



U.S. Representative • 9<sup>th</sup> CD, New York • Brooklyn-Queens

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Report

***Wal-Mart: The Anatomy of a Bad Neighbor***  
**Workers, Business and Society Suffer When a Wal-Mart Comes to Town**



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**Executive Summary: Wal-Mart is Wrong for NYC**

Wal-Mart wants to come to New York City. But New Yorkers should tell Wal-Mart to take its business elsewhere. The reason?

Wal-Mart has a proven history of low wage jobs that provide poor benefits, hostility to unionizing and workers' rights, and reliance on cheap foreign labor that hurts local businesses here at home and encourages exploitation abroad.

Wal-Mart is bad business for New York City.

*Wal-Mart Violates Workers' Rights*

- **Wal-Mart and Wages – Illegally Low:** Wal-Mart has a long history of suppressing workers wages at its stores nationwide. Wal-Mart workers are paid 20% less than workers in comparable stores and Wal-Mart has frequently resorted to illegal tactics to withhold workers' wages by forcing them to work off the clock or with doctored time sheets.
- **Wal-Mart and Workers' Rights – Union Busting From Coast to Coast:** Not a single Wal-Mart is unionized. Wal-Mart intimidates workers who seek to exercise their right to organize, employs underhand legal tactics to prevent unionization and even distributes an anti-unionization manual to its managers. Wal-Mart has been sanctioned by the NLRB for its illegal anti-organizing tactics.
- **Unaffordable Health Care – Shifting Costs to Workers:** Fewer than two-thirds of Wal-Mart employees are insured through the company's health insurance plan. Wal-Mart erects barriers that prevent employees from joining the insurance plan, including long wait periods for eligibility and prohibitively high premiums.

### Wal-Mart Violates Human Rights

- **Wal-Mart, Sweatshops and China:** Wal-Mart aggressively pursues cheap overseas labor in a quest to drive down production costs. Specifically, Wal-Mart overwhelmingly relies on Chinese manufacturers that are notorious for their sweatshop conditions. Wal-Mart has failed to implement an effective inspection program to stop abuses, and has even been dropped from an index of socially responsible investments due to its use of Chinese manufacturers.

### Wal-Mart Violates Community Rights

- **Crushing Competition – the Saturation Strategy:** When Wal-Mart enters a market, it does so with the intent of eliminating local competitors. This means while Wal-Mart gains, communities suffer.
- **Eliminating Choice:** A study of supermarkets reveal that for every Wal-Mart opening, two supermarkets close.
- **Hurting Local Business – Case Studies:** In Southern California, Wal-Mart has triggered a “race to the bottom,” where local businesses are being forced to consider cutting employee compensation to compete. In Mississippi Wal-Mart captured an overwhelming majority of local food sales, driving small stores out of business, meaning fewer choices for consumers.

## **WAL-MART VIOLATES WORKERS' RIGHTS**

### Overview

*While Wal-Mart's television commercials feature smiling and content workers, the reality is a much different situation. From low wages to unaffordable health care, to denying the right to organize, Wal-Mart has gone to great lengths to mistreat its workers.*

#### I. Wal-Mart and Wages – Illegally Low:

Wal-Mart workers earn far less than their peers at other stores, while Wal-Mart has been repeatedly sued and cited for an aggressive campaign to cheat workers out of their wages by forcing workers to work off the books.

- **Average Wal-Mart Employee Earns 20% Less Per Hour Than Average Supermarket Worker Nationally.** Nationally, the average supermarket employee makes \$10.35 per hour. Sales clerks at Wal-Mart, on the other hand, made only \$8.23 per hour on average – 20% less than the average. [ Post and Courier, 11/10/03]
- **Average Wal-Mart Worker Earns Less Than \$1,000 Per Month.** With an average workweek of 32 hours, most Wal-Mart workers take home less than \$1,000 per month after tax. [Democratic Staff Report From House Education and Workforce Committee, 2/16/04]
- **Wal-Mart Paid \$50 Million to Colorado Workers After Forcing Off-the-Clock Work.** In Colorado in 2001, 69,000 Wal-Mart workers were paid over \$50 million in unpaid wages to settle a class action lawsuit alleging off-the-clock work. [ Associated Press, 12/20/03; Democratic Staff Report From House Education and Workforce Committee, 2/16/04]
- **400 Workers in Oregon Won Lawsuit Against Wal-Mart for Deleting Hours From Time Sheets, Off the Clock Work.** In Oregon in 2002, a jury found in favor of 400 employees in 27 Wal-Mart stores who sued for unpaid, off-the-clock overtime. The suit claimed managers deleted hours from time records and told employees to spend working even after they clocked out. [ Associated Press, 12/20/03; Democratic Staff Report From House Education and Workforce Committee, 2/16/04]
- **Wal-Mart Faces 38 State And Federal Law-Suits Filed for Off the Clock Work in 30 States.** According to the United Food and Commercial Workers, “Wal-Mart faces 38 state and federal lawsuits filed by hourly workers in 30 states, accusing the company of systematically forcing them to work long hours off the clock.” [[http://www.ufcw.org/issues\\_and\\_actions/walmart\\_workers\\_campaign\\_info/facts\\_and\\_figures/walmartwages.cfm](http://www.ufcw.org/issues_and_actions/walmart_workers_campaign_info/facts_and_figures/walmartwages.cfm)]
- **Internal Wal-Mart Audit Found That 127 Out of 128 Stores Were “Not in Compliance” With Policies Allowing Workers to Take Breaks.** A July 2000 internal audit of 128 Wal-Mart stores found 127 were ‘not in compliance’ with company policies concerning workers not taking breaks. The audit found workers nationwide didn’t take breaks 76,472 times in a one-week period.” [[http://www.ufcw.org/issues\\_and\\_actions/walmart\\_workers\\_campaign\\_info/facts\\_and\\_figures/walmartwages.cfm](http://www.ufcw.org/issues_and_actions/walmart_workers_campaign_info/facts_and_figures/walmartwages.cfm)]

#### II. Wal-Mart and Workers' Rights – Union Busting From Coast to Coast:

Wal-Mart's approach towards labor unions is one of contempt. Wal-Mart takes aggressive action against any worker trying to organize a labor union, frequently drawing the ire of federal labor regulators.

- **Not a Single Wal-Mart is Unionized – Wal-Mart Issues Management Handbook to “Remaining Union Free.”** Not a single Wal-Mart store in the United States is represented by a union. Wal-Mart has issued a “Manager’s Toolbox to

Remaining Union Free," providing managers with lists of signs that workers might be organizing, including "frequent meetings at associates' homes" and "associates who are never seen together start talking or associating with each other." The "Toolbox" even gives managers a hotline to call so that company specialists can respond and stop attempts to unionize. [[www.uncw.org/issues\\_actions/walmart\\_workers\\_campaign\\_info/relevant\\_links/anti\\_union\\_manual.cfm](http://www.uncw.org/issues_actions/walmart_workers_campaign_info/relevant_links/anti_union_manual.cfm)]

- **60 Labor Complaints Filed Against Wal-Mart Since 1995.** Since 1995, the U.S. Government has filed 60 complaints against Wal-Mart at the National Labor Relations Board. Wal-Mart's labor law violations range from illegally firing workers attempting to organize a union to unlawful surveillance and threats towards workers and intimidation of employees who speak out. [Democratic Staff Report From House Education and Workforce Committee, 2/16/04]
- **Wal-Mart Paid Largest Fine in Maine History for 1,436 Child Labor Violations at 20 Wal-Mart Stores.** On October 10, 2002, the Maine Department of Labor ordered Wal-Mart to pay the largest fine in state history for violating child labor laws. Wal-Mart had committed 1,436 child labor law infractions at 20 Wal-Mart chains in the state. [Portland Press Herald, 1/17/01]
- **In Texas, Wal-Mart Refused to Recognize Legally Organized Union – Changed Job Categories to Circumvent Election.** According to the United Food and Commercial Workers, "When meat cutters at a Jacksonville, Tex., Wal-Mart voted for UFCW Local 540 representation in February 2000, the company refused to recognize the union — and suddenly changed the job functions of the meat cutters with a change to case-ready meat." [[http://www.uncw.org/press\\_room/fact\\_sheets\\_and\\_backgrounder/walmart/andunions.cfm](http://www.uncw.org/press_room/fact_sheets_and_backgrounder/walmart/andunions.cfm)]

### III. Wal-Mart and Health Care – Shifting Costs to Workers:

Wal-Mart claims its employees have affordable and easy access to health insurance. Yet, a careful examination of the facts reveals most Wal-Mart workers struggling to purchase health care.

- **2/3 of Wal-Mart Workers Do Not Participate in Wal-Mart Health Plan.** Due to high premiums and deductibles, more than two-thirds of Wal-Mart workers do not participate in the company health plan. [[http://www.uncw.org/issues\\_and\\_actions/walmart\\_workers\\_campaign\\_info/facts\\_and\\_figures/walmartonbenefits.cfm](http://www.uncw.org/issues_and_actions/walmart_workers_campaign_info/facts_and_figures/walmartonbenefits.cfm)]
- **Comprehensive Family Coverage Under Wal-Mart Plan Is 36% of Average Worker's Pre-Tax Earnings.** The cost of comprehensive family coverage is about \$192 every two weeks – 36% of the average Wal-Mart employee's monthly pre-tax earnings. [[http://www.uncw.org/issues\\_and\\_actions/walmart\\_workers\\_campaign\\_info/facts\\_and\\_figures/walmartonbenefits.cfm](http://www.uncw.org/issues_and_actions/walmart_workers_campaign_info/facts_and_figures/walmartonbenefits.cfm)]
- **700,000 Wal-Mart Workers Are Forced to Get Health Coverage From Government or Spouses' Plans.** Nearly 700,000 Wal-Mart workers are forced to get health insurance coverage from the government or through spouses' plans. [[http://www.uncw.org/issues\\_and\\_actions/walmart\\_workers\\_campaign\\_info/facts\\_and\\_figures/walmartonbenefits.cfm](http://www.uncw.org/issues_and_actions/walmart_workers_campaign_info/facts_and_figures/walmartonbenefits.cfm)]
- **Since 1993 Wal-Mart Health Care Premiums Have Increased 300% Faster Than Rate of Medical Care Inflation.** Since 1993, Wal-Mart has increased the premium cost for workers by over 200%, while medical care inflation has only gone up by 50% during the same period – a 300% higher rate of increase. [[http://www.uncw.org/issues\\_and\\_actions/walmart\\_workers\\_campaign\\_info/facts\\_and\\_figures/walmartonbenefits.cfm](http://www.uncw.org/issues_and_actions/walmart_workers_campaign_info/facts_and_figures/walmartonbenefits.cfm)]
- **Wal-Mart's Eligibility Criteria for Health Care Enrollment Are Extremely Restrictive.** In 2002, Wal-Mart increased the waiting period for enrollment eligibility in its health care plan from 90 days to 6 months for full time employees. Part-time employees must wait 2 years before they can participate, and they cannot buy coverage for spouses or children. At the same time, the average waiting period for health care coverage at large firms nationally was 1.3 months. [AFL-CIO, "Wal-Mart: An Example of Why Workers Remain Uninsured and Underinsured," 10/03]

## WAL-MART VIOLATES HUMAN RIGHTS

### Overview

*In decades past, Wal-Mart proudly claimed it "bought American." Those days are long past. Today, Wal-Mart, more than almost any other American company, relies on overseas – specifically Chinese – labor for goods to sell. Unfortunately, China has no labor protections and a history of abusive working conditions for its manufacturing employees. Wal-Mart, however, has no real inspection program to prevent the use of sweatshop labor in its Chinese plants. Its Chinese record is so poor it was even removed from a socially responsible investing index.*

- **Wal-Mart Has a Division That "Continually Search the Globe for Still-Cheaper Sources of Supply."** According to the *Los Angeles Times*, "From its headquarters in Bentonville, Ark., the company has established a network of 10,000 suppliers and constantly pressures them to lower their prices. At the same time, Wal-Mart buyers continually search the globe for still-cheaper sources of supply. The competition pits vendor against vendor, country against country." [Los Angeles Times, 11/24/04]
- **Wal-Mart Overwhelmingly Depends on Chinese Manufacturers That Obey No Basic Labor Laws.** To achieve maximum cost savings, Wal-Mart overwhelmingly depends on labor from Chinese manufacturers that are notorious for

sweatshop conditions and slave labor. In 2003, Wal-Mart's Chinese purchases totaled to \$15 billion, or almost one-eighth of all Chinese exports to the United States. Today, more than 3,000 supplier factories in China produce for Wal-Mart. Because China has no independent labor unions of basic labor protections, Wal-Mart's demands for productivity result in a lower standard of living for Chinese workers. [National Labor Committee; UFCW Data; USA Today, 8/14/01]

- **Wal-Mart Pressure on Chinese Producers for Low Costs, Results in Low Wages, Poor Working Conditions for Chinese Laborers.** A Chinese labor official who asked to remain anonymous for fear of punishment said, "Wal-Mart pressures the factory to cut its price, and the factory responds with longer hours or lower pay. And the workers have no options." One employee of a Chinese supplier described the difficulties of surviving on \$75 per month. She could rarely afford to buy meat, and her family largely subsisted on vegetables. Over four years, she had not received a single salary increase. According to the National Labor Committee, a leading anti-sweatshop organization, "Clothing sewn in China is usually done by young women, 17 to 25 year old (at 25 they are fired as 'too old') forced to work seven days a week, often past midnight for 12 to 28 cents an hour, with no benefits. Or that the women are housed in crowded, dirty dormitories, 15 to a room, and fed a thin rice gruel. The workers are kept under 24-hour-a-day surveillance and can be fired for even discussing factory conditions. The factories in China operate under a veil of secrecy, behind locked metal gates, with no factory names posted and no visitors allowed." [National Labor Committee; UFCW Data; USA Today, 8/14/01]
- **Wal-Mart Has No Effective Inspection Program for Its Chinese Plants.** Wal-Mart does not effectively inspect its Chinese plants for labor violations. Factories are often given advance notice of inspections, and, according to one Chinese labor organizer, the factories "often prepare by cleaning up, creating fake time sheets and briefing workers on what to say." Wal-Mart does not regularly inspect smaller factories or subcontractors. [National Labor Committee; UFCW Data; USA Today, 8/14/01]
- **Wal-Mart Was Removed From Social Responsible Investing Index Due to "Sweatshop" Conditions at Overseas Factories.** Wal-Mart was removed from KLD & Co.'s Domini 400 Social Index – an index of social responsibility used by financial companies to make investments – because of "sweatshop conditions" at its overseas vendors' factories. KLD said Wal-Mart hadn't done enough to ensure that its vendors meet "adequate labor and human rights standards," and cited charges that the company's use of a Chinese handbag manufacturer subjected workers to 90-hour weeks, exceptionally low wages, and prison-like conditions. [ Los Angeles Times, 5/18/01]

## WAL-MART VIOLATES COMMUNITY RIGHTS

### Overview

*Wal-Mart projects an image of wholesome, small town America. Yet, Wal-Mart's strategy of saturating markets with its stores has been proven to be a destructive force on local retailers. Because Wal-Mart goes to such great lengths to lower production costs – especially through abusive labor conditions – it is almost impossible for more responsible merchants to compete. Consequently, a Wal-Mart's opening means the mass closing of local hardware stores, clothing retailers and supermarkets.*

I. Crushing Competition – the Saturation Strategy: Wal-Mart purposefully undercuts local retailers with a strategy designed to put a stranglehold on all markets it enters.

- **Wal-Mart Has Long Depressed Local Commerce by Stifling Competition With "Saturation Strategy."** In a 1993, Iowa State University issued a study concluding that Wal-Mart had a detrimental impact on local commerce. The study found a 3 percent spike in total retail sales in communities immediately after a Wal-Mart opened, but found that over the course of the next several years, retailers' sales of mens' and boys' apparel dropped 44 percent on average, hardware sales fell by 31 percent, and lawn and garden sales fell by 26 percent. A 1994 Congressional Research Service report attributed this decline to Wal-Mart's use of a "saturation" strategy of opening many stores in a small area to stifle competition. [1993 Iowa State University Wal-Mart Study, Prof. Kenneth Smart; Democratic Staff Report From House Education and Workforce Committee, 2/16/04]

II. Eliminating Choice: When Wal-Mart enters a market, consumers are left with few choices.

- **For Every One Wal-Mart That Opens, Two Supermarkets Close.** According to Retail Forward, a global management consulting and research firm, for every one Super center that will open, two supermarkets will close. ["Wal-Mart Food: Big and Getting Bigger," Retail Forward Inc., 9/03]

III. Hurting Local Business – Case Studies: Case studies of Wal-Mart openings in both Southern California and Mississippi empirically demonstrate that Wal-Mart drives out other businesses, and has a net negative impact a region's economy.

- **Entry of Wal-Mart in to Southern California Started "A Dynamic in Which the Grocery Stores are Negotiating With Workers for Lowered Compensation."** A 2003 study commissioned by the Los Angeles City Council found that, "[The threat of Wal-Mart's incursion into the southern California grocery market] is already triggering a dynamic in which the grocery stores are negotiating with workers for lowered compensation, in an attempt to re-level the 'playing field.'" [Rodino Associates, Final Report on Research for Big Box Retail/Superstore Ordinance," Los Angeles City Council, 10/28/03]

- **Wal-Mart Openings in Mississippi “Captured Most of Their Food Sales From Existing Food Stores in the Host Country.”** A 2001 study of Wal-Mart openings in Mississippi by Mississippi State University found that “Wal-Mart supercenters in Mississippi captured most of their food sales from existing food stores in the host county. Consequently, host county food stores experienced average annual declines in sales from 10.1 percent after the first year to over 19 percent after five years.” [[msucares.com/pubs/misc/m1283.pdf](http://msucares.com/pubs/misc/m1283.pdf)]

#### Reports List