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Up Against Wal-Mart

At the world's largest and most profitable retailer, low wages, unpaid overtime, and union busting are a way of life. Now Wal-Mart workers are fighting back.

By Karen Olsson

March/April 2003 issue

Jennifer McLaughlin is 22, has a baby, drives a truck, wears wide-leg jeans and spiky plastic chokers, dyes her hair dark red, and works at Wal-Mart. The store in Paris, Texas -- Wal-Mart Supercenter #148 -- is just down the road from the modest apartment complex where McLaughlin lives with her boyfriend and her one-year-old son; five days a week she drives to the store, puts on a blue vest with "How May I Help You?" emblazoned across the back, and clocks in. Some days she works in the Garden Center and some days in the toy department. The pace is frenetic, even by the normally fast-paced standards of retailing; often, it seems, there simply aren't enough people around to get the job done. On a given shift McLaughlin might man a register, hop on a mechanical lift to retrieve something from a high shelf, catch fish from a tank, run over to another department to help locate an item, restock the shelves, dust off the bike racks, or field questions about potting soil and lawn mowers. "It's stressful," she says. "They push you to the limit. They just want to see how much they can get away with without having to hire someone else."

Then there's the matter of her pay. After three years with the company, McLaughlin earns only \$16,800 a year. "And I'm considered high-paid," she says. "The way they pay you, you cannot make it by yourself without having a second job or someone to help you, unless you've been there for 20 years or you're a manager." Because health insurance on the Wal-Mart plan would deduct up to \$85 from her biweekly paycheck of \$550, she goes without, and relies on Medicaid to cover her son, Gage.

Complaints about understaffing and low pay are not uncommon among retail workers -- but Wal-Mart is no mere peddler of saucepans and boom boxes. The company is the world's largest retailer, with \$220 billion in sales, and the nation's largest private employer, with 3,372 stores and more than 1 million hourly workers. Its annual revenues account for 2 percent of America's entire domestic product. Even as the economy has slowed, the company has continued to metastasize, with plans to add 800,000 more jobs worldwide by 2007.

Given its staggering size and rapid expansion, Wal-Mart increasingly sets the standard for wages and benefits throughout the U.S. economy. "Americans can't live on a Wal-Mart paycheck," says Greg Denier, communications director for the United Food and Commercial Workers International Union (UFCW). "Yet it's the dominant employer, and what they pay will be the future of working America." The average hourly worker at Wal-Mart earns barely \$18,000 a year at a company that pocketed \$6.6 billion in profits last year. Forty percent of employees opt not to receive coverage under the company's medical plan, which costs up to \$2,844 a year, plus a deductible. As Jennifer McLaughlin puts it, "They're on top of the Fortune 500, and I can't get health insurance for my kid."

Angered by the disparity between profits and wages, thousands of former and current employees like McLaughlin have started to fight the company on a variety of fronts. Workers in 27 states are suing Wal-Mart for violating wage-and-hour laws; in the first of the cases to go to trial, an Oregon jury found the company guilty in December of systematically forcing employees to work overtime without pay. The retailer also faces a sex-discrimination lawsuit that accuses it of wrongly denying promotions and equal pay to 700,000 women. And across the country, workers have launched a massive drive to organize a union at Wal-Mart, demanding better wages and working conditions. Employees at more than 100 stores in 25 states -- including Supercenter #148 in Paris -- are currently trying to unionize the company, and in July the UFCW launched an organizing blitz in the Midwest, hoping to mobilize nearly 120,000 workers in Michigan, Kentucky, Ohio, and Indiana.

Wal-Mart has responded to the union drive by trying to stop workers from organizing -- sometimes in violation of federal labor law. In 10 separate cases, the National Labor Relations Board has ruled that Wal-Mart repeatedly broke the law by interrogating workers, confiscating union literature, and firing union supporters. At the first sign of organizing in a store, Wal-Mart dispatches a team of union busters from its headquarters in Bentonville, Arkansas, sometimes setting up surveillance cameras to monitor workers. "In my 35 years in labor relations, I've never seen a company that will go to the lengths that Wal-Mart goes to, to avoid a union," says Martin Levitt, a management consultant who helped the company develop its anti-union tactics before writing a book called *Confessions of a Union Buster*. "They have zero tolerance."

The retaliation can be extreme. In February 2000, the meat-cutting department at a Wal-Mart in Jacksonville, Texas, voted to join the UFCW -- the only Wal-Mart in the nation where workers successfully organized a union. Two weeks after the vote, the company announced it was eliminating its meat-cutting departments in all of its stores nationwide. It also fired four workers who voted for the union. "They held a meeting and said there was nothing we could do," recalls Dotty Jones, a former meat cutter in Jacksonville. "No matter which way the election went, they would hold it up in court until we were old and gray."

If you've seen one Wal-mart, you've seen the Paris store, more or less: a gray cinder-block warehouse of a building, with a red stripe across the front, flags on the roof, WALHMART spelled in large capitals in the center, and the company credos ("We Sell for Less" and "Everyday Low Prices") to the left and the right. Inside, the cavernous store is bathed in a dim fluorescent light that makes the white walls and linoleum look dingy, and on a Friday shortly before Christmas, the merchandise is everywhere: not only in bins and on shelves, but in boxes

waiting to be unloaded, or just stationed in some odd corner, like the pine gun cabinets (\$169.87) lined up by the rest rooms. Television monitors advertise thermometers and compact discs, Christmas carols play over the audio system, and yet there's a kind of silence to the place, a suspension of ordinary life, as shoppers in their trances drift through the store and fill carts with tubs of popcorn, a microwave, a chess set, dog biscuits. Here Protestant thrift and consumer wants are reconciled, for the moment anyway, in carts brimming with bargains.

Wal-Mart's success story was scripted by its founder, Sam Walton, whose genius was not so much for innovation as for picking which of his competitors' innovations to copy in his own stores. In 1945, Walton bought a franchise variety store in Newport, Arkansas. The most successful retailers, he noticed, were chains like Sears and A&P, which distributed goods to stores most efficiently, lowered prices to generate a larger volume of sales, and in the process generated a lot of cash to finance further expansion. These, in turn, would serve as basic principles of Walton's business. As he explains in his autobiography, *Sam Walton, Made in America*, he drove long distances to buy ladies' panties at lower prices, recognizing that selling more pairs at four for a dollar would bring greater profits than selling fewer pairs at three for a dollar. The women of northeastern Arkansas were soon awash in underwear, and a discounter was born. Walton opened his first Wal-Mart Discount City in 1962 and gradually expanded out from his Arkansas base. By 1970 Wal-Mart owned 32 outlets; by 1980 there were 276; by 1990, 1,528 in 29 states.

The company grew, in no small part, by dint of its legendary frugality -- a habit that started with Sam Walton himself, who drove an old pickup truck and shared hotel rooms on company trips and insisted on keeping the headquarters in Arkansas as plain as possible. Payroll, of course, tends to be a rather larger expense than hotel rooms, and Walton kept that as low as he could, too. He paid his first clerks 50 to 60 cents an hour -- substantially below minimum wage at the time -- by taking questionable advantage of a small-business exemption to the Fair Labor Standards Act. In 1970, Walton fended off an organizing push by the Retail Clerks Union in two small Missouri towns by hiring a professional union buster, John Tate, to lecture workers on the negative aspects of unions. On Tate's advice, he also took steps to win his workers over, encouraging them to air concerns with managers and implementing a profit-sharing program.

A few years later, Wal-Mart hired a consulting firm named Alpha Associates to develop a "union avoidance program." Martin Levitt, the consultant who worked on the program, says that Wal-Mart does "whatever it takes to wear people down and destroy their spirit." Each manager, he says, is taught to take union organizing personally: "Anyone supporting a union is slapping that supervisor in the face." The company also encouraged employees to believe in the good intentions of "Mr. Sam," who peppered his autobiography with tributes to his "associates": "If you want to take care of the customers you have to make sure you're taking care of the people in the stores."

Yet many Wal-Mart workers allege that the company Walton left behind when he died in 1992 is anything but a benevolent caretaker. "We're underpaid, and I'm worried about my retirement," says an overnight stocker in Minnesota who asked not to be identified. "I imagine I'll be working until I'm 90." Her daughter works as a stocker, too, but after nine years she doesn't make enough to support her children. "She's had to go down to the food bank, and I've sent stuff over for

them," her mother says. "They just can't do it." On the job, she adds, workers are forced to scramble to make up for understaffing. "We're short -- we have a skimpy crew at night. We've got pallets stacked over our heads, and we can't get caught up with all of it."

A quick look around at the store in Paris makes clear what an employee is up against: thousands of items (90,000 in a typical Wal-Mart) that customers are constantly removing from the shelves and not putting back, or putting back in the wrong place, or dropping on the floor -- the store a kind of Augean stable, with a corps of blue-vested Herculeases trying to keep things clean. (When I mention this to Jennifer McLaughlin, she tells me that's why no one likes to work the 2 a.m. to 11 a.m. shift, because "all it is, is putting stuff back.") To get the job done, according to the dozens of employee lawsuits filed against the company, Wal-Mart routinely forces employees to work overtime without pay. In the Oregon wage-and-hour case, a former personnel manager named Carolyn Thiebes testified that supervisors, pressured by company headquarters to keep payroll low, regularly deleted hours from time records and reprimanded employees who claimed overtime. In 2000, Wal-Mart settled similar lawsuits involving 67,000 workers in New Mexico and Colorado, reportedly paying more than \$50 million.

Wal-Mart blames unpaid overtime on individual department managers, insisting that such practices violate company policy. "We rely on our associates," says spokesman Bill Wertz. "It makes no business sense whatsoever to mistreat them." But Russell Lloyd, an attorney representing Wal-Mart employees in Texas, says the company "has a pattern throughout all stores of treating their workers the same way." Corporate headquarters collects reams of data on every store and every employee, he says, and uses sales figures to calculate how many hours of labor it wants to allot to each store. Store managers are then required to schedule fewer hours than the number allotted, and their performance is monitored in daily reports back to Bentonville. To meet the goals, supervisors pressure employees to work extra hours without pay.

"I was asked to work off the clock, sometimes by the store manager, sometimes by the assistant manager," says Liberty Morales Serna, a former employee in Houston. "They would know you'd clocked out already, and they'd say, 'Do me a favor. I don't have anyone coming in -- could you stay here?' It would be like four or five hours. They were understaffed, and they expected you to work these hours."

When Judy Danneman, a widow raising three children, went to work as an hourly department manager in West Palm Beach, Florida, she quickly realized that she would have to climb the management ladder in order to survive -- because, as she puts it, "my kids had this bad habit of eating." The only way to do that, she says, was to work off the clock: "Working unpaid overtime equaled saving your job." When she finally became an assistant manager, Danneman knew she had to enforce the same policy: "I knew for my department managers to get their work done, they had to work off the clock. It was an unwritten rule. The majority of them were single mothers raising children, or else married women with children. It was sad, and it was totally demanding and very draining and very stressful."

In fact, more than two-thirds of all Wal-Mart employees are women -- yet women make up less than 10 percent of top store managers. Back when she was first lady of Arkansas, Hillary Clinton became the first woman appointed to the Wal-Mart board, and tried to get the company to hire

more women managers, but that effort apparently went the way of national health insurance. Wal-Mart today has the same percentage of women in management that the average company had in 1975.

Attorneys representing workers contend that Wal-Mart is too tightly controlled from headquarters in Arkansas to claim ignorance of what's happening in its stores. "In Bentonville they control the air conditioning, the music, and the freezer temperature for each store," says Brad Seligman, a lawyer with the Impact Fund, a nonprofit legal organization in Berkeley. "Most companies divide stores into regions, and then you have a home office of senior management. At Wal-Mart, the regional managers are based in Bentonville; they're on the road Sunday to Wednesday, and then back meeting with management Thursday to Saturday. They're the ones who make the fundamental employee decisions -- and the home office knows exactly what they are doing."

The company insists it adequately trains and promotes female managers. But in 2001, a Wal-Mart executive conducted an internal study that showed the company pays female store managers less than men in the same position. "Their focus at Wal-Mart has always relentlessly been on the bottom line and on cost cutting," says Seligman. "Virtually every other consideration is secondary -- or third or fourth or fifth."

To protect the bottom line Wal-Mart is as aggressive at fighting off unions as it is at cutting costs. Employees approached by co-workers about joining a union are "scared to even talk," says Ricky Braswell, a "greeter" at the store in Paris. "They're afraid they'll lose their jobs."

In Paris, it was Jennifer McLaughlin's boyfriend, 21-year-old Eric Jackson, who first started talking about a union. Raised by a mother who works in a factory, Jackson always assumed he would find a job after high school rather than go on to college. But the few factory jobs in Paris are highly sought after, so Jackson wound up at Wal-Mart, which employs 350 people out of a local workforce of only 22,000. "People ain't got no other place to go," he says. "There's no other jobs to be had."

Jackson started as an evening cashier earning \$5.75 an hour, and it wasn't long before he was regularly asked to perform the duties of a customer service manager, supervising the other cashiers and scheduling their breaks. He asked for a promotion, but three months later he was still doing the extra work for no extra pay. "I took it because I wanted more money, but I never got the raise," Jackson says. "They knew they could do it to me." He fought for the promotion and eventually won, but by then he had already contacted a local union office about organizing the store.

"When Eric first suggested it, I looked at him like he was on crack," says McLaughlin. "I said, 'You can't take down a company like Wal-Mart with a union.'" Nevertheless, Jackson arranged for a UFCW organizer to come to Paris and meet with a small group of workers one June afternoon at the Pizza Inn. But the company soon caught wind of the organizing effort. As one worker left an early meeting of union supporters, he spotted a Wal-Mart manager in the parking lot. From then on, workers seen as pro-union were watched closely by management.

"By the time we had our first meeting, they were holding their first anti-union meeting," says McLaughlin. The response came straight from the company's union-avoidance playbook: Troops from the Bentonville "People Division" were flown in, and employees were required to attend hour-long meetings, where they were shown anti-labor videos and warned about unions. "They tend to treat you like you're simple, and they use real bad scare tactics," says McLaughlin. Those who supported the union, she says, were told, "Some people just don't belong at Wal-Mart."

McLaughlin isn't shy about speaking her mind, and in the meeting she confronted one of the men from the People Division. "Let me tell you, I used to have epilepsy," she told him. "My dad was in a union, and we had health insurance, and I got better. I don't have health insurance. If my child got epilepsy, what would I do? Doesn't a union help you to get company-paid insurance?" The man, she recalls, became flustered. "Jennifer, I don't have an answer about that," he said. "I'll have to get back with you."

The meetings were just the beginning. "The videos and group meetings are the surface cosmetics," says Levitt, the former consultant. "Where Wal-Mart beats the union is through a one-on-one process implemented from Bentonville. They carefully instruct management to individually work over each employee who might be a union sympathizer." In Paris, Eric Jackson was called into a back room by five managers and made to watch an anti-union video and participate in a role-playing exercise. "I was supposed to be a manager, and one of them was the associate who came to me with a question about a union," says Jackson. "So I quoted the video. I said, 'We do not believe we need a union at Wal-Mart,' and they were like, 'Good, good!' and then I said, 'We're not anti-union -- we're pro-associate,' just like I'm supposed to say."

Before the onslaught by the company, says McLaughlin, she talked to more than 70 workers at the Paris store who were prepared to sign cards calling for a vote on union representation, but that number quickly dwindled. Those who'd signed cards felt they were being watched. "All of a sudden the cameras start going up," says Chris Bills, who works in the receiving area. "Now there's three in receiving. This one manager took up smoking so he could sit with us on our breaks." Other hourly employees learned for the first time that they were actually counted as managers. "They said we were considered management, so we shouldn't get involved with the union stuff," says Dianne Smallwood, a former customer service manager who worked at the store seven years. Employees opposed to the union were given "pro-associate" buttons to wear, while managers amended the dress code to exclude T-shirts with any kind of writing on them, apparently to prevent workers from wearing union shirts.

Wal-Mart declined to let *Mother Jones* interview store managers or representatives from the People Division in Bentonville, but says it sends out people from corporate headquarters "to answer questions associates may have and to make sure that all store personnel are aware of their legal requirements and meet those requirements exactly." But the company has also made clear that keeping its stores union-free is as much a part of Wal-Mart culture as door greeters and blue aprons. "Union representation may work well for others," says Cynthia Illick, a company spokeswoman. "However, it is not a fit for Wal-Mart."

With the company so determined to ward off unions, the prospects of employees in towns like Paris, Texas, winning significant improvements in wages and working conditions seem awfully slim. "It's a long process," Jennifer McLaughlin concedes. "I wish it could be done in the next year, but people come and go, and for every one union card you get signed, two other ones who signed cards have gotten fired or left. It's real frustrating, and a lot of times I don't want to do it no more. But I'm not going to give up until I end up leaving the store."

In the end, the success of the organizing drives may depend on labor's ability to mobilize more than just store employees. "We'll never bring Wal-Mart to the table store by store," says Bernie Hesse, an organizer for UFCW Local 789 in Minneapolis. "I can get all the cards signed I want, and they'll still crush us. They'll close the frigging store, I'm convinced. We've got to do it in conjunction with the community." That means going to small businesses and religious leaders and local officials, he says, and convincing them that it's in their interest to stand up to Wal-Mart. "As a community we've got to say, 'All right, if you want to come here and do business, here's what you've got to do -- you've got to pay a living wage, you've got to provide affordable health insurance.'"

Putting together such a broad initiative can be "like pulling teeth," Hesse says, but the stakes are high. If employees succeed in improving wages and working conditions at the country's largest employer, they could effectively set a new benchmark for service-sector jobs throughout the economy. Some 27 million Americans currently make \$8.70 an hour or less -- and by the end of the decade, Hesse notes, nearly 2 million people worldwide will work at Wal-Mart.

"These are the jobs our kids are going to have," he says.