

# After closing restaurants and terminating workers without notice, Red Lobster files for bankruptcy

Barry Grey  
23 May 2024

On Sunday, May 19, the Red Lobster restaurant chain filed for Chapter 11 bankruptcy protection, having the previous Monday closed 99 of its 551 seafood restaurants across 27 states and terminated without notice thousands of employees.

While the shuttered locations were listed as “temporarily closed” on Red Lobster’s website, the seafood giant, the largest casual dining seafood restaurant chain in the US, immediately began auctioning off equipment at some of the closed sites.

In the Chapter 11 petition filed with a federal bankruptcy court in Orlando, Florida, where the \$2 billion-plus revenue company is headquartered, recently appointed CEO and bankruptcy overseer Jonathan Tibus outlined plans to cut the chain’s locations by up to 50 percent. This is to be the centerpiece of a massive cost-cutting operation aimed at generating cash to pay down the firm’s multi-billion-dollar debt load. The plan includes the sell-off of virtually all of the chain’s assets.

As part of the filing, Red Lobster entered into a so-called “stalking horse” agreement, whereby it plans to sell its business to an entity formed and controlled by its lenders.

If the company’s Chapter 11 petition is approved, a much smaller Red Lobster chain will continue operating under bankruptcy court protection designed to shield the bulk of the creditors’ loans and the stakes of Wall Street and international investors.

The full burden of the downsizing and cost-cutting process will be imposed on the company’s pre-bankruptcy 36,000-strong workforce, the “vast majority” of whom, according to the bankruptcy petition, are part-time.

The *Orlando Business Journal* estimated that 6,500 workers have already lost their jobs in the initial wave of closures, but this number will climb dramatically as more locations are shut down over the coming weeks and months.

Angry workers took to social media to express their disgust at the company’s ruthless and contemptuous

treatment of its employees.

One worker posted on X, “Red Lobster just laid all of us off without notice,” adding that even the restaurant managers weren’t told in advance. They only found out at 8 a.m. Monday morning, May 13. The worker said they were informed through a notification from their shift-scheduling app.

A laid-off employee posted on Reddit: “We didn’t even get an email, we checked our scheduling app and it just said we were closed and a number to call for benefits.”

Another terminated worker posted on X: “What Red Lobster did in New York is illegal. They closed their doors with no warning. So now we are unemployed.”

Adding insult to injury, the company waited until the day after Mother’s Day (Sunday, May 12), a big revenue day, to close the locations. A worker posted, “I lost my job today without warning and working Mother’s Day yesterday.”

Another worker wrote: “I’m one of the lucky ones who don’t have kids or a house to pay off. Just so terrible leaving all those employees with nothing, no notice, anything.”

A former Red Lobster manager wrote on Reddit: “To do it after Mother’s Day was probably the slimiest thing they could have done. Squeezed every last dime out of all of us. Shame on them.”

In its bankruptcy filing, Red Lobster boasted of its supposedly humane treatment of its workers, touting the fact that it has established an Employee Emergency Assistance fund, known as “Red Lobster Cares,” in which “the company and its employees help fellow employees facing financial hardship.” It noted that in recent years, it has “made the Forbes list of America’s Best Large Employers.”

Sarah Foss, global head of legal at Debtwire, told *Newsweek*:

By shutting its doors without any advance warning to its employees that the company was shutting

down, Red Lobster could face litigation related to purported failures to properly notify employees of closures or layoffs under the Workers Adjustment and Retraining Notification (WARN) Act.

The WARN Act requires employers with 100 or more full-time employees to give workers a minimum of 60 days' notice for planned mass layoffs or closings. In fact, such a lawsuit has now been filed. Donna Lowe, the lead plaintiff for the suit, claims she was terminated without notice on or around May 14.

According to *Bloomberg Law*, the filing alleges that Red Lobster violated the WARN Act and the New Jersey WARN Act and seeks declaratory and injunctive relief, damages, attorneys' fees, and costs.

The Red Lobster chain, founded in Florida in 1968, has been undermined fundamentally by the ever-greater financialization of the US and global capitalist economy, which has seen the domination of economic life by huge private equity firms and oligopolies, which exert a parasitic and destructive influence on the productive forces—above all, on the working class.

Prior to last week, the 56-year-old firm operated some 551 restaurants across 44 states in the US as well as 27 locations in Canada. In addition, it had 28 franchised restaurants outside the US, including in Mexico, Ecuador, Japan and Thailand.

Offering a varied menu of seafood, including promotions such as unlimited shrimp, at relatively moderate prices, Red Lobster was popular among working class families and those in the lower and mid-income ranges. The chain has been stagnating for the past two decades, roughly in tandem with a series of financial crises in the US that have left working class families poorer and less economically secure.

In each case, the government has spent trillions to bail out the banks, the hedge funds and the super-rich, driving up the national debt and fueling price inflation on the one hand and social cuts on the other. More recently, the pressure on working class budgets has been compounded by record spending on the military and the expanding wars in Central Europe and the Middle East and the feverish war preparations against China.

The restaurant chain began to go into a tailspin in 2014 when it was sold to Golden Gate Capital, a San Francisco-based private equity company. Golden Gate loaded the company up with debt and sold off the property on which the restaurants were located, entering into a leasing arrangement that forced Red Lobster to pay above-market rents that ravaged its declining revenue base. By the time of its bankruptcy filing, the company was paying half of its

operating earnings in cash rent.

The eruption of the COVID-19 pandemic in late 2019 and early 2020 was the death blow. The multi-trillion-dollar bailout of the ruling class by the Trump and Biden administrations exacerbated the debt crisis and inflation, pricing millions of working class families out of the restaurant market.

Golden Gate pulled out of the company and, in 2020, the massive seafood conglomerate Thai Union, which owns the Chicken of the Sea tuna brand and controls much of the global market for shrimp, bought a controlling share. Thai Union proceeded to use the restaurant chain as a dumping ground for its bloated supplies of shrimp, forcing it to make its unlimited shrimp option a permanent fixture on its menu, at the cost of \$11 million in losses in one quarter alone.

In its court filings, Red Lobster said its annual guest counts were down 30 percent from 2019. The chain lost \$76 million in 2023.

As Michael Hiltzik, the business columnist of the *Los Angeles Times*, wrote last week:

The leases at above-market rents were the result of a financing deal entered into by Golden Gate. Thai Union pressured the company into “burdensome supply obligations” that had little to do with the restaurants' actual needs.

Put all this together, and it becomes clear that a major cause of Red Lobster's financial collapse was the machinations of its owners.

Indeed, the chain got flipped several times among owners looking for a big payoff; when their expectations were disappointed, they sold it off.



To contact the WSWS and the Socialist Equality Party visit:

**[wsws.org/contact](https://wsws.org/contact)**