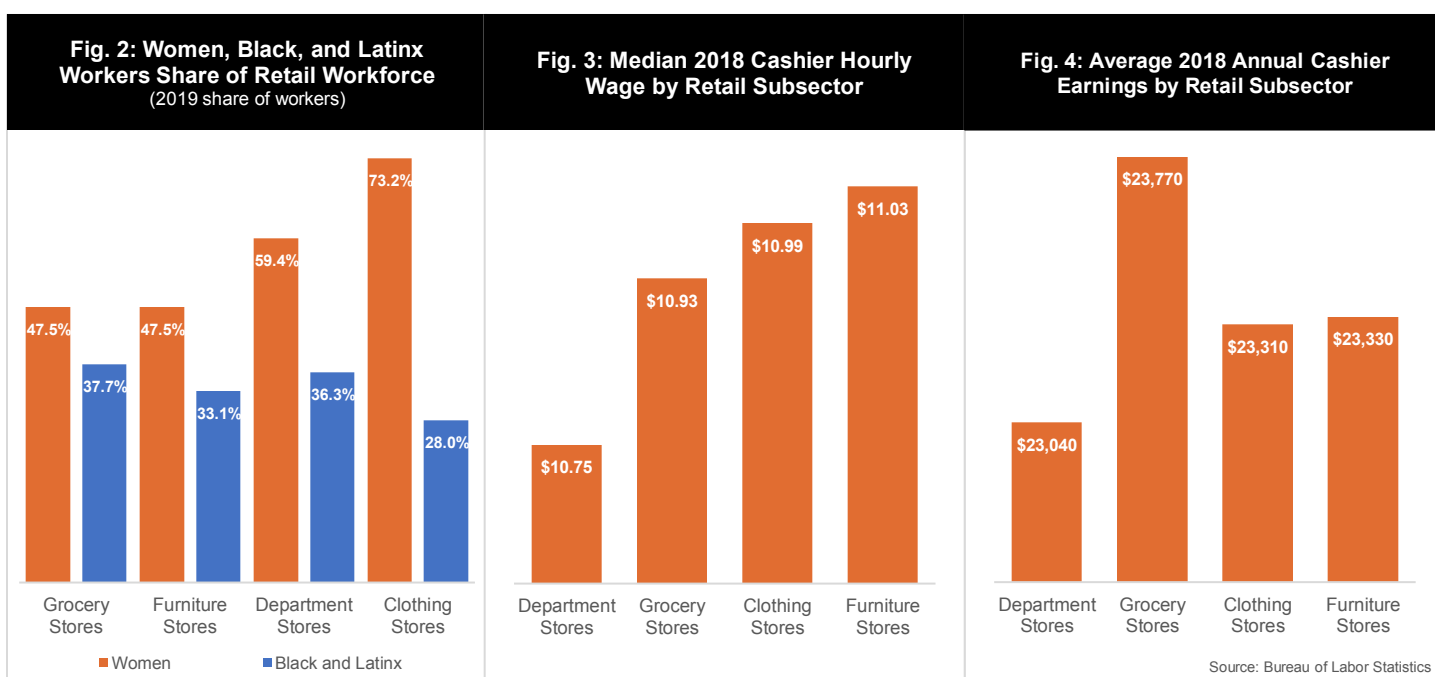
stores) were under \$11 an hour in 2018 (see Figure 3). Half of retail workers have uncertain schedules, worsening the economic penalty of low hourly wages.⁵⁵

Women make up the majority of retail workers (56.5 percent) but are paid less than men, make up three-quarters of the lowest-paid cashier jobs, and are far less likely to be in supervisory roles than men.⁵⁶ Black and Latinx workers make up a large portion of the workforce (12.5 percent and 18.7 percent, respectively), constitute a greater portion of this workforce than of the overall workforce, and are overrepresented in the lowest-paid cashier jobs.⁵⁷ The overrepresentation of women and people of color can be more pronounced in the retail subsectors with widespread private equity investments (see Figure 2).⁵⁸

The earnings at the cashier jobs in these retail subsectors where women and people of color are concentrated are under \$24,000 annually (see Figure 4), which is less than 10 percent above the poverty line for families of three and more than 10 percent less than the

poverty line for families of four.⁵⁹ For example, 10 percent of grocery workers earn less than the poverty line and nearly one-third (30.1 percent) earn less than double the poverty line.⁶⁰ Because of occupational segregation and racial discrimination, poverty rates are higher for workers of color — more than 40 percent of Black and Latinx retail workers live at or near poverty.⁶¹ Many retail workers receive federal safety net support. One in six retail workers (17.3 percent) receive benefits under the Supplemental Nutrition Assistance Program (formerly known as food stamps).⁶²

The private equity-driven closures, layoffs, wage cuts are especially impactful for the women and people of color that have the most tenuous and lowest-paid jobs. It is harder for Black and Brown workers to find new jobs because of employment discrimination and racial wage disparities.⁶³ The more than 500,000 workers who lost their private equity retail jobs identified in this analysis likely include over a quarter million women and about 160,000 Black and Latinx workers who are more likely to face



protracted periods of unemployment, income disruption, and difficulty finding new jobs.⁶⁴

Conclusion and Recommendations

Private equity's predatory and extractive practices have had a destructive impact on the retail sector, cost hundreds of thousands of jobs, undermined local economies, and exacerbated economic and racial inequality. The job losses at private equity-owned retailers have been substantial — more than 540,000 jobs lost and a net decline of nearly 400,000 retail jobs before the start of the pandemic. The workers of color and women who make up the retail sector are bearing the brunt of this Wall Street-driven job loss. The private equity-imposed leverage and other financial burdens make it harder for retail chains to survive the pandemic's economic downturn, leaving another 174,000 workers vulnerable to layoffs.

The federal and state governments must close tax loopholes, clarify and strengthen financial oversight and enforcement, and hold private equity firms accountable and financially responsible for the economic damage they cause to workers and communities. The federal and state governments should:

- **Protect workers from private equity looting:** Workers must be protected from private equity-driven collapses and bankruptcy through policies that provide mandatory severance payments, prioritize workers' pensions and benefits during bankruptcy proceedings, and provide workers adequate Coronavirus protective personal equipment and safety protocols as well as higher pay during the pandemic.
- **Curb private equity predatory practices:** Private equity firms and their management must be held accountable and responsible for the harms they cause, starting with making them responsible for the leveraged buyout debt loads. Tax and regulatory incentives such as the carried interest loophole that encourages highly leveraged takeovers and allows private equity firms and managers to avoid paying taxes on their profits must be closed.
- **Prevent private equity from looting its portfolio companies:** Private equity firms should be prohibited from charging fees for non-existent services, imposing debt-funded dividend payments, or stripping assets — like real estate, brands, or e-commerce platforms — from portfolio firms that make them more vulnerable to bankruptcy and collapse.
- **Provide institutional investors with tools to avoid fueling abusive practices:** The institutional investors (pensions, endowments, etc.) that fund private equity firms' takeover strategies should receive ample information to assess predatory practices that might imperil the portfolio firm or its workers and hold the private equity firms accountable. Disclosures should include information about the debt burdens of the portfolio companies, the treatment of workers at portfolio firms (wages, benefits, retention, layoffs, etc.) and material information about the imposed costs and risks faced by portfolio firms.

Methodology

This analysis examines the change in retail store jobs at 65 private equity-owned retailers where state-based store location and total employment figures could be determined at both the point of private equity takeover and February 2020. See Appendix for list of private equity-owned retail chains in this study. Chains that were purchased by private equity but where it was not possible to determine state store counts and/or number of employees were excluded from the analysis, making it an undercount of total retail job losses attributable to private equity. For example, known and significant takeovers that led to bankruptcy and liquidation at Art Van Furniture and Gymboree were excluded because of a lack of state store or employee counts.

Private equity takeover dates and private equity firms were based on media reports, corporate filings, and press releases. The earliest private equity takeover in the study was in 2003, the average and median takeover year was 2011. The ‘takeover to February 2020’ state store count timeframe estimates the private equity impact on state retail employment before the Coronavirus and its impact on the retail sector and the economy.










State store counts were determined from regulatory filings, corporate statements and materials, media accounts, and website store locators. State employment estimates were made by calculating the average number of
















retail sales employees per store. Job numbers are for retail store workers, not all workers. Retail store sales employees were either disclosed by the company or estimated as 90 percent of total employment, based on a conservative estimate of the share of retail store workers at retail chains.⁶⁵






State retail employment change was calculated based on the change in state store locations by retail chain and the average retail workers per store by retail chain from private equity takeover to February 2020, and the average number of retail workers per store by retail chain. Private equity retail losses are the total state retail job losses from all chains where state store counts declined. Net job private equity retail losses are the sum of the change in state employment for chains that added stores and chains that closed stores.












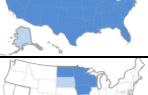



The 2020 private equity retail jobs at risk are the state retail jobs at chains that entered bankruptcy or were included in *Retail Dive* and *National Law Journal* lists of chains at risk of bankruptcy during 2020.⁶⁶ Retail bankruptcies from 2015 through September 2020 were collected from *CB Insights* and *Retail Dive* (excluding chains that did not sell merchandise at brick-and-mortar stores such as restaurants, service sector chains and ecommerce, and brand manufacturers or distributors).⁶⁷ Some of the at risk jobs may have already been eliminated; the estimate includes retailers that have announced bankruptcies that had not announced liquidations such as J. Crew, Neiman Marcus, and Guitar Center.










Appendix: Private equity-owned retailers by net job losses from takeover to February 2020

Appendix: Private Equity-Owned Retailers by Net Job Losses Takeover-February 2020						
Company	Takeover Year	Private Equity Firm	Bankruptcy/Liquidation	Net Change in Stores	Net Change in Retail Jobs	National Store Footprint 
Sears Holdings ⁶⁸	2005	ESL Partners	Multiple bankruptcies	-1,637	-200,015	
A&P (The Great Atlantic & Pacific Tea Company) ⁶⁹	2011	Yucaipa Cos.	Bankrupt, closed stores 2015	-393	-35,100	
Toys R Us ⁷⁰	2005	KKR, Bain, Vornado	Bankruptcy, all stores closed 2018	-671	-27,134	
Mervyns ⁷¹	2004	Cerberus, Sun, Lubert-Adler	Bankruptcy, close all stores 2008	-266	-27,000	
Radio Shack ⁷²	2015	Standard General	Bankruptcy, close all stores 2017	-4,293	-24,750	
Payless Shoes ⁷³	2012	Golden Gate Capital	Bankruptcy, close all stores 2019	-3,496	-20,976	
ShopKo ⁷⁴	2005	Sun Capital	Bankruptcy, closing all stores 2019	-363	-20,520	
Steve and Barry's ⁷⁵	2006	TA Associates	Bankrupt, closed all stores 2008	-185	-13,500	
Sports Authority ⁷⁶	2006	Leonard Green	Bankrupt all stores closed 2016	-398	-12,870	
Aeropostale ⁷⁷	2013	Sycamore	Bankruptcy 2016	-505	-11,615	
Southeastern Grocers ⁷⁸	2010	Lone Star	Bankruptcy 2010	-135	-10,288	
Charlotte Russe ⁷⁹	2009	Advent International	Close all stores 2019	-487	-9,409	
Goody's Family Clothing ⁸⁰	2006	GMM Capital/Prentice Capital	Bankruptcy, close all stores 2009	-357	-8,925	

Appendix (cont.): Private Equity-Owned Retailers by Net Job Losses Takeover-February 2020						
Company	Takeover Year	Private Equity Firm	Bankruptcy/ Liquidation	Net Change in Stores	Net Change in Retail Jobs	National Store Footprint 
Fred's ⁸¹	2016	Alden Capital	Bankruptcy, close all stores 2019	-628	-8,834	
The Limited ⁸²	2007	Sun Capital	Bankrupt, all stores closed 2017	-246	-7,380	
Staples Inc. ⁸³	2017	Sycamore		-162	-7,128	
Marsh Supermarkets ⁸⁴	2006	Sun Capital	Bankruptcy, close all stores 2018	-117	-5,382	
Value City Department Stores ⁸⁵	2008	VCDS Acquisition Holdings, Emerald Capital Management, Crystal Value	Bankruptcy, closed all stores 2008	-113	-4,859	
Save-A-Lot ⁸⁶	2016	Onex		-221	-4,420	
The Talbots ⁸⁷	2012	Sycamore		-265	-3,975	
Charming Charlie ⁸⁸	2013	TSG Consumer Partners	close all stores 2019	-262	-3,668	
Whitehall Jewelers ⁸⁹	2005/2006	Prentice/Holtzman Group	Bankruptcy, closed all stores 2008	-385	-3,080	
Deb Shops ⁹⁰	2007	Lee Equity Partners	closed all stores 2015	-336	-3,024	
PacSun (PSEB Group – Pacific Sunwear of California/Eddie Bauer) ⁹¹	2016	Golden Gate Capital		-227	-2,964	
H.H. Gregg ⁹²	2005	Freeman Spogli	Bankruptcy, close all stores 2017	-62	-2,610	
Fairway Market ⁹³	2016	Blackstone/ Sterling Investment Partners	Bankruptcy, close most stores 2020	-10	-2,580	
Wet Seal ⁹⁴	2015	Versa	Bankruptcy, closed all stores 2017	-179	-2,506	

Appendix (cont.): Private Equity-Owned Retailers by Net Job Losses Takeover-February 2020						
Company	Takeover Year	Private Equity Firm	Bankruptcy/Liquidation	Net Change in Stores	Net Change in Retail Jobs	National Store Footprint 
rice21 ⁹⁵	2013	Apax	Bankruptcy 2017	-203	-2,317	
Hot Topic ⁹⁶	2013	Sycamore		-218	-2,071	
Fortunoff ⁹⁷	2005	Trimaran Capital Partners/Kier Group/NRDC 2008 purchase	Bankruptcy, closed all stores 2009	-21	-1,701	
The Fresh Market ⁹⁸	2016	Apollo		-26	-1,602	
Earth Fare ⁹⁹	2012	Oak Hill Capital Partners	Closed most stores 2020, 5 NY stores sold to Village Supermarket	-26	-1,586	
Market Basket/Demoulas ¹⁰⁰	2014	Blackstone		-5	-1,585	
Cabela's/Bass Pro ¹⁰¹	2017	Goldman Sachs		-8	-1,536	
Wickes Furniture ¹⁰²	2002	Sun Capital	Bankruptcy, closed all stores 2008	-40	-1,440	
Loehmann's ¹⁰³	2004	Crescent Capital (Istithmar in 2006)	Bankruptcy, close all stores 2014	-49	-1,421	
Joe's Sports & Outdoors ¹⁰⁴	2007	Gryphon Investments	Bankruptcy, close all stores 2009	-29	-1,334	
Ashley Stewart ¹⁰⁵	2010	Gordon Partners/Clearlake Partners	Bankruptcy closed all stores 2014	-120	-1,080	
Belk ¹⁰⁶	2015	Sycamore		-5	-410	
Betsey Johnson ¹⁰⁷	2007	Castenea	Bankruptcy, closed all stores 2012	-47	-235	
Party City ¹⁰⁸	2012	THL Partners, Advent, et al		-11	-198	

Appendix (cont.): Private Equity-Owned Retailers by Net Job Losses Takeover-February 2020						
Company	Takeover Year	Private Equity Firm	Bankruptcy/Liquidation	Net Change in Stores	Net Change in Retail Jobs	National Store Footprint 
West Marine ¹⁰⁹	2017	Monomoy Capital Partners		-13	-177	
I.O. Metro/Erdos at Home ¹¹⁰	2011	Consumer Growth Partners/Banyan Investment Partners/Diamond State Ventures	Bankruptcy, close all stores 2017	-19	-95	
Edwin Watts Golf ¹¹¹	2003	Wellspring Capital/	Bankruptcy 2013, stores closed, purchased by Worldwide Golf	-10	-60	
Cardenas' Market/Mi Pueblo ¹¹²	2017	KKR/Victory Park Capital		No change	No change	
BevMo! (Beverages & More) ¹¹³	2007	TowerCapital Partners		+100	+432	
Forman Mills ¹¹⁴	2016	Goode Partners		+8	+600	
Neiman Marcus ¹¹⁵	2013	Ares, Canada pension	Bankruptcy 2020	+3	+804	
Bargain Hunt Superstores ¹¹⁶	2015	Thomas H. Lee		+51	+998	
Gelson's Market ¹¹⁷	2014	TPG Capital		+10	+1,105	
PetCo ¹¹⁸	2015	CVC		+69	+1,225	
Guitar Center ¹¹⁹	2007	Bain 2007/Ares 2014	Bankruptcy 2020	+51	+1,326	
Mills Fleet Farm ¹²⁰	2016	KKR		+11	+1,893	
Jo-Ann Stores ¹²¹	2010	Leonard Green		+121	+2,864	
Container Store ¹²²	2007	Leonard Green & Co.		+54	+3,571	

Appendix (cont.): Private Equity-Owned Retailers by Net Job Losses Takeover-February 2020						
Company	Takeover Year	Private Equity Firm	Bankruptcy/Liquidation	Net Change in Stores	Net Change in Retail Jobs	National Store Footprint 
At Home Group ¹²³ (formerly Garden Ridge)	2011	AEA Investors		+132	+3,630	
BJ's Wholesale Club ¹²⁴	2011	Leonard Green and CVC Capital		+31	+3,658	
Michaels Stores Inc. ¹²⁵	2004	Bain, Blackstone		+103	+3,811	
Bob's Discount Furniture ¹²⁶	2014	Bain Capital		+78	+4,134	
99¢ Only Stores ¹²⁷	2011	Apollo		+112	+4,276	
PetSmart ¹²⁸	2014	BC Partners		+269	+4,842	
Academy Sports + Outdoors ¹²⁹	2011	KKR		+69	+5,229	
J. Crew ¹³⁰	2011	TPG/Leonard Green	Bankruptcy 2020	+164	+5,518	
Tops Markets ¹³¹	2007	Morgan Stanley PE	Bankruptcy 2017	+91	+10,776	
Albertsons ¹³²	2006	Cerberus		+483	+46,368	

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