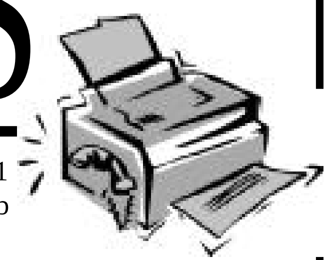
RESEARCH * ANALYSIS * SOLUTIONS

CCPA-MB

FAST FACTS



Canadian Centre for Policy Alternatives-Mb • 309-323 Portage Ave. • Winnipeg, MB • Canada R3B 2C1
ph: (204) 927-3200 • fax: (204) 927-3201 • ccpamb@policyalternatives.ca • www.policyalternatives.ca/mb

March 24, 2005

Wal-Mart's actions hurt more than just its workers

With annual sales of over $250 billion and 1.4 million employees, Wal-Mart is not only the largest, most profitable company in the world, it is what labour historian Nelson Lichtenstein calls a "template company." In other words, Wal-Mart is now so successful and powerful that its influence extends throughout the world of business and beyond. Other firms, whether they are inspired by Wal-Mart's innovations, cowed by its size and ruthlessness, or both, use Wal-Mart as a model for their own operations. And the consequences of Wal-Mart's actions affect us all, directly or indirectly.

The company's decision to close a recently unionized store in Jonquière, QC is not merely an example of corporate bullying, and it hurts more than just the families of 200 low-wage workers about to lose their jobs. As Lichtenstein noted in the opening address to a recent conference on Wal-Mart held at the University of California, Santa Barbara, "no company of Wal-Mart's size and influence can long remain a truly private enterprise."

GM's workers did not achieve what they did by relying on the company's benevolence. They got their share of the money the old - fashion way: they joined a union and fought for it.

The last time an American company wielded such singular power was in the middle of the last century, when General Motors generated about the same portion of overall economic activity as Wal-Mart does now. At the time, GM executives said, "What's good for the United States is good for General Motors, and vice versa." That controversial quote was a widely seen as a spectacular example of corporate arrogance. And it was. But, relative to its modern-day equivalent, Wal-Mart, GM's success did greatly benefit the people who were responsible for generating the profits: its workers.

Community Benefits

GM workers earned good wages, good benefits, and an admirable level of job security. And because of GM's influence in the economy, its competitors followed suit, with the ultimate result that, by the middle of the twentieth century, blue-collar workers could earn enough on 40 hours per week to raise a family and live with dignity. Employee turnover was extremely low. A manufacturing plant offered enormous benefits for the community and for the entire region.

Keep in mind two details. First, GM's paying its employees well did not prevent it from being an extraordinarily strong and profitable business. And second, GM was every bit as tough and hard-headed as it needed to be to compete. GM's workers did not achieve what they did by relying on the company's benevolence. They got their share of the money the old-fashioned way: they joined a union and fought for it.

Now consider Wal-Mart workers. Actually, in the nomenclature of the company, there are no workers or employees, only "associates." This terminology is one example of the company's paternalistic relationship with its employees; in the words of *The Economist*, it is "as if everybody were still working for some strict, though ultimately benign, uncle." The corporate uncle begins to seem much less benign when we consider how its "associates" are treated, and how much they earn.

Journalist Barbara Ehrenreich worked at a Wal-Mart in Minneapolis and wrote up her experience in *Nickel and Dimed*, a book on low-wage work. She described store managers obsessed with "time thieves" patrolling the floor to catch employees talking with each other about anything other than work. "Full-time" employment at Wal-Mart stores in the US is often considered to be 28 to 35 hours per week – a reflection of the company's determination to avoid paying overtime. Labour costs in each store are expected to grow slower than sales. Accordingly, stores are deliberately understaffed by head office, forcing individual store managers to constantly push employees to work harder.

Much of Wal-Mart's huge financial success can be explained by improvements in productivity – in no small part the result of employees being strictly monitored and constantly pushed. Yet Wal-Mart is determined to keep productivity growing much faster than real wages. The benefits have not been passed down to its workers. While Wal-Mart founder Sam Walton's five heirs are each worth an estimated $19 billion, the average wage for a US sales clerk in 2004 was $8.50 per hour. In 2003 Wal-Mart CEO Lee Scott was paid nearly 1,500 times that of a full-time hourly employee. It is no surprise that annual employee turnover at the typical Wal-Mart store ranges between 50 and 100%.

And as has been demonstrated by the decision in Jonquière, Wal-Mart is a fiercely anti-union company.

Public costs

The costs of Wal-Mart's low-wage, no-benefit strategy are felt not only by its employees, but are also passed on to the public. A report coming out of the US House of Representatives shows that fewer than half of Wal-Mart's employees can afford to buy the health-care benefits offered for sale by the company. (There has been no equivalent study yet conducted in Canada.) "In the end," the authors conclude, "because they cannot afford the company health plan, many Wal-Mart workers must turn to public assistance for health care or forego their health care needs altogether. Effectively, Wal-Mart forces taxpayers to subsidize what should be a company-funded health plan." A former Wal-Mart manager interviewed for an episode of *Frontline* revealed that he kept a list of food banks, emergency shelters, and other social agencies in his desk, as he would routinely have to refer employees to such places for aid.

After reading the above paragraphs, you would be forgiven for wondering, Did the twentieth century really happen? With only slight modification, this information could be describing the corporate robber barons of a century ago.

Wal-Mart is running into resistance on a number of fronts. In 2001, six female Wal-Mart employees launched a class-action suit against the company, which charges that the company discriminated against its female employees regarding both pay and promotion. The suit is now heading to trial, and the testimony already recorded is a rich source of information about the corporation's practices. Growing public awareness about Wal-Mart's way of doing business has apparently forced the company to launch a major new public relations campaign.

Most significantly, workers in three stores – two in Quebec and one is Saskatchewan – have voted to join a union. No doubt their fight will not be an easy one, but if they or others like them are ultimately successful in establishing a toehold in Wal-Mart's empire, they may help push the corporate behemoth to share at least some of its wealth with the workers and the communities that are responsible for generating that wealth in the first place. They deserve our support.

—Todd Scarth

Todd Scarth is the former Director of CCPA-MB.

Canadian Centre for Policy Alternatives-Mb
309-323 Portage Ave.
Winnipeg, MB
Canada R3B 2C1
ph: (204) 927-3200
fax: (204) 927-3201
ccpamb@policyalternatives.ca
www.policyalternatives.ca/mb

CAW 567 OTTAWA