

Wall-mart case study

Business



Wall-Mart is by far the largest retailer in the United States. It consistently puts competitors out of business, and has sales larger than the Gross National Product of most countries.

However, on average, it pays its employees lower wages than most retailers and uses contractors who use sweatshop labor overseas to produce goods that have been labeled "Made in America." Wall-Mart is accused of increasing the need for social services in areas where its stores are leading employers, as many employees qualify for public assistance.

Wall-Mart is also in the business of making moral decisions for its customers such as refusing to carry Plan B, a "morning-after" pill, and censoring music and videos. This teaching case study aims to draw out discussion about these issues in undergraduate ethics and political economy classes. In particular, some questions we hope arise from this study include: What are the responsibilities of a corporation, especially one as large as Wall-Mart? Should a corporation be concerned with the effects it has on a society, ecosystem, or community?

What are the rights of communities when it comes to allowing or not allowing businesses into their area? What are the policy implications? This case study aims to raise more questions than answers in these areas, in the hope that classes can use the study as a guide for lively discussion about the marketplace, social welfare, cultural homogeneities, labor and other issues in the context of expanding global corporate influence in society. Wall-Mart or World-Mart? Introduction Wall-Mart is a company that most Americans are

familiar with, a company with stores that offer everything a person could need at low prices.

What began as a company based in a small Arkansas town has grown to be the largest employer in the United States. By 1998, Wall-Mart had the fourth highest annual sales revenue of any American company and had stores throughout four continents. It is estimated that within a few years, twenty cents of every retail dollar spent in the U. S. will be spent at this store.

Yet, most people are probably not familiar with how big Wall-Mart truly is, how it became so big, nor how powerful it is. In order to maintain operating costs and maintain low prices, Wall-Mart pays relatively low wages and provides minimal benefits to its employees.

Yet, Wall-Mart has taken some fairly drastic measures to ensure that their workforce is not able to form unions. Wall-Mart purchases many of its items, particularly clothing, from developing countries, including the U. S. Commonwealth of Spain.

This case study will consider the implications this policy has on laborers and development in those countries, as well as production and employment in the U. S. Allowed it to force other stores out of business, often causing a disintegration of communities and ultimately reducing consumer choices.

One question this case study considers is whether Wall-Mart has lived up to its image as an American success story. Although focused on Wall-Mart, this case study is more than a study of one particular argue U. S.

Corporation, because it analyzes the effects corporate growth and size have on social, political and economic systems on the local, national and international levels. Numerous multinational corporations (Macs), including Wall-Mart, have annual sales greater than the gross domestic product of the majority of countries in the world.

This implies that Macs are potentially becoming more powerful than national and local governments. This shift in power, in many instances, allows corporations to have an increasingly stronger influence on social, political, and economic aspects of people's lives. Studying the role of the multinational corporation is crucial to understanding the future of societies throughout the world. Over the past 30 years, sales of the world's 500 largest Macs have increased by sevenfold; yet, worldwide employment during this period has remained virtually unchanged.

Since labor is relatively immobile, while capital (money, machines and technology) is extremely mobile, power to determine where and how business is carried out clearly lies with corporations. This dichotomy has a dramatic impact on social, political, and economic systems: for example, cities, states, and countries are offering extremely favorable terms in order to attract corporations, which in nearly every case are not concerned with the long-term, and possibly not even the short-term, interests of the area into which they locate.

We trust this case study will increase your understanding of the role of Macs in contemporary societies. Behind the slick advertising and low prices of increasingly large corporations lies an encroachment on every aspect of life.

However, the growth of large corporations throughout the world is not an inevitable process.

It is our hope that this case study will provide you with a better understanding of Macs and the effects that the process of their increasing size and power has on social, political, and economic aspects of life in all societies.

World-Mart: Big and Getting Bigger Wall-Mart has grown from a single store opened by the late Sam Walton in 1962 to a global corporation. In the face of corporate competition – before Walton had opened 20 stores, there were 250 Smart stores. The dramatic growth of Wall-Mart Corporation has reflected the dynamism with which Sam Walton operated the organization, maintaining the marketing principles of low prices and customer satisfaction that he practiced and preached while becoming the single largest retailer in the world. Wall-Mart is presently the largest private employer, hiring directly for its own needs, in the United States.

Its 1998 sales revenue exceeded such industry giants as Toyota, General Electric, MM, Daimler-Benz Group, Phillip Morris, AT&T, Sony, Ionians, Nestle, Boeing, Mobil, and Texaco. In fact, only 30 countries had levels of gross domestic product – simply defined as the value of total goods and services produced in a country – higher than Wall-Mart's sales revenue in 1998. It is incredible to think that Wall-Mart's sales revenue in 1998 was more than the entire official economic production of such countries as Greece, Finland, Portugal, Ireland, New Zealand, Israel, and Philippines.

Working Poor?

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This section of the case study outlines the more vital issues facing United States Wall- Mart employees. The focus will be primarily on what Wall-Mart terms as “ associates”: the people stocking shelves, working the registers, handling retail sales, and greeting customers at the door. This emphasis underlies the fact that associates number nearly 800, 000 and constitute, by a large margin, the majority of Wall-Mart’s workforce. Always striving to cut inventory and operating overhead while cultivating employee moral, loyalty, and enthusiasm were posited as two of Wall-Mart’s guiding principles by Sam Walton when he was first starting the company.

How can Wall-Mart cut operation costs and simultaneously create an environment which motivates employees and promotes their loyalty? The aim of this section is to provide information necessary for readers to answer this question. The basic theoretical approach to management at Wall-Mart is to treat associates as equals, to keep them fully informed of company developments, to invite them to hare their own suggestions regarding company policy and practice, and to make them feel that their contributions are important and that they are listened to.

It seems probable that employees would be happy to be working for such a company, one listed in the top one hundred companies to work for by Fortune, Hispanic Magazine, and Latin Magazine. While most estimates place national annual median income between \$30, 000, the average full-time Wall-Mart employee is paid around \$12, 000 annually including bonuses provided through the company’s profit sharing. The low income of full-time Wall-Mart associates may be in part a reflection of their work week. Wall-Mart per week.

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Moreover, Wall-Mart makes no commitment to provide associates with a guaranteed minimum hourly work week. If a store's profits decline, management may simply cut associates' hours resulting in the loss of benefits held by " full-time" employees.

A shorter work week may partially explain why half of Wall-Mart associates, including some full-time, qualify for food stamps and even cash assistance in the more welfare- oriented states. According to Walton himself, wages at Wall-Mart have always been " as little as we could get by with at the time. " The average Wall-Mart associate make \$7. 0 an hour, the national average for most general merchandise workers is \$8. 71.

An associate at the Flagstaff, Arizona, Wall-Mart claimed that in her department, eight of the ten employees hold a second job, and a few were forced to hold three jobs just to make ends meet. An article in Wall Street Journal noted, " Perhaps more than any other U. S. Company, Wall-Mart has relied on stock incentives to motivate otherwise low paid employees, giving them a feeling of ownership and hope for wealth. " Between 1981 and 1991 the profit sharing bonus paid out to employees averaged six percent of their wages.

Introduced in 1971, the profit sharing and stock ownership plans provide an incentive for employees to work hard as they have shared interest in the overall well being of the company.

Theoretically, their own incomes become linked to their productivity. From the perspective of the company, these plans have several benefits: a) Wall-Mart does not need to pay high labor costs when the company is not

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experiencing profit growth; b) associates are motivated to work hard; and c) stock benefits can be used to redirect complaints about poor pay.

The program is structured using a formula based on profit growth.

Employees are awarded a contribution to their profit sharing plan according to their wages, which employees can keep or cash out when they leave the company. In addition to stock gained through the profit sharing program, employees can have a percentage taken from their paycheck to purchase Wall-Mart stock from which Wall-Mart matches fifteen percent up to \$1, 800 annually. All full-time associates are eligible for participation in Wall-Mart's medical plan once they have completed their ninety day probation period.

However, less than forty percent of Wall-Mart's eligible employees participate in the plan: "[Wall-Mart employees] who choose not to participate [in Wall-Mart's health care plan] usually get their health care benefits from a spouse or the state or federal government. " Wall-Mart's recent acquisition of Canada's Woolly can provide some insight into Wall- Mart's attitude towards their obligation to their employees as well as how they treat employees compared to other companies. Holding true to their anti-union stance Wall-Mart simply refused to buy the seven Woolly stores that had unionized, leaving 1 , OHO Canadians Jobless.

For many of the remaining employees, the buy-out meant when Wool's auto repair shops were converted to Wall-Mart lube shops; five hundred fairly paid Woolly warehouse workers were fired and rehired as Wall-Mart associates for near minimum wage irrespective of their experience, and 750 former Woolly supervisors were informed that if they wished to keep their \$28, 000 annual

salary they would have to increase their work week from forty to fifty-two hours. In the province of Quebec, French is the official language and, for some, the only language they speak.

Yet, when Wall-Mart took control of the Wools located in Quebec they required employees to sign contracts that were only made available in English.

Does Wall-Mart provide its associates with a fair wage? What would you consider a " fair wage? " Should corporations provide fair or living wages to employees? Is profit sharing and stock ownership an adequate substitute for wages? What would be the impacts of below subsistence wages on a local community? On local government revenue? On family life? " Right to Work:" Wall-Mart Wins Again " Wall-Mart Wins Again. Wall-Mart won a court ruling against the United Food and Commercial Workers (FCC) in October of 1999. The right of a union to organize workers at the location of labor [see sidebar] was temporarily restrained and the union was banned from Wall-Mart property. Wall-Mart, the leading direct private employer in the United States, had once-again avoided the union. Wall-Mart won another battle with the unions in court, even though the Judge was found to own more than \$500,000 of Wall-Mart stock.

However, the Judge was later forced to step down from the case due to his conflict of interest with Wall-Mart.

WHAT ARE WORKERS RIGHTS TO ORGANIZE? The National Labor Relations Act (ANAL) of 1935 protects the right to organize into abort unions. This law created the National Labor Relations Board to mediate the tensions between

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workers and employers and ensure the free flow of commerce. Under this act, workers have several important rights: 1. Right to self organization 2. Right to “ form, Join, or assist labor organizations” 3.

Right to bargain collectively through representatives of the workers’ own choosing 4.

Right to concerted activities which are for the purposes of collective bargaining Also, the ANAL prohibits “ unfair labor practices. ” Unfair labor practices includes the following: 1 . Dominating or interfering with the formation off union. .

Discrimination in hiring or promoting any person due to their union affiliation or non affiliation. As well as firing an employee because they have filed a complaint or given testimony about a violation of worker rights or unfair labor practices. 3. Refusing to bargain with a union; conversely it is illegal for a union to coerce employees into bargaining or not bargaining.

An Arizona representative of the JIFFS argues that the giant retail firm has illegally tampered with the workers’ right to organize, which is established through the National Labor Relations Act of 1935.

The union has brought charges against Wall- Mart that the corporation has destabilize the bargaining process by not conducting labor relations in good faith and it has obstructed organizing activities that are legally protected to provide “ workers’ rights. ” The National Labor Relations Board (NELL) agreed with these charges in three specific cases.

In decisions dated April 9th, 1999 (in the initial NELL ruling), August 27th, 1996, and September 30th, 1993, Wall- Mart was found to have threatened associates affiliated with protected organizing activities. In Ontario, Canada, even though the union was voted down by employees y a margin of more than 3 to 1, the province of Ontario certified the United Steelworkers Union to represent the workers in that store because the province found the firm interfered with the organizing process. Robin AAAS, an associate, won a suit against Cam's Club for being threatened due to protected organizing activities.

The NELL found that the management in her branch of Cam's Club threatened promotions and raises because she was trying to start a union at her work place.

The FCC claims that Wall-Mart was tampering with the union process in several ways, including " stacking" voting departments with anti- union workers. According to Jim Mclaughlin, a representative of the Arizona JIFFS, if workers were to unionize, they would make an average of \$5. 00 an hour in wages and benefits above what they make now. Income from " full-time" Wall-Mart wages are low enough that about half of all Wall-Mart employees are estimated to be eligible for food stamps.

Mclaughlin argues, " There is no Justice in their workplace right now. " Also, considering that one study estimates that for every person Wall-Mart employs, they displace 1.

5 full-time workers somewhere else in that geographic Job market, low age Wall-Mart Jobs are taking over higher-paying retail and grocery Jobs. This is <https://assignbuster.com/wall-mart-case-study/>

why some studies say social service needs, such as food stamps, healthcare, etc, go up in an area where Wall-Mart is a major employer. Wage increase would substantially increase Wall-Mart's operating costs.

In order to offset this increase in costs, Wall-Mart would likely argue that it would need to increase prices or lay-off large numbers of workers if workers unionized. (Or could they simply lower salaries of the executives or overall profit margins?) To say that Wall-Mart is not unionized is not entirely correct.

One meat department in one store in Texas voted to unionize. After this vote, Wall-Mart implemented a policy to begin using pre-packaged meat in order to close the butcheries in their stores, but has denied the closures are related to the union and have anything to do with bargaining in good faith, an aspect of the Labor Act.

Wall-Mart has been found to have violated this law in 1999, when the NELL found that Cam's Club had threatened to close a store in Landowner Crossing, Maryland if the store unionized . How is it that such a large employer, who pays low wages, offers limited health infinite, and inconsistent working hours been able to create a " union-free zone"? If there are difficulties in the Wall-Mart workplace for Wall-Mart workers, are low prices worth these difficulties? For whom? Are low prices/ low wages versus higher prices/higher wages the only real choices? What are other scenarios?

What is the effect on the community when many community Jobs are low wage Jobs? As you refer to the ANAL sidebar on workers rights, can you suggest any other rights you think workers should have? Cheaper Clothes: At What Price? Wall-Mart's venders pay the following wages to their workers in <https://assignbuster.com/wall-mart-case-study/>

Third World factories: Nicaragua - 15 cents / hour Guatemala - 65 cents / hour Bangladesh - 20 cents / hour Haiti - 67 cents / hour El Salvador - 61 cents / hour Mexico - 61 cents / hour With such low wages for those who make the clothing, Wall-Mart can profit greatly while still providing low prices to its customers.

In a global labor market, it is the companies who can find the cheapest, most exploitable conditions, with little worker protection or regulations who will profit the greatest. The fact is that many of these wages do not match up to minimal living standards in have an economic advantage with their cheap labor.

The question is not only whether the Third World will catch up, but also how far the American worker falls behind. The American worker is now in competition with children who will work 60 hours a week for pennies an hour.

American workers will lose production jobs to these countries unless American workers are willing to match the labor deals in the Third World. The commitment to low prices seems to rely on the exploitation of Third World labor, and this factor should be taken into account when Wall-Mart makes claims about " always the lowest prices. " The International Labor Organization (ILL) The ILL is the labor rights organization at the UN that focuses on labor rights and treatment throughout the world.

They are founded on the conviction that " social justice is essential to universal and lasting peace. Unlike many mainstream economists who argue that economic growth leads to social justice, the ILL advocates that " economic growth is essential but not sufficient to ensure equality, social

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progress and the eradication of poverty. “. The ILL states that only strong social policies within just and democratic societies can alleviate the exploitation of labor worldwide. The ILL produced its Declaration on Fundamental Principles and Rights at Work in 1998 at its 86th convention. All nations signing the agreement must adhere to the following fundamental rights: 1 .

Freedom of association and the effective recognition of the right to collective bargaining 2.) the elimination of all forms of forced and compulsory labor 3.) the effective abolition of child labor 4.) the elimination of discrimination in respect of employment and occupation Wall-Mart itself promotes its “ Vendor Standards” but they have yet to assimilate the principles of the ILL, with their intent to create a world based on social justice and quality. Contrary to its Vendor Partner Standards, Wall-Mart’s labor practices represent below subsistence wages for the workers who are supposed to be protected through their implementation.

For example, Mandarin International, a Taiwanese garment vendor for Wall-Mart, working with one of Wall-Mart’s “ vendors of the year” for 1997, Fruit of the Loom, fired 186 workers in El Salvador for belonging to a union. Wall-Mart also routinely purchases merchandise from factories in Latin America where workers are health care, and limited to bathroom breaks by armed guards. H. H. Cutler sports apparel, owned by IF Corp.

, producer of Wrangler and Lee Jeans, as reportedly sewing “ Made in the USA” labels on garments produced in Haiti and sold at Wall-Mart.

A 1992 NBC dateline exposé also found that garments sewn together by 12 year olds in Bangladesh had “ Made in the USA” labels sewn into them and were sold at Wall-Mart under such pretense. In light of this, Wall-Mart’s claims of “ Made in the USA” products are not as truthful as they would like us to believe. How does the use of overseas labor affect your community? What are the consequences of Wall-Mart’s low prices for laborers abroad? “ Made in the USA” Span, the governmental seat of the Commonwealth of the Northern Mariana Islands (CUMIN,) is important to our study of Wall-Mart because in 1986, it became a commonwealth of the United States.

Therefore, textiles and other products manufactured on the island can technically wear the “ Made in USA” label, which Wall- Mart proudly waves. But in the island garment factories of Span, US labor standards have not been enforced.

Because Span is exempted from the US Immigration and Nationality Act (NINA,) foreign-owned companies are located in the CUMIN and are allowed to recruit tens of thousands of foreign laborers each year. Foreign laborers vastly outnumber the local, resident workers and have not been retorted by labor laws.

In the 1986 Covenant to Establish a Commonwealth of the Northern Mariana Islands (CUMIN), the US government granted the concession that minimum wage laws need not be enforced. The average Span textile worker sewing US garments earns \$3 an hour. These workers- mostly young women-could be fired and deported for a variety of reasons; if they refused to work overtime, including unpaid “ volunteer hours;” participated in political or religious

activities; asked for a higher wage; criticized labor conditions; did not have an abortion if they became pregnant; refused to lie to inspectors; or tried to organize a union.

Yet the 1986 Covenant states that the CUMIN would need to comply with American law on fair labor standards (see Right to Work: Wall-Mart Wins Again).

However, as we have seen in the previous section on international labor practices, sweatshop labor is rampant. In fact, the plight of these 14, 000 overseas workers from China, Korea, the Philippines, Thailand, and Sri Lanka, along with 2, 500 local and US workers (Cambodian & other Micronesians) have become the concern of various groups. Span has been the target of media attacks about its coercive labor practices.