

# Challenging Wal-Mart

Globalization, Supply-Chain Dominance and Sweatshop Labour

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Raising the minimum wage and increasing the level of social assistance is a component part of challenging the large, low-wage multinationals that make up the vast majority employers of the working poor. The largest of them all is Wal-Mart.

For socialists, Wal-Mart is more than just a series of big retail stores that threaten our communities, bringing an orgy of consumerism and traffic jams. The discount retailer represents, in the words of American social scientist/historian Nelson Lichtenstein, "the template business, setting the standards for a new stage in the history of world capitalism.... It stands for a new set of technological advances, organizational structures and social relationships."

How does a series of retail stores, play the kind of role in today's society, that Microsoft, General Motors, U.S. Steel and the railroad monopolies played in earlier epochs?

Wal-Mart is huge. In 2004, its yearly revenues represented 2.3% of the total economic activity of the United States. It also did 20% of the retail toy business and 14% of all grocery sales in that country. Its yearly revenues are larger than those of Switzerland. If Wal-Mart was an independent country, its economy would rank 30th in the world, right behind Saudi Arabia.

It is the largest profit-making enterprise in the world. It has sales of over 300 billion dollars a year and it is predicted that Wal-Mart's annual sales will soon reach 1 trillion dollars. A study by a leading U.S. corporate consultant firm in 2002 argued that one quarter of American productivity gains from 1995-1999 were due to Wal-Mart. Wal-Mart is the world's largest retailer. By 2003, it had also become the world's largest grocer.

In Canada, Wal-Mart entered the market in 1994, purchasing 122 stores previously owned by Woolco. Wal-Mart is now the largest retailer here.

Wal-Mart's size means that it shapes the retail market in the U.S. and many other countries and since the hollowing out of the manufacturing sector, it plays an inordinately influential role in the economy.

## Discount Retail Model

Discount retailing is based upon a simple set of principles. Goods are sold at the lowest possible price, with very low mark-ups over the actual cost of production and with an extremely fast rate of turnover. This places enormous pressure to lower costs at every

stage: in production, distribution and in the process of retailing. Wal-Mart has perfected these principles.

Retailing had always been cost sensitive, but discount retailers were particularly driven by cost reduction. The discounters emerged after World War 2, offering large selections of cheaper goods, with stores accessible by car, located off suburban highways. In contrast with the older department stores, located in city centres, the discounters used non-skilled, non-union labour, with shopping done on a self-serve basis.

There were huge numbers of discounters during this period and by the 1980's recession many of these companies had folded. Wal-Mart originated in the Ozark mountains of Arkansas — a very conservative, small town atmosphere in the 1960's. Rather than attempt a rapid expansion, Wal-Mart perfected its model in the friendly confines of that part of the U.S. and developed a plan for growth across the USA.

In 1987, Wal-Mart was a successful regional retailer. Five years later, it had become the industry leader. Its dominance came from its adoption and application of information technology to the handling of goods and people; its control over suppliers; its strategic approach to growth; its global reach; ruthless labour practices and its ability to benefit from the wave of neoliberal regulatory and cultural changes that occurred during its growth period.

### **Globalization, Supply-Chain Dominance and Sweatshop Labour**

A key component of Wal-Mart's strength is its dominance over suppliers. This reverses the historical dependence of retailers upon manufacturers.

Wal-Mart is a monopsony in relation to the supply chain — that is, it is the overwhelmingly dominant market for the manufacturers' products (for many, it is the only retail outlet). It shapes the structure and location of manufacturers, forcing them into the same low-wage, low-cost system as the retailer. It dominates supplier production and logistics. The sweatshop empires of Nike and some of the clothing companies are miniscule compared to Wal-Mart.

Manufacturers have become dependent upon Wal-Mart's ability to market their goods — and must respond to Wal-Mart's requirements. Wal-Mart stores are the biggest marketing channel for consumer products in the world and the 20 million customers who shop there on an average day represent a bigger market than could be reached by traditional mass media advertising.

Wal-Mart demands low prices, a "pull" (production of goods in response to a closely monitored system that predicts the likely customer demand) and "just-in-time" delivery of goods. Suppliers must make their production and delivery system "transparent" (which Wal-Mart is able to force on them through the use of electronic forms of data and inventory control). Wal-Mart sets up its own distribution apparatus as well, replacing wholesalers.

Wal-Mart tells suppliers how and where to produce their goods. They are forced to locate overseas, seeking sweatshop labour to meet Wal-Mart cost and delivery requirements. This, in turn, also creates new logistics and transportation systems. It's no accident that today Wal-Mart imports more goods from China than either the United Kingdom or Russia.

This has both contributed to and resulted from a new spatial division of labour: 'developed' countries lose manufacturing, but the role of low-wage retailing and distribution increases. Wal-Mart increases 'de-industrialisation' and precarious work. 'Developing' countries have sweated manufacturing, exporting to retailers in U.S. and Europe.

Wal-Mart would never have been able to develop this way without the corresponding advent of capitalist globalization and neoliberalism. The ability to move production across borders at will in response to cost signals makes this possible, as does the destruction of the socialist-oriented balanced developmental models that used to exist in China, Vietnam and partially in India.

### **Working at Wal-Mart**

At the centre of the Wal-Mart's commitment to "everyday low prices" are low wages and a system of labour control. This involves an intrusive hiring process, wage scales that are lower than other big box stores (individually assigned in secret from other workers), arbitrary hours of work (where "full-time" can mean as few as 20 hours), forcing people to work "off the clock" (not paying workers for hours worked), a precarious workforce, intense surveillance in the workplace, rampant gender discrimination and a centrally-controlled anti-union policy.

Managers formulate labour budgets that must be approved from Wal-Mart headquarters in Bentonville. They always run with too few resources, so that there is always pressure to cut labour costs. (Managers are told that Sam Walton always carried around a "beat yesterday" book that kept track of cost cutting improvements on a regular basis).

There are many facets to Wal-Mart's anti-unionism. There is the company culture which seeks to create a "family type" atmosphere with the paternalistic Sam Walton making sure that workers' well-being is being looked after; workers are called 'associates'; an "open door" policy promises a sympathetic hearing of individual concerns; profit sharing, for those above a certain wage scale; daily meetings where cheers are recited and successful products are touted. There is anti-union propaganda in videos and DVD's, portraying workers' organizations as parasites that are jealous of Wal-Mart's success. Finally, there is the repression of potential union drives by management. This, too, takes a number of forms such as close surveillance of the social interactions between workers, swift action by central authorities in Bentonville when there is any danger of union drives, and co-ordinated efforts to smash unionization drives once they are started. In 2005 Wal-Mart closed its Jonquiere, Quebec store, rather than bargain a first North American collective agreement.

Wal-Mart's size and domination of retail markets help it to influence wages and working conditions and rates of unionization of society in general, as well as the sector. The very threat of Wal-Mart's entry into grocery retailing has given unionized employers a weapon to use against workers. The largely unsuccessful California grocery workers strike, where 70,000 workers went out for 140 days, was waged against efforts by unionized employers to match Wal-Mart's labour costs and practises.

### **Wal-Mart's Vision**

Wal-Mart helps usher in (and reflects) a particular social and political model: Low consumer prices serve a low-wage economy. As Wal-Mart CEO Lee Scott claims, "Low prices give people a raise every time they shop with us").

It portrays the giant capitalist as a champion of the “little person”, reinforcing people’s identity as consumers (shoppers) and cancelling out people’s class identity. It claims to cater to the particular needs of women as caregivers and as the main shopper in the family (over ½ of which are single parent families in the U.S.), all the while reinforcing the crassest forms of sexism and paternalism.

Wal-Mart can’t be explained without the neoliberal economic and political reforms of the 1970’s and 80’s. The pool of low-wage workers (many of whom are women) and the extra responsibilities facing women made Wal-Mart possible and attractive. Government deregulation of labour markets and the loss of high wage manufacturing jobs also contributed. The rise of consumer culture and Christian conservative values in the U.S. also played a role.

### **How Do We Challenge Wal-Mart?**

The first question to ask is, what should be our goals in challenging the retail giant and what outcomes do we want? Second, we should ask, what are the most effective ways of accomplishing them?

Should we consider trying to close them down? Aside from being totally unrealizable, this option ignores the very real need that ordinary working people have for reasonably-priced consumer goods, available in conveniently-located stores. Wal-Mart has withdrawn from South Korea and Germany, but this isn’t because the people there demanded that they be kept out. They left because, in the German case at least, they couldn’t tolerate the demands of the unionized workers and a larger culture which didn’t place low prices at the apex of society’s values.

Should we consider breaking it up through anti-trust action? This was a solution considered in a recently published article in the U.S. monthly Harpers. An American-type solution, it doesn’t make sense when applied to a retailing giant. After all, it would only increase the competitive pressures on a series of smaller, discount retailers. On the other hand, it might be a way of addressing Wal-Mart’s monopsony power in relation to its suppliers.

A particularly radical approach would argue for nationalizing it and running it as a series of co-operatives. While this would preserve the economies of scale and the application of technology to lower costs, it is certainly utopian in the current context. Such an approach might only work if we were involved in a larger social movement challenging capitalism and its logic.

That leaves us with modifying the Wal-Mart model, accepting the existence of discount, mass retailing, but changing it in a way that radically improves the conditions in supplier and Wal-Mart workplaces, provides for unionization, forces them to source locally and stop the destruction of local communities and environments.

Can Wal-Mart afford it? Just looking at fair wages and benefits, they certainly could. If Wal-Mart spent \$3.50 p/h more for wages and benefits for full timers, it would cost \$6.5 billion per year — less than 3% of sales. Wal-Mart claims it would wipe out profit or its “price advantage” over competitors. As a recent Wal-Mart ad crowed, “We’d betray our commitment to tens of millions of customers, many of whom struggle to make ends meet”. (Costco pays \$16.00 p/h — 65% more than W-M average and 33% more than Sam’s Club. Costco also covers 82% of its U.S. workers with health insurance, while W-M covers only

48% of its workers.)

### **What Are Some of the Ways to Force Wal-Mart to Change?**

Most important is unionizing them. But current attempts are hardly adequate. It's not that there isn't a potential base for organizing the retailer. In the last few years there have been some near successful drives, and just recently there was a mass walkout in a Florida store over hours of work.

Wal-Mart will never be unionized by scattered efforts to organize individual stores. Organizing Wal-Mart requires the same kind of strategic approach that the CIO used to organize the key manufacturing sectors during the 1930's and 1940's. Then, the nascent industrial union movement, inspired by radical social and political movements and legitimized by important legislative reforms, succeeded in unionizing much of the unskilled workforce. Unions worked in a coordinated manner, using a variety of elements: mass, direct action; targeting key areas in each industry; salting and working from the outside; community mobilization.

Today, unions in both the USA and Canada need to put aside their narrow institutional interests and make the unionization of Wal-Mart a number one collective priority. Needless to say, in order to pressure Bentonville, such a campaign would require a fundamental change in the deferential approach that most unions take towards both employers and neoliberal governments. They also would have to work with a number of mass movements that are affected by Wal-Mart, such as the women's movement, environmentalists, former Wal-Mart workers, health care activists, anti-globalization and anti-sweatshop organizations and movements for local community democracy. (The consequences of not developing such an approach can be seen by the pathetic response of the union movement to the closure of the Jonquiere store. Wal-Mart got the message, loud and clear.)

There is also the proposed Wal-Mart Worker Association model of non-majority unions, proposed by veteran American organizer Wade Rathke. He argues that current conditions don't allow Wal-Mart unions to become sole bargainers for workers now. Instead, we must build towards that goal, organizing those workers who wish to affiliate to the union movement as part of a bigger series of campaigns, including struggles over workplace rights.

Unions also need to show low wage workers like those at Wal-Mart that they are the most appropriate tools for increasing their living standards and bettering their working conditions. They must challenge two-tier wage models increasingly imposed in the organized retail sector and show why they can provide an alternative to the culture of paternalism that rules places like Wal-Mart.

### **Political Mobilization is Key**

Currently, there are a series of local campaigns to force Wal-Mart to accept certain terms and conditions in order to gain entry to these communities. Local laws affect store size, zoning and location, minimum wages and working conditions, provisions for an impact assessment study, local sourcing and protection of small merchants. Some have successfully limited Wal-Mart, others have kept Wal-Mart out and still others were defeated by Wal-Mart inspired counter campaigns. Hopefully, these campaigns can become part of what clearly needs to be a bigger, multifaceted challenge to Wal-Mart.

As a key leader and beneficiary of both neoliberalism and capitalist globalization it only stands to reason that the giant retailer can only be tamed or reformed as part of a movement against key elements of the latest stage of capitalism. Without a political movement that seeks to limit the mobility of capital, fight free trade and support struggles in developing countries like China for worker rights and alternative development models, it is hard to see how we can succeed in reforming Wal-Mart. In a similar way, the battle against Wal-Mart needs to proceed alongside efforts to establish living wage levels, strengthen labour standards and re-regulate labour markets here at home.

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