Justice and Witness Ministries
A Covenanted Ministry of the United Church of Christ

Wal-Mart: A Call for Corporate Social Responsibility

Action: Send a note to Wal-Mart's CEO urging him to adopt new standards for corporate social responsibility, and to treat workers and communities with equity and dignity. Write to H. Lee Scott, Jr., President and CEO, Wal-Mart Stores, Inc., 702 SW Eighth St., Bentonville AR 72716-8611.

Background: Our God is a God of justice. God's reign does not stop at the entrance to the big box store but extends to all aspects of life including our work lives. All workers are children of God and deserve to be treated with fairness and dignity. Workers also deserve wages, benefits, and work conditions that support the full life that God intends for all people.

Wal-Mart is the largest corporation in both the U.S. and the world with sales of $288 billion in 2004. It employs 1.2 million workers in the U.S. and is our largest private employer. The paragraphs below describe a number of Wal-Mart's abusive practices. These are not isolated events in a few stores or the work of a few bad managers. Rather they are systemic abuses that appear to stem from an excessive and single-minded focus on corporate profits.

This pattern is highly troubling because Wal-Mart is not just another firm. It is a powerful force in the economy – a force that can be used to strengthen socially responsible corporate behavior or weaken it. People of faith seek to call Wal-Mart into more just relationships with workers and communities. We are not engaged in a boycott (although some individuals have made this choice) nor do we strive to put the firm out of business. Over a million people depend on Wal-Mart for their incomes and millions more want to shop in these stores. But Wal-Mart must fundamentally re-examine a business strategy that is not working for employees or communities.

The Issues: Wal-Mart advertises "everyday low prices." These low prices are explained, in part, by the **low wages** workers receive. Full-time employees at Wal-Mart are paid an average of $9.68 an hour and typically work 34 hours per week for an annual income of about $17,000.[1] Sales clerks make about $8.50 an hour, or some $14,000 a year if they can get full-time work.[2] By comparison, the average wage in the retail industry is $12.28.[3]

Fewer than half of Wal-Mart workers receive **health insurance** from their employer.[4] Wal-Mart touts its low monthly premiums, just $11 to $40 for an individual and $155 for a family.[5] But there is also a very large deductible ($1,000 to $3,000) and other costs for using the insurance. An internal Wal-Mart memo noted that 38% of their workers spent over one-sixth of their Wal-Mart earnings on health care.[6] Nearly half of the children of Wal-Mart's employees are either uninsured or on Medicaid, the public health insurance program for the poor.[7]

Employees have won a number of lawsuits against Wal-Mart charging **discrimination** based on gender, race, ethnicity, or disability. Additional suits are pending. A class-action lawsuit filed by 1.6 million former and current female employees charges Wal-Mart with sex discrimination.[8] Wal-Mart recently paid fines to settle federal charges of violating **child labor** laws in Arkansas, New Hampshire, and Connecticut.[9]

In December, 2002, a jury in Portland, Oregon, found that Wal-Mart engaged in "widespread and unwavering" violations of U.S. law by forcing employees to work **unpaid overtime**.[10] Workers clocked out after 40 hours of work but were pressured by their managers to continue working "off-the-clock" without pay. The Oregon suit is just one of over 35 such class-action lawsuits charging an abuse of work hours that are filed and awaiting trial in 30 states.[11]

Business Week calls Wal-Mart a "staunchly **anti-union** company."[12] Between 1998 and 2002, Wal-Mart managers were found to have engaged in a number of illegal practices such as improperly firing union supporters, intimidating workers who considered forming a union, and threatening to deny bonuses if workers formed a union. In 2005, just six months after workers at a Quebec store voted to form a union, Wal-Mart announced the store would be closed.[13]

Wal-Mart owns no factories but stocks its stores with products purchased from over 10,000 supplier firms, many of which are located outside the U.S. A sizable number of the products made overseas appear to be produced in **sweatshops**. Wal-Mart has a code of conduct that governs working conditions in its overseas suppliers. But the code is inadequately enforced. For example in September 2005, the Washington-based International Labor Rights Fund filed a class-action lawsuit charging Wal-Mart with failure to enforce the code.[14] Workers from Bangladesh, China, Indonesia, Nicaragua, and Swaziland say that they were paid less than the stipulated minimum wage, forced to work without pay, required to work long hours including all night, beaten by managers, and/or locked in their factories. Moreover, Wal-Mart's code of conduct does not require suppliers to give workers the right to form a union, probably the single most important way to ensure fair and safe work conditions in factories in the developing world.[15]

Wal-Mart's growth over the past 20 years has been helped by **taxpayer subsidies**. Before Wal-Mart enters a community, it often seeks taxpayer-financed public assistance. Subsidies have included free or reduced-price land, property and state corporate income tax breaks, assistance with the cost of roads and sewers, and outright grants. According to the Washington-based Good Jobs First, Wal-Mart has received over $1 billion in subsidies from state and local governments.[16]

Because Wal-Mart workers are paid so little and often lack health insurance, many of them are eligible for various forms of public assistance. University of California researchers estimate that California Wal-Mart workers' **reliance on public assistance programs** costs the state taxpayers some $86 million each year.[17] Congressional researchers calculate that a typical Wal-Mart store with 250 workers costs tax payers over half a million dollars a year in public assistance for employees and their families.[18]

When a Wal-Mart store opens, it tends to draw shoppers from other retailers. Every sale at Wal-Mart generally means the loss of a sale at another store. This can **devastate other firms and even whole communities**. An Iowa State University professor compared business conditions in his state just before the first Wal-Mart store was built in Iowa, and ten years later after 45 stores had opened. During those 10 years, small towns and rural areas within a 20-mile radius of the Wal-Mart stores lost over 7,000 businesses including 555 grocery stores (34% of the total in the areas), 298 hardware stores, 116 drug stores, and 158 women's clothing stores.[19]

An examination of two competing business strategies shows **Wal-Mart does not have to operate this way**. Sam's Club, Wal-Mart's wholesale unit, is a close competitor with Costco. Sam's Club operates under the typical Wal-Mart model. But Costco has a very different business philosophy. Costco

- pays high wages ($15.97 an hour compared with $11.52 for full-time workers at Sam's Club),
- provides health insurance to 82% of its workers compared with 47% at Sam's Club,
- gives much broader and better retirement benefits,[20] and
- 20% of Costco workers belong to a union.

So what does Costco get for these extra costs? Costco has higher profits per employee (exceeding Sam's Club by 24%) and higher sales per square foot.[21] According to Costco's Chief Financial Officer, "paying higher wages translates into more efficiency."[22] And this directly impacts the bottom line. Wal-Mart (and other low-wage employers) could radically transform their business practices to benefit of workers and communities, and still satisfy their shareholders.

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For more information, contact Edith Rasell, Minister for Labor Relations and Community Economic Development, 700 Prospect Ave., Cleveland, OH 44115-1100; toll free 1-866-822-8224, ext 3709; raselle@ucc.org

ENDNOTES

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