

# The Wal-Mart Revolution

The revolutionary promise of the 20th century was that workers would be paid well enough to buy the goods they produced--creating an upward spiral of prosperity. But a new model based on lowering living standards is taking hold world wide.

In the United States Wal-Mart is more than just a participant in the low-wage economy: it is *the* most important single beneficiary of that economy. It uses its economic and political power

RANK	ECONOMY	GDP <i>In billions \$US</i>
1	United States	10461.8
2	Japan	3978.8
18	Belgium	247.6
	<b>Wal-Mart</b>	<b>244.6</b>
19	Sweden	229.8
20	Austria	203.3
21	Norway	189.4

to extend the scope of the low-wage economy and threatens to extend its business model into other sectors of the economy, undermining the wages of still more workers. Wal-Mart is a modern retailing empire with 3550 outlets in the United States and plans for many more. It also has stores in at least ten countries and plans to open 120 additional stores in international markets. In barely ten years it has gained nearly 15 percent of the retail grocery sales in the United States. According to CEO Lee Scott, Wal-Mart seeks a 30% share of grocery sales and any other product line it carries. It is one of the giants of the "service sector" of our economy. Its \$244.6 billion in sales in 2002\* made up well over 2% of the total U.S. Gross Domestic Product (GDP), making it the world's biggest company (based on revenues). It is the 19th largest economy in the world. It is our nation's largest employer, with 1.3 million employees worldwide, with plans to hire 800,000 more over the next five years. Its stock is one of the thirty in the Dow Jones Average. Wal-Mart generates large chunks of the sales of major corporations, which reinforces its influence and impact on the wages of workers employed by others.

Wal-Mart is a symbol of the American economy of the 21st century, which stands in stark contrast to the symbol of the old economy: the automobile companies. Its executives no doubt believe the same thing those automobile executives of the 1950s

believed when they said, "If it's good for General Motors, it must be good for the country." Wal-Mart is every bit the revolutionary influence that the Ford Motor Company was, but it portends a gloomy future rather than the new age of production that was Henry Ford's vision.

In fact Wal-Mart is the perfect example of what is wrong with the new low-wage economy and its effects on our society.

Let's start with wages. Henry Ford wanted automobile workers to be able to buy the cars his company produced. Although profoundly anti-union, he made it a point to pay wages that were above the prevailing wage of the time.

Wal-Mart does precisely the opposite. Its wage and benefit programs are designed to keep costs down and, in the process, because of its economic influence and market share, it drives down prevailing wage rates in the communities in which it operates. Wal-Mart has recently demanded cost data from suppliers so it can show them how to reduce costs. For many of them, this means lowering labor costs to reduce prices of goods sold on Wal-Mart shelves. Wal-Mart's purchasing power even drives down manufacturing wages in the developing world.

Wal-Mart's strategy is to use part time workers to reduce its benefit costs. "Associates" -- as the company workers are dubbed -- are told that if they work 34 (recently increased from 28) hours a week then they are "full time workers". According to *Forbes*, the self-styled capitalist tool, employees at Wal-Mart currently earn an average hourly wage of \$7.50--20% to 30% less than unionized workers at Target and Kmart. The typical Wal-Mart employee earns \$18,000 and isn't eligible for or cannot afford health benefits.

COMPANY	% OF SALES
Dial	28
Clorox	23
Revlon	22.5
P and G	17
Energizer	16.3
Kraft	12.2
General Mills	12
Gillette	12
Kellogg	12
Sara Lee	10.5

Wal-Mart has employed large numbers of women associates that it has paid less than their male counterparts. By maintaining these discriminatory practices Wal-Mart has reinforced its low wage structure and improved its bottom line. In 2001 a class-action lawsuit was filed challenging Wal-Mart's gender discrimination. Up to 1.5 million women workers could win damages.

Unlike Henry Ford, Wal-Mart seems unconcerned that its own employees are unable to afford the products that it sells. A recent analysis shows that a family of three with a single-parent breadwinner making a representative wage at the local Wal-Mart could not provide the basic necessities for that family based on an "adequate but austere" standardized budget for central Kansas – even with the employee discount!

Wal-Mart uses a predatory business model based on securing a competitive advantage from the low wages it pays employees and from its larger inventory. Typically, Mom-and-Pop local businesses are forced from local markets first, soon followed by less efficient larger competitors. Once the competitors are driven out, Wal-Mart slowly raises prices over a twelve to eighteen month period so consumers won't really notice.

Opposition to Wal-Mart is often based on its anti-competitive business practices. Communities in which there is opposition to Wal-Mart or other large-scale retailers sometimes try to enact special zoning ordinances limiting the size of stores. These tactics can be effective, especially if the community is well organized. Increasingly, however, Wal-Mart's superior financial resources are the key factor. They outspent a highly organized citizens group in Portage, MI, by 10-1 on a referendum. Wal-Mart routinely overwhelms citizens groups or simply moves to the next town and gets a higher bid to have the store built there instead. Wal-Mart is most concerned with preventing the unionization of its employees precisely because that is what offers the most far-reaching challenge to its corporate practices.

**Democratic Socialists of America** believes that it is imperative to force Wal-Mart to change. We are working along with many others to challenge the low-wage economy that increasingly dominates the lives of most working people. Ultimately the American economy cannot be sustained when driven mainly by the purchasing power of a relatively small group of well-off consumers. Only an economy in which the vast majority of workers earn enough to do more than just get by can bring prosperity to all Americans. It is impossible to envision that kind of economy as long as Wal-Mart is able to engage in business-as-usual.

We have no illusions that we can remake the economy without Wal-Mart. Instead we, and the broad progressive community, must change the basic political and economic conditions that allow Wal-Mart to ignore the well-being of its workers and

the communities in which it operates.

The key to real change is to drive up the wages of Wal-Mart workers. Unionizing Wal-Mart workers will lead to higher wages and better benefits for all employees, will drive up wages in local communities, and will change the culture of the institution.

The United Food and Commercial Workers union is engaged in a major campaign to organize Wal-Mart workers. We fully support that campaign and we support legislative efforts to level the playing field. *Labor law reform* requiring employers to recognize a union as soon as a majority of workers have signed cards and preventing employers from dragging out bargaining is necessary to enable workers to better secure their rights.

Government can also act to raise and enforce *minimum wage legislation*. *Living wage legislation* that forces employers to provide prevailing local wages that include the cost of health care can also be enacted. Living wage legislation in many communities is limited to the employers providing municipal services, but we believe such legislation can be expanded to cover the employees of companies like Wal-Mart that benefit from tax breaks provided in many economic development packages.

Employers have always resisted unionization. But in fact our economy has always provided more for most Americans when large portions of the work force were unionized and could buy what their neighbors produced. This is one of the reasons why the loss of so many union jobs in the manufacturing sector is distressing. All of us must work to change the labor laws, support unions and their campaigns, and get the government on our side in order to abolish the low wage economy. Wal-Mart is a good place, but by no means the only place, to start. ■

\*Our factual references are from information provided in company filings and news articles as reported by *United for a Fair Economy* as well as *Reuters*, *Forbes*, *Fortune* and the *World Bank*. Wal-Mart workers interested in learning more about the UFCW should contact the union or visit its websites: [www.walmartswarworkers.com](http://www.walmartswarworkers.com) and [www.ufcw.org](http://www.ufcw.org). To learn more about DSA visit our websites: [www.dsausa.org](http://www.dsausa.org), [www.dsausa.org/lowwage](http://www.dsausa.org/lowwage) and [www.dsausa.org/lowwage/walmart](http://www.dsausa.org/lowwage/walmart). You can join DSA on line or use the coupon below.

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