

Wages and jobs cut as American Apparel files for bankruptcy

Adam Mclean
4 November 2015

In the aftermath of an December, 2014 investor takeover, the Los Angeles-based clothing retailer American Apparel declared bankruptcy in October. The company has lost roughly 75 percent of its value since its peak before the 2008 financial crash, and has struggled to keep up with its debts over the past year.

The ensuing bankruptcy proceedings will inevitably be used by management as a means to renege on contracts, lower wages and further casualize the company's workforce.

Last July, American Apparel had already announced that it would be eliminating \$30 million in "operating expenses" over the subsequent 18 months. Although specifics of this plan were not mentioned at the time, company CEO Paula Schneider pointed to the closing of underperforming retail locations and said that she would do her best to "preserve [positions] for the overwhelming majority of our 10,000 employees."

According to recently released figures, the company employed about 10,000 workers at the end of the first quarter of 2015, but only 9,000 employees six months later, meaning that the company has laid off 10 percent of its employees during that time.

In addition to these layoffs, the company has already seen significant cuts in wages along with increased workforce casualization.

The American Apparel union, the General Brotherhood of Workers at American Apparel, (GBWAA) claims that workers have received pay cuts of up to 50 percent since the takeover. From American Apparel's web site, the typical sewer with experience can now make around \$12 per hour, a poverty wage, especially in a city as expensive as Los Angeles.

Workers have also reported furloughs and reduced hours. Sometimes, they won't know their schedule from one week to the next.

In addition to these prior attacks on American Apparel workers, the bankruptcy proceedings will only ensure that this trend continues and intensifies.

Financial analysts are now calling for the closure of half the company's stores along with the outsourcing of production to countries with cheaper labor costs.

There remains some resistance to this idea among the corporate elite, however, as it runs contrary to the branding of the company itself, featuring "Made in the USA" labeling on its products.

The company has also been associated with the "Legalize LA" campaign to pressure the state to provide a path to citizenship for Latin American immigrants, with the company's founder, Dov Charney, also founding this campaign. There is a concern within the company that moving production out of the country would hurt its reputation enough to affect its sales, which are already quite dismal.

None of these campaigns and slogans come from genuine concern about the legal or economic plight of immigrants, and they are fundamentally reactionary. The "Made in the USA" slogan is promoted from a purely nationalistic standpoint. It says little about the exploitation of workers abroad, and instead asks consumers to consider buying products produced in the US as a way of helping out "their own" economy.

The "Legalize LA" campaign is understandably appealing to immigrants who long for basic security in the US, and to a great many who sympathize with them. This campaign, however, is promoted from the standpoint of assimilating immigrant labor in the US so it can be more accessible to businesses.

In this way it only presents a tactical difference from those who prefer immigrants maintain their illegal status to better exploit them. These campaigns thus serve to line up American workers behind their own

ruling class and to pit workers against their international counterparts.

One group behind the “Legalize LA” campaign is called Hermandad Mexicana, which began organizing the still nascent GBWAA last March. Currently, about 3,000 workers, a majority of the manufacturing workers at the LA plant, are unionized under the GBWAA.

According to the GBWAA, American Apparel has been harassing and illegally firing workers it represents, and is the union currently attempting to work through the NLRB to challenge the company’s firings. Given the documents they’ve collected, the union’s claim that workers were illegally fired appears to be legitimate.

That said, the GBWAA is incapable of gaining any improvements for the workers they represent. In the first place, their perspective is utterly sterile. Their single strategic demand presented at the demonstrations they have held over the last several months has been to bring back Dov Charney as the CEO. All the other demands are subordinated to this one, as though changing the individual at the top of the organization will fix everything.

Dov Charney was ousted as American Apparel’s CEO during the protracted financial decline of the company by the large hedge funds that were the company’s main creditors and that controlled the board of directors.

The board, in mid-2014, was largely dissatisfied with Charney’s performance and blamed him for the company’s financial woes. A personal scandal involving an affair between Charney and an ex-employee was then exploited by the board to remove him as CEO.

Standard General, one of the larger bondholders—other significant holders include Capital One Business Credit Corp, Monarch Alternative Capital LP, Coliseum Capital LLC, and Goldman Sachs Asset Management LP—then worked to install Paula Schneider as Charney’s replacement. The bankruptcy deal that was recently filed includes a “debt-equity swap” that would essentially turn debt that American Apparel is having difficulty paying into stock that would give creditors much more direct control over the company, paving the way for greater attacks on the workers.

In a bid to regain control of the company, Charney is involved in a series of lawsuits against American

Apparel. There is a chance he will win, but this would not represent a victory for workers. If Charney were to become CEO again, American Apparel, as a business entity, would still be subject to all the contradictions of the capitalist economy.

The recent actions of the company board have caused widespread discontent among American Apparel workers. Despite the extremely limited demands of their union, the workers have organized themselves quickly around it.

The company has responded with increased security at its factories and generally with increasing ruthlessness against its workers, using the pretext of a ceremony involving workers beating a piñata bearing the likeness of one of the American Apparel board members.

In response to this, American Apparel has stationed guards around the factory. Said one worker who spoke to the *World Socialist Web Site*, “We can’t keep going like this. I’m running out of money. It’s getting harder just to stay afloat. We have to get together and do something about this.”

Said another worker anonymously to the *New York Post* regarding the extent of their supervision, “[work] has become like a prison.”

That the American Apparel workers’ union demands are limited to “bring back the old boss” is a testament to its bankruptcy. To conduct a serious struggle, workers must organize rank-and-file committees independently of the union and turn to other workers who are in struggle, such as autoworkers and steelworkers, both of whom face a conspiracy between their employers and the unions that claim to represent them.



To contact the WSWWS and the Socialist Equality Party visit:

wsws.org/contact