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Wal-Mart and Its Workers: *NOT* the Same All Over the World

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It is tempting for U.S.-based observers to assume that Wal-Mart replicates its home-country practices and strategies in the fourteen other countries where it operates. However, that is not the case. Based on detailed evidence from Mexico and more limited evidence from a number of other countries, I show that Wal-Mart follows varied strategies on price-setting, employee wages and benefits, and relationships with unions. It has failed to achieve rapid growth in a number of countries, lags behind European counterparts in international expansion, and has pulled out of several countries. Although Wal-Mart does consistently put strong cost-reduction pressure on suppliers, this does not distinguish it from competitors in many settings. Variations in Wal-Mart's practices and strategies result from differences in markets, institutions, and culture, suggesting leverage points for those who seek to press Wal-Mart and other large retailers to adopt practices friendlier to workers and suppliers.

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Wal-Mart and Its Workers: *NOT* the Same All Over the World

CHRIS TILLY*

I. INTRODUCTION

Say “Wal-Mart” in the United States, and it conjures up a host of associations. In this country, Wal-Mart has a reputation—well deserved I would contend—for low prices, intense cost pressure on suppliers,¹ low wages,² fierce opposition to unions,³ and aggressive expansion.⁴ But of course, Wal-Mart does not operate stores in the United States alone. The company currently runs stores in fourteen other countries,⁵ accounting for approximately one-fifth of sales in 2005.⁶

Wal-Mart’s advertising slogan, “Always,” conveys a commitment to low prices, but also a guarantee of a consistent shopping experience. Does this consistency extend to the full range of Wal-Mart’s policies around the world? George Ritzer posits with his “McDonaldization hypothesis” that global corporations drive production and consumer demand toward global convergence, which suggests that we should expect precisely this result.⁷ Wal-Mart, with its huge economies of scale and carefully tailored image, would seem to be the ideal agent for McDonaldizing retail trade worldwide. However, other researchers such as Susan Christopherson,

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¹ Charles Fishman, *The Wal-Mart You Don’t Know*, FAST COMPANY, Dec. 2003, at 68, 70, available at http://www.fastcompany.com/magazine/77/walmart_Printer_Friendly.html.

² Arindrajit Dube et al., *Impact of Wal-Mart Growth on Earnings Throughout the Retail Sector in Urban and Rural Counties* 2 (Univ. of Cal., Berkeley, Inst. of Indus. Relations Working Paper Series, Paper iirwps’126’05, 2005), available at <http://repositories.cdlib.org/iir/iirwps/iirwps-126-05/> (follow “Download the Paper” hyperlink); Françoise Carré et al., *What’s Happening to Retail Jobs? Wages, Gender, and Corporate Strategy* 20–27 (paper presented at the Labor and Employment Relations Association meeting, Boston, Mass., Jan. 2006).

³ Liza Featherstone, *Rollback Wages: Will Labor Take the Wal-Mart Challenge?*, THE NATION, June 28, 2004, at 11, 11–12.

⁴ Steve Burt & Leigh Sparks, *Wal-Mart’s World*, in WAL-MART WORLD: THE WORLD’S BIGGEST CORPORATION IN THE GLOBAL ECONOMY 27, 28 (Stanley D. Brunn ed., 2006).

⁵ Wal-Mart Stores, Wal-Mart International, <http://walmartstores.com/GlobalWMStoresWeb/navigate.do?catg=14> (last visited Jan. 3, 2007).

⁶ See WAL-MART, 2005 ANNUAL REPORT 4, 11–12 (2005), available at <http://walmartstores.com/Files/2005AnnualReport.pdf>. Note that Wal-Mart, unlike the government of the United States, classifies Puerto Rico as a foreign country. See *id.* at 4.

⁷ See GEORGE RITZER, THE MCDONALDIZATION OF SOCIETY: AN INVESTIGATION INTO THE CHANGING CHARACTER OF CONTEMPORARY SOCIAL LIFE 78–81 (rev. ed. 1996); GEORGE RITZER, THE MCDONALDIZATION THESIS: EXPLORATIONS AND EXTENSIONS 84–85 (1998).

Michael Porter, and Michael Storper argue instead that cultural and institutional differences rooted in long history continue to lead businesses to take different forms in different countries.⁸ Their arguments are targeted primarily to *export* industries, claiming that global competition places a premium on how a country's exporters can distinguish themselves from those in other countries.⁹ But Christopherson also posits that mutually reinforcing sets of national institutions (for example, those regulating labor and investment) form complexes that are difficult to change piecemeal, thereby achieving a stability that affects both export and domestic industries.¹⁰ Neil Wrigley and Andrew Currah suggest that retailing—even when carried out by transnational companies—faces another source of pressure for national specificity because it must sell within context-specific markets and cultures.¹¹ In the words of Yuko Aoyama and Guido Schwarz, “successful retail globalization is synonymous with retail localization.”¹²

In this Article, I draw on recent research on Wal-Mart in Mexico conducted by José Luis Álvarez and myself, along with selected information on Wal-Mart's operations in other countries (much of it compiled in a valuable recent volume edited by geographer Stanley Brunn),¹³ to assess the evidence about similarities and differences between Wal-Mart USA and its counterparts beyond U.S. borders. I focus particularly on Wal-Mart's treatment of its employees around the world.

Mexico is an especially appropriate country in which to examine Wal-Mart's practices. Wal-Mart took its first step abroad by opening a Mexico City store in 1991 (followed by Puerto Rico in 1992 and Canada in 1994).¹⁴ Wal-Mart de México (Walmex) is widely viewed as a highly successful international venture,¹⁵ and indeed in 2005 Walmex accounted

⁸ See MICHAEL E. PORTER, *THE COMPETITIVE ADVANTAGE OF NATIONS* 53–54 (1990); MICHAEL STORPER, *THE REGIONAL WORLD: TERRITORIAL DEVELOPMENT IN A GLOBAL ECONOMY* 297 (1997); Susan Christopherson, *Why Do National Labor Market Practices Continue to Diverge in the Global Economy? The “Missing Link” of Investment Rules*, 78 *ECON. GEOGRAPHY* 1, 3–4 (2002).

⁹ See PORTER, *supra* note 8, at 53–54; STORPER, *supra* note 8, at 196–98.

¹⁰ See Christopherson, *supra* note 8, at 2–3.

¹¹ Andrew Currah & Neil Wrigley, *Networks of Organizational Learning and Adaptation in Retail TNCs*, 4 *GLOBAL NETWORKS* 1, 1 (2004).

¹² Yuko Aoyama & Guido Schwarz, *The Myth of Wal-Martization: Retail Globalization and Local Competition in Japan and Germany*, in *WAL-MART WORLD*, *supra* note 4, at 275, 275.

¹³ *WAL-MART WORLD*, *supra* note 4, at pt. V.

¹⁴ Isadore Barmash, *Wal-Mart in Venture With Mexican Store*, *N.Y. TIMES*, July 11, 1991, at D6, available at LEXIS, News Library, NYT File.

¹⁵ Burt & Sparks, *supra* note 4, at 33; Chris Tilly, *Wal-Mart Goes South: Sizing Up the Chain's Mexican Success Story*, in *WAL-MART WORLD*, *supra* note 4, at 357, 363; Chris Tilly, *Wal-Mart in Mexico: The Limits of Growth*, in *WAL-MART: THE FACE OF TWENTY-FIRST CENTURY CAPITALISM* 189, 189 (Nelson Lichtenstein ed., 2006).

for over one-third of the locations and almost one-quarter of the sales of Wal-Mart's fifteen-country international division.¹⁶ As in the United States, Wal-Mart is Mexico's largest private employer.¹⁷

Based on evidence from Mexico and elsewhere, I conclude that Wal-Mart's strategy, practices, and market position abroad differ significantly from those in the United States. Despite important commonalities, a global Wal-Mart is a varied Wal-Mart, not the homogeneous behemoth that the McDonaldisation hypothesis suggests.

Most of the remainder of this Article takes the form of an "Evidence" section with short sub-sections on each area of evidence, from prices to expansion. I close the Article with conclusions.

II. EVIDENCE ABOUT WAL-MART ABROAD

A. Low Prices?

Wal-Mart in the United States is renowned for relentlessly pursuing Everyday Low Prices (EDLP), which replaces weekly sales on particular items with (at least in theory) consistent low prices on most items. Wal-Mart introduced EDLP to Mexico in 1999–2000, nearly a decade after entering the country in 1991.¹⁸ EDLP was not a practical mode of competition before then because high inflation rendered price comparisons difficult at best; Mexico finally tamed inflation in the late 1990s.

Does this mean that Walmex undersells its competitors? In a word, no. The office of Mexico's Attorney General for Consumers tracks and reports prices on hundreds of items in Mexico's three largest cities, Mexico City, Guadalajara, and Monterrey. As of early 2005, Wal-Mart charged the *lowest* price for between 3% to 18% of the items, depending on the city.¹⁹ Meanwhile, Wal-Mart's price was the *highest* one recorded for 4% to 7% of items.²⁰ Indeed, according to *DSN Retailing Today*, "for the average

¹⁶ See 2005 ANNUAL REPORT, *supra* note 6, at 12; WAL-MART DE MÉXICO, ANNUAL REPORT 2005, at 25 (2005), available at http://library.corporate-ir.net/library/13/130/130639/items/189890/2005_ar.pdf (sales ratio calculated by dividing Walmex's FY05 sales by Wal-Mart's FY06 sales, converting pesos to dollars using the Federal Reserve's average 2005 exchange rate; Wal-Mart's FY06 ended on January 31, 2006, one month after Walmex's FY05).

¹⁷ Elizabeth Malkin, *Warm Welcome for Mexican Wal-Mart Bank*, INT'L HERALD TRIB., Nov. 24, 2006, at 13, available at LEXIS, News Library, IHT File.

¹⁸ See David Luhnnow, *Crossover Success: How NAFTA Helped Wal-Mart Reshape the Mexican Market*, WALL ST. J., Aug. 31, 2001, at A1, available at LEXIS, News Library, WSJNL File; *Resilience and Format Diversity Keep First International Entry Excelente*, DSN RETAILING TODAY, June 2001, at 26 (discussing Wal-Mart operations in Mexico).

¹⁹ José Luis Álvarez Galvan, *Four Companies: FDI Effects on Mexican Retail* 84 (May 2005) (unpublished M.A. thesis, University of Massachusetts, Lowell) (on file with Connecticut Law Review).

²⁰ *Id.*

Mexican consumer a trip to a Wal-Mart supercenter is a high-end experience.”²¹ Mexico has a huge informal and semi-formal sector within retail, including street markets, municipal marketplaces, and small family-run stores, which are considerably more able than Wal-Mart to avoid taxes, regulations, and overhead costs. Retailers I interviewed in Mexico in 2004 estimated that Wal-Mart charges 5–15% more than small stores, and the difference is most likely greater for street markets. Despite controlling 49% of Mexican *supermarket* sales in 2001,²² Wal-Mart still only accounts for 7% of Mexico’s *total* retail sales, due to the huge fringe of small operators.²³

The “Blue Giant” fails to claim the low-price crown in other countries as well. Surveys of consumers in Shenzhen, China by Lucia Lo and co-authors depict a Wal-Mart clearly targeting middle class Chinese.²⁴ Particularly striking is a statement by a Shenzhen native now living in Toronto, who frequently travels back and forth: “The Wal-Mart here [in Canada] is much worse [than in Shenzhen]. In Shenzhen it feels like I am a middle or upper class shopping in Wal-Mart, but here [in Canada] I feel like an underclass when stepping into the store.”²⁵ When comparing Wal-Mart with its French rival, Carrefour, which aims for a similar consumer niche, only 66% of Chinese consumers surveyed saw Wal-Mart as offering lower prices.²⁶

Even in high-wage Germany, Wal-Mart, which entered in 1999, discovered that domestic discounters Aldi and Lidl had beaten it to the punch. “The week Wal-Mart opened in Berlin,” commented geographer Susan Christopherson, “the Aldi across the street from the new superstore was offering for only thirty-four cents the same bread that Wal-Mart was selling for \$1.13.”²⁷ It is not surprising, therefore, that the “general consensus of the German consumers today is that Wal-Mart prices are neither necessarily nor significantly cheaper than those of their competitors.”²⁸ In the face of competition from its German counterparts,

²¹ Theresa Braine, *Good Things in Mexico Come in Small Formats*, DSN RETAILING TODAY, Dec. 13, 2004, at 43.

²² Manuel Chavez, *The Transformation of Mexican Retailing with NAFTA*, 20 DEV. POL’Y REV. 503, 507 (2002).

²³ Calculated by author from WAL-MART DE MÉXICO, INFORME ANUAL 2003 (2004), available at http://media.corporate-ir.net/media_files/irol/19/194702/annual/03.pdf; INEGI, Economic Census 2004, <http://www.inegi.gob.mx/est/contenidos/espanol/proyectos/censos/ce2004/cuadrosce04.asp?c=6429>.

²⁴ Lucia Lo et al., *Consuming Wal-Mart: A Case Study in Shenzhen*, in WAL-MART WORLD, *supra* note 4, at 315, 322–30.

²⁵ *Id.* at 330.

²⁶ *Id.* at 326.

²⁷ Susan Christopherson, *Challenges Facing Wal-Mart in the German Market*, in WAL-MART WORLD, *supra* note 4, at 261, 269.

²⁸ Aoyama & Schwarz, *supra* note 12, at 280.

Wal-Mart even deviated from its EDLP gospel and advertised weekly specials to meet consumer expectations.²⁹

B. *Squeezing Suppliers?*

Part of the lore of Wal-Mart are the cautionary tales of Vlastic Pickles³⁰ and Rubbermaid,³¹ both of which became major Wal-Mart suppliers only to be driven into bankruptcy by Wal-Mart's constantly escalating demands for price cuts and just-in-time inventory that compels vendors to absorb the risks of demand fluctuations. Not only does Wal-Mart source from China, it pits Chinese suppliers against each other in what the *Wall Street Journal* describes as a "scramble" to cut costs further.³²

What of Mexico? Consider an underwear manufacturer's aggrieved testimony about the constant pressures of being a subcontractor:

First, they ask you for a discount. Then, on top of that, they say, "We want a graduated volume discount"—1% off for this much sales, 1% more off for that much. And then they ask for a "confidential discount"—confidential because nobody puts it in writing—for another 1–2%. And if you don't provide *promotores* [stock handlers to stock merchandise in the store], *another* discount. And on the anniversary of signing the contract, another discount. . . . And if you send the wrong amount, not enough, they fine you. In some cases, the fine erases your whole profit margin. . . . And then they have provisions when they're opening a new store, that if you send the wrong amount, the whole order is free.³³

However, this supplier was not describing Wal-Mart, but Soriana, one of Walmex's major competitors. Based on his experience of selling to all four major Mexican supermarket chains (Walmex, Soriana, Comercial Mexicana, and Gigante), he insisted that Soriana was squeezing vendors hardest "right now" (in mid-2004). Around the same time, a business consultant offered the opinion that Gigante was the most aggressive in demanding discounts.³⁴

All of this is not to say that Wal-Mart follows gentle purchasing policies in Mexico. Walmex refused to stock Danone yogurt for several

²⁹ *Id.*

³⁰ Fishman, *supra* note 1, at 70.

³¹ *Frontline: Is Wal-Mart Good For America?* (PBS television broadcast Nov. 16, 2004), available at <http://www.pbs.org/wgbh/pages/frontline/shows/walmart/etc/script.html>.

³² Peter Wonacott, *Wilting Plants: Behind China's Export Boom, Heated Battle Among Factories*, WALL ST. J., Nov. 13, 2003, at A1, available at LEXIS, News Library, WSJNL File.

³³ Interview conducted by author, 2004.

³⁴ Interview conducted by author, 2004.

months in 2003 to drive home its demand for lower prices.³⁵ Still, Rita Schwentesius and Ángel Gómez's account of a cooperative of small agricultural producers in Oaxaca that came to ruin in much the same way as Vlasic and Rubbermaid demonstrates the difficulty of selling to *all* Mexican supermarket chains, not just Wal-Mart.³⁶ Similarly in China, Shuguang Wang and Yongchang Zhang reported that a number of foreign chains charge fees to Chinese suppliers—and in fact “Carrefour was the most notorious” and Wal-Mart was slow to adopt these practices.³⁷ In Germany, “[d]omestic competitors, such as Aldi and Lidl, have already negotiated rock-bottom prices from suppliers.”³⁸

Thus, in the case of relations with suppliers, what we see is a variant of McDonaldization—call it “Wal-Martization without Wal-Mart,” in the felicitous phrase of Vijay Prasad.³⁹ A substantial group of retailers is adopting pressure tactics toward suppliers. Because Wal-Mart is a recent entrant and in some countries (China, Germany) a smaller company than competitors, it may not be the first or most energetic in squeezing vendors.

C. Low Wages?

Walmex is not a low-wage employer. One window on this (anticipating the next section on relations with unions) is Wal-Mart's union contracts. Comparing contractual levels of pay (which in practice establish a lower bound for wages) for Wal-Mart and its supermarket competitors for the same jobs in the same cities (Mexico City, Guadalajara, and León, Mexico's fifth-largest city), I found that Walmex offers the same pay or slightly more (Table 1).

³⁵ Lawrence Busch & Carmen Bain, *New! Improved? The Transformation of the Global Agrifood System*, 69 RURAL SOC. 321, 329 (2004).

³⁶ Rita Schwentesius & Manuel Ángel Gómez, *Supermarkets in Mexico: Impacts on Horticulture Systems*, 20 DEV. POL'Y REV. 487, 495–96 (2002).

³⁷ Shuguang Wang & Yongchang Zhang, *Penetrating the Great Wall, Conquering the Middle Kingdom: Wal-Mart in China*, in WAL-MART WORLD, *supra* note 4, at 293, 308.

³⁸ Aoyama & Schwarz, *supra* note 12, at 280.

³⁹ Vijay Prasad, *A Middle Class the Size of France: Wal-Mart in India* (presentation at *Wal-Mart Matters* Symposium, University of Connecticut School of Law, Oct. 20, 2006).

Table 1: Contractual bi-weekly salary at Wal-Mart (in pesos), compared with those offered by other supermarket chains, selected cities, 2004⁴⁰

	<i>Wal-Mart (León, Guadalajara)</i>	<i>Comercial Mexicana (León)</i>	<i>Comercial Mexicana (Guadalajara)</i>	<i>Soriana (León)[*]</i>	<i>Gigante^{**} (Guadalajara)</i>
Security assistant	804	–	–	907	900
Salesperson, general merchandise	904	655	855	855	900

Table 1 establishes that Walmex's pay is similar to that at other large supermarket chains. Table 2 shows the actual pay levels of comparable employees in Wal-Mart and a wide variety of retail enterprises, including significantly smaller ones, in Morelia, the capital of the state of Michoacán. Again, Walmex offers comparable or higher pay. The only exception, interestingly, is a proprietress of a market stand who employs the teen-aged daughter of a neighbor at a higher rate of pay than Wal-Mart. None of these salaries are handsome by Mexican standards: they far exceed Mexico's ultra-low minimum wage, amounting to about 500 pesos bi-weekly, but fall substantially short of the economy-wide average of 1970 pesos.⁴¹

⁴⁰ Collective bargaining contracts from Local Labor Relations Commissions (*Juntas Locales de Conciliación y Arbitraje*), reviewed by author in 2004. Employees work ninety-six hours per two weeks, so one can approximate the hourly amount by dividing by 100. The 2004 exchange rate was 11.3 pesos per dollar.

⁴¹ Mexicanlaws.com, Daily Minimum Wages 2007, http://www.mexicanlaws.com/STPS/MIN_WAGES2007.htm (last visited Mar. 7, 2007); Mexperience.com, Mexico Facts, Figures, Demographics, Economy Snapshot, http://www.mexperience.com/discover/discov_ff.htm (last visited Mar. 7, 2007).

^{*} Values imputed from 2002 pay levels by applying the percentage increase implemented by Comercial Mexicana in León. Based on pay levels at four months of seniority at Soriana and six months at Gigante (the other chains do not set minimum pay levels by seniority).

^{**} Values imputed from 2002 pay levels by applying the percentage increase implemented by Comercial Mexicana in León. Based on pay levels at four months of seniority at Soriana and six months at Gigante (the other chains do not set minimum pay levels by seniority).

Table 2: Actual bi-weekly salary in Wal-Mart (in pesos), compared with those offered by various retailers in the city of Morelia, 2004⁴²

<i>Job(s) and employer</i>	Bi-weekly salary, pesos	Comments
Cashier, Wal-Mart (Bodega Aurrera)	1350	Bodega Aurrera is one of Walmex's store types
Cashier and clothing sales, department store chain	1000–1250	Includes bonus. Furniture sales 1450 with bonus
Cashier, gourmet store chain	1200	
Assistant and cashier/manager, corner store	1166–1348	Hours differ from 48 hours per week, so have calculated 96-hour equivalent
Assistant, weekly street market produce stand	1600	Pay is 100 per 6 hours, so have calculated 96-hour equivalent

In the United States, Wal-Mart also reduces labor costs by offering fewer benefits than many comparable retailers.⁴³ But as Table 3 shows, in terms of benefits offered, Walmex is in the mainstream of Mexican supermarkets. For the most part, the retailers offer only the fringe benefits required by Mexican law (although the law only requires a year-end bonus of fifteen days pay, and the retailers award twice that amount). The only significant exception is Gigante, which offers more generous vacation benefits and a retirement plan to senior employees. But since retail is a high-turnover trade in Mexico as in the United States (the Mexican retailers' association estimated a turnover rate of 119% per year in *autoservicios* in 2004),⁴⁴ few employees can expect to last long enough to enjoy Gigante's generosity.

⁴² Interviews conducted by author, 2004.

⁴³ See Carré et al., *supra* note 2.

⁴⁴ Asociación Nacional de Tiendas de Autoservicio y Departamentales, *Índice de rotación de personal*, http://www.antad.org.mx/indi_rota.html (last visited Jan. 3, 2005). The reported estimate of 119% is based on multiplying the association's reported third-quarter turnover rate by four.

Table 3: Benefits offered by Wal-Mart compared to other Mexican supermarket chains in selected cities, 2004⁴⁵

	Wal-Mart (León, Guadalajara)	Comercial Mexicana (León)	Comercial Mexicana (Guadalajara)	Soriana (León)	Gigante (Guadalajara)
End-of-year bonus (days of pay)	30	30	30	30	30
Paid vacation days after two years	8	8	8	8	10
Vacation pay as a percentage of regular pay	25%	25%	30%	25%, rising to 30% after 2 years	50%
Retirement plan other than social security	No	No	No	No	Yes

In a number of other countries, as well, Wal-Mart pays the going wage or better. In China, “[t]he wage, albeit low by Western standards, is usually slightly higher than the average paid by domestic retailers.”⁴⁶ In Germany, Wal-Mart pays 3% above the collectively bargained level—presumably in part to deflect criticism for refusing to accept the collective agreement.⁴⁷ Wal-Mart in Argentina, as well, pays more than most of its competitors—nearly 40% more than one major competitor, Coto, according to a recent survey.⁴⁸ Wal-Mart as a low-wage retailer appears to be a U.S. phenomenon.

⁴⁵ Collective bargaining contracts from Local Labor Relations Commissions (Juntas Locales de Conciliación y Arbitraje), reviewed by author in 2004.

⁴⁶ Wang & Zhang, *supra* note 38, at 310.

⁴⁷ Christopherson, *supra* note 27, at 264; *see also* Mark Landler & Michael Barbaro, *No, Not Always*, N.Y. TIMES, Aug. 2, 2006, at C1, available at LEXIS, News Library, NYT File (discussing Wal-Mart’s profit difficulties in Germany, and the fact that Wal-Mart “never established comfortable relations with its German labor unions”).

⁴⁸ Paula Abal Medina, *Los Dispositivos de Control como Inhibidores de la Identidad Colectiva: Un Estudio de Caso en Grandes Cadenas de Supermercados*, in EL TRABAJO FRENTE EL ESPEJO: CONTINUIDADES Y RUPTURAS EN LOS PROCESOS DE CONSTRUCCIÓN IDENTITARIA DE LOS TRABAJADORES 113, 120 n.10, 127 n.13 (Osvaldo R. Battistini ed., 2004).

D. Union-Free?

As noted above, I reviewed union contracts covering Wal-Mart and its subsidiaries, along with other retailers, in three major Mexican cities. As far as I can tell, there is universal union coverage of Wal-Mart employees. However, these union contracts appear to be *contratos de protección*, “protection” or “sweetheart” contracts that allow Mexico’s corporatist unions, long affiliated with the Institutional Revolutionary Party that governed until 2000, to collect dues while demanding little of the employer—and keeping more militant unions out. With almost no exceptions, Mexican retail union contracts do little more than codify existing labor law. In my retail interviews, company executives remarked that the unions had minimal impact on their operations and policies, and in most companies workers were unaware that they were covered by a union contract!⁴⁹ Analyst Marco Antonio Torres from the Center for Labor Studies similarly concluded that Walmex “pays an organization to negotiate collective contracts to comply with labor laws,” and in doing so “acts in line with competitors.”⁵⁰

In general, when it comes to unionization, Wal-Mart appears to fight unions in rich countries but accommodate them in poorer ones. Wal-Mart’s anti-union animus in the United States is well known.⁵¹ The Blue Giant has also fought hard to block unionization in Canada,⁵² and after acquiring unionized companies in Germany resisted recognition of the union contract (though a union did end up representing German Wal-Mart workers).⁵³ British workers at the distribution facilities of Wal-Mart subsidiary ASDA won a union in 2006 only after a bitter battle against Wal-Mart.⁵⁴ But under pressure from the Chinese government, Wal-Mart agreed to allow unions to organize in its Chinese stores in 2006, and workers in all those stores rapidly formed union units.⁵⁵ In Argentina, Wal-Mart stores are covered by a sector-wide collective bargaining agreement, and Brazilian Wal-Marts are organized as well.⁵⁶

⁴⁹ For a more detailed discussion, see José Luis Álvarez & Chris Tilly, *The Mexican Retail Sector in the Age of Globalization: Lousy Jobs, Invisible Unions*, INT’L LABOR & WORKING-CLASS HISTORY, Fall 2006, at 1.

⁵⁰ Alexander Hanrath, *Wal-Mart Move Into Mexico Paying Off*, BOSTON.COM, Feb. 8, 2004, http://www.boston.com/business/markets/articles/2004/02/08/wal_mart_move_into_mexico_paying_off/.

⁵¹ See Featherstone, *supra* note 3.

⁵² *Wal-Mart Loses Major Battle to Union*, TORONTO STAR, Apr. 13, 2006, available at <http://wakep.walmart.com/news/20060413-ts.html>.

⁵³ Christopherson, *supra* note 27, at 264.

⁵⁴ Heather Timmons, *Wal-Mart’s British Unit Agrees to a Union Contract*, N.Y. TIMES, June 30, 2006, at C3, available at LEXIS, News Library, NYT File.

⁵⁵ David Lague, *Official Union in China Says All Wal-Marts are Organized*, N.Y. TIMES, Oct. 13, 2006, at C6, available at LEXIS, News Library, NYT File.

⁵⁶ See *Unions Seek Wal-Mart Mobilisation*, BBC NEWS, Aug. 23, 2005, <http://news.bbc.co.uk/2/hi/business/4175914.stm>.

Are all of these union agreements “protection contracts” in the Mexican style? In Argentina, the retail union leaders are considered part of the relatively quiescent *gordo* (fat cat) faction tied to the ruling Peronist party.⁵⁷ And certainly the Chinese union is a hitherto tame partner of the Chinese government and Communist Party.⁵⁸ But sociologist Anita Chan argues that the swift unionization of China’s Wal-Mart stores required a grassroots worker mobilization that may shift the balance of power toward employees themselves.⁵⁹ Brazil is perhaps the most interesting case: different groups of Wal-Marts are organized by two competing militant, left-wing union federations, Força Sindical and the Central Única dos Trabalhadores.⁶⁰ Even in Mexico, independent unions are discussing the possibility of launching campaigns to win genuine union contracts at Wal-Mart.

E. *Aggressive Expansion?*

Wal-Mart’s competitive strategy depends on scale, and its rapid ramp-up to 4022 U.S. stores (as of January 31, 2007) has shaken retail markets across the United States.⁶¹ In Mexico, Wal-Mart has likewise stunned its rivals with dramatic growth, to 889 units (as of February 2007).⁶² And to U.S. readers/shoppers, accustomed as we are to shopping at grocers who only populate one or a few regions of the United States, Wal-Mart’s fifteen-country presence sounds large indeed.

But as Table 4 shows, Wal-Mart is far from leading the pack in retail globalization. Quite a few European retailers, and even Toys “R” Us, operate in more countries than Wal-Mart, gain a much larger percentage of their sales abroad than Wal-Mart, or—in most cases—do both. True, countries like the Netherlands, Belgium, and Sweden are considerably

⁵⁷ Press Release, Council on Hemispheric Affairs, Argentina’s Labor Unions: Moyano’s Heavy Mantle (Aug. 4, 2005), available at <http://www.coha.org/2005/08/04/argentinas-labor-unions-moyano%e2%80%99s-heavy-mantle>.

⁵⁸ See Rik Kirkland, *The New Face of Labor*, FORTUNE, Oct. 16, 2006, at 122, available at LEXIS, News Library, FORTUN File (discussing the “government-controlled lapdog group, the All China Federation of Trade Unions”).

⁵⁹ Anita Chan, *Made in China: Wal-Mart Unions*, YALEGLOBAL ONLINE, Oct. 12, 2006, <http://yaleglobal.yale.edu/display.article?id=8283>.

⁶⁰ Personal communications from Lucilene Binsfeld Moro, President, Confederação Nacional dos Trabalhadores no Comércio e Serviços (CONTRACS) da Central Única dos Trabalhadores (May 31, 2005); Nilton Neco, President, Sindicato dos Empregados no Comércio de Porto Alegre (SINDEC), Força Sindical (May 31, 2005); Scott Martin, Lecturer in International Affairs, New School University (Sept. 5, 2006); Rubens Romano, Secretary for Internacional Relations, Sindicato dos Empregados do Comércio de São Paulo (SECSP), Força Sindical (May 31, 2005).

⁶¹ Wal-Mart Stores, Store Count and Square Footage, Fourth Quarter FYE 2007, http://library.corporate-ir.net/library/11/112/112761/items/232204/SquareFootage_022007.pdf.

⁶² Wal-Mart Stores, Mexico Fact Sheet, <http://walmartstores.com/GlobalWMStoresWeb/navigate.do?catg=379&contId=5385> (last visited Mar. 8, 2007).

smaller than the United States, compelling retailers based there to cross borders more quickly if they seek to expand. Nonetheless, it is clear that Wal-Mart is a follower, not a leader, in seeking global reach. Steve Burt and Leigh Sparks dismissed many of Wal-Mart's overseas forays as "essentially haphazard flag planting."⁶³ And among countries outside the United States where Wal-Mart *has* made a concerted effort to become the market leader—including Brazil, China, and the United Kingdom—Mexico is the only one where it has succeeded to date.⁶⁴ In other countries, Sam Walton's company has hit a wide variety of speed bumps. For example, consulting company McKinsey reported that Brazil's retailers include large, efficient enterprises that are nonetheless "informal" in the sense of partially evading sales and payroll taxes—a major cost advantage over a highly visible transnational corporation like Wal-Mart that dares not take the risk of dodging taxes.⁶⁵ Burt and Sparks suggested that in Britain, acquisition of northern-England-based ASDA in the context of "a land use planning regime that has turned strongly against large out-of-town stores" handicapped Wal-Mart in its attempts to expand rapidly.⁶⁶

Table 4: International operations of Wal-Mart and selected global competitors, 2005–2006⁶⁷

<i>Company</i>	<i>Number of stores, late 2006</i>	<i>Number of countries where present, Dec. 2006</i>	<i>Percentage of 2005 sales outside home base</i>
Wal-Mart	6691	15	20%

⁶³ Burt & Sparks, *supra* note 4, at 33.

⁶⁴ However, Burt and Sparks note that Wal-Mart is a dominant retailer in the Canadian markets within which it competes. See Burt & Sparks, *supra* note 4, at 34.

⁶⁵ MCKINSEY GLOBAL INST., NEW HORIZONS: MULTINATIONAL COMPANY INVESTMENT IN DEVELOPING ECONOMIES 41 (2003), available at <http://www.mckinsey.com/mgi/reports/pdfs/newhorizons/NewHorizons.pdf>.

⁶⁶ Steve Burt & Leigh Sparks, *ASDA: Wal-Mart in the United Kingdom*, in WAL-MART WORLD, *supra* note 4, at 243, 258.

⁶⁷ AHOLD, ANNUAL REPORT 2005 (2006), available at <http://annualreport2005.ahold.com/page/14.aspx>; The Body Shop, About Us—Our Company, <http://www.thebodyshopinternational.com/About+Us/Our+Company/Our+company.htm> (last visited Apr. 3, 2007); Carrefour, The Consolidated Network Gathers of All the Stores Owned by Carrefour, <http://www.carrefour.com/english/groupecarrefour/ouverturesMagasins.jsp> (last visited Apr. 3, 2007); Delhaize Group, Key Figures (under IFPS), www.delhaizegroup.com/en/gr_keyfigures.asp (last visited Apr. 3, 2007); Ikea, Facts and Figures, <http://franchisor.ikea.com/showContent.asp?swfId=facts1> (last visited Apr. 3, 2007); Marks & Spencer, www2.marksandspencer.com/thecompany (last visited Apr. 3, 2007); Metro Group, Global Locations of Metro Group, <http://www.metrogroup.de/servlet/PB/menu/1011896/index.html> (last visited Apr. 3, 2007); Toys “R” Us, About Toys “R” Us, Inc., <http://www1.toysrus.com/about> (last visited Apr. 3, 2007); United Colors of Benetton, Frequently Asked Questions—Corporate, http://www.benettongroup.com/en/faq_corporate.htm; Wal-Mart, www.walmartstores.com/GlobalWMStoresWeb (last visited Apr. 3, 2007).

<i>Company</i>	<i>Number of stores, late 2006</i>	<i>Number of countries where present, Dec. 2006</i>	<i>Percentage of 2005 sales outside home base</i>
Other grocery chains			
Ahold (Netherlands, figures for retail only)	3455 (late 2005)	5	79%
Carrefour (France)	12,290 (7003 directly owned)	29	52%
Delhaize (Belgium-Germany-Luxembourg)	2636 (late 2005; 2263 directly owned/leased)	8	79% outside Belgium, Germany, and Luxembourg
Marks & Spencer (U.K.)	717 (515 directly owned)	30	7%
Metro (Germany)	2171 (late 2005)	30	53%
Other non-grocery chains			
Benetton (Italy)	5000	27	(not available)
The Body Shop	2100	55	(not available)
IKEA (Sweden)	237	35	92% outside Sweden, 53% outside Sweden, France, Germany, and U.K.
Toys “R” Us (U.S.A.)	About 1484 (1153 directly owned)	32	24% (2004)

A comparison with France’s Carrefour is instructive. Carrefour opened its first store outside France (in Belgium) in 1969. By 1991, when Wal-Mart first ventured abroad, Carrefour had added operations in Spain (1973), Brazil (1975), Argentina (1982), Taiwan (1989), and Greece (1991).⁶⁸ At the end of 2006, Carrefour had 338 stores in China;⁶⁹ Wal-

⁶⁸ Carrefour, The Group—History, <http://www.carrefour.com/cdc/group/history/> (last visited Jan. 22, 2007).

Mart had sixty-six (though it was proposing to purchase a chain of 100 more, which would give it a larger number of hypermarkets in China than Carrefour).⁷⁰

Moreover, though Wal-Mart has added countries of operation over time, it has also subtracted them. It left Indonesia and Hong Kong (then still independent of China) in the mid-1990s,⁷¹ pulled out of South Korea in 2006,⁷² and the same year announced its decision to depart from Germany.⁷³ Certainly Wal-Mart is not alone in walking away from other countries: Carrefour left Mexico in 2005 and South Korea in 2006 (just a few weeks before Wal-Mart).⁷⁴ But the Blue Giant does not deserve a reputation for unstoppable. Analysts have given a variety of explanations for Wal-Mart's failure to thrive in these countries, including well-prepared and well-connected competitors (for example, entrenched business groups that blocked Wal-Mart access to suppliers in Argentina, Brazil, and Korea), regulations that slowed or blocked expansion, and cultural barriers to Wal-Mart's middle American style of selling.⁷⁵

Indeed, Wal-Mart is beginning to bump up against the limits of expansion in the United States, particularly in urban areas on the coasts and in the Midwest, where political opposition, entrenched competitors, and dense land use conspire against Wal-Mart's growth plans. And in Mexico, Wal-Mart has encountered problems in moving into smaller cities and towns (where the market may not be large enough to support the giant stores in which Wal-Mart holds the competitive advantage) and into Mexico's third-largest city of Monterrey (where strong, established competitors have hemmed in Walmex's market share).⁷⁶ Moreover, given growing income polarization in Mexico, a market strategy aimed at a shrinking middle class will encounter built-in limitations.

⁶⁹ *Id.*

⁷⁰ Kate Linebaugh, *Wal-Mart to Buy Grocer-Retail Chain in China: Deal Would Bolster Position in Crucial Overseas Market After Missteps Elsewhere*, WALL ST. J., Oct. 17, 2006, at A3, available at LEXIS, News Library, WSJNL File.

⁷¹ Burt & Sparks, *supra* note 5, at 27.

⁷² Evan Ramstad, *Wal-Mart Leaves South Korea by Selling Stores to Local Rival: Sale to Shinsegae Follows April Pullout by Carrefour as Domestic Firms Prevail*, WALL ST. J., May 23, 2006, at A2, available at LEXIS, News Library, WSJNL File.

⁷³ Mark Landler, *Wal-Mart to Abandon Germany*, N.Y. TIMES, July 29, 2006, at C1, available at LEXIS, New Library, NYT file.

⁷⁴ *Carrefour Korea Expected to Disclose Preferred Bidder Next Week*, YONHAP, Apr. 8, 2006, available at LEXIS, New Library, CURNWS File; Adam Jones & Elizabeth Rigby, *Carrefour Gets Competitive*, FIN. TIMES, Mar. 10, 2006 at 10, available at LEXIS, New Library, FINTIME File.

⁷⁵ Richard Adams, *Wal-Mart may be just too American to succeed globally*, MANCHESTER GUARDIAN, Aug. 24, 2006, available at <http://www.guardian.co.uk/globalisation/story/0,1862335,00.html>; Burt & Sparks, *supra* note 5, at 39; Landler & Barbaro, *supra* note 39; Julio Moreno, *Wal-Mart y la diplomacia económica en América Latina*, FOREIGN AFF. EN ESPAÑOL, Apr.–June 2004.

⁷⁶ See Tilly, *supra* note 13, 365–66.

III. CONCLUSION

In Mexico and elsewhere in the world, Wal-Mart does not exhibit the same profile as it does within the United States. As we have seen:

- Wal-Mart targets the middle class, and does not offer the lowest prices, in Mexico and China;
- Wal-Mart offers comparable or better wages and benefits than its competitors in Mexico, China, and Germany;
- Wal-Mart's workforce is unionized in Mexico, Argentina, Brazil, China, Germany, and (partially) the United Kingdom;
- Wal-Mart's international expansion lags behind that of leading European chains; and
- Wal-Mart has proven unable to compete in several countries.

One dimension in which Wal-Mart practices in other countries *do* mirror its homeland strategies is that of cost pressures on suppliers. However, in Mexico and China, other supermarket chains have squeezed vendors earlier and/or harder than Wal-Mart.⁷⁷

This is not the first scan of the evidence to conclude that Wal-Mart's strategies and degree of success have varied mightily from place to place. Fernie and Arnold pointed out peculiarities and shortcomings of Wal-Mart's entry into Germany and the United Kingdom.⁷⁸ Burt and Sparks, in a recent review of research on Wal-Mart's activities in Brazil, Canada, China, Germany, Japan, Korea, and the United Kingdom, painted a similar picture to the one in this paper.⁷⁹ Wang and Zhang, in a China case study, summarized the central issues: "When a retailer transplants a new concept to a foreign country, it inevitably has to adapt to the local market to make its offerings truly relevant not only to the consumer but also to the local cultural and political systems."⁸⁰

The variegated mosaic of Wal-Mart practices around the globe points to several conclusions. First, and most simply, it is unwise to take the short-cut of assuming that McDonaldization, or Walmartization, will lead to convergent behaviors and outcomes in divergent contexts. Instead, we must do the hard work of finding out what differs and why.

The evidence surveyed here points to several "whys." How Wal-Mart behaves and how much it succeeds depend critically on:

- *The market.* Wal-Mart's choices are shaped both by demand (consumers) and supply (competitors). In countries with large

⁷⁷ See, e.g., Wang & Zhang, *supra* note 38, at 308 ("[S]ome foreign retailers turned to squeezing suppliers by imposing a variety of fees . . . Wal-Mart claims it does not levy such fees.").

⁷⁸ John Fernie & Stephen J. Arnold, *Wal-Mart in Europe: Prospects for Germany, the UK and France*, 30 INT'L J. RETAIL & DISTRIBUTION MGMT. 92 (2002).

⁷⁹ Burt & Sparks, *supra* note 4, at 27–28, 34, 46.

⁸⁰ Wang & Zhang, *supra* note 38, at 305.

masses of low-income consumers without cars and little disposable income (China, Mexico), Wal-Mart must target the middle class or adopt a completely different retail model. Where solidly rooted competitors have mastered discounting (Germany), bar Wal-Mart access to suppliers (Argentina, Brazil, Korea), or evade taxes (Brazil), Wal-Mart has proven unable to attain the rapid growth it counts on.

- *The institutions.* Key institutions include labor unions, public laws and regulations. Where unionization is mandated or strongly supported by law and public policy, particularly when interlocked with political patronage networks (Argentina, China, Mexico), Wal-Mart has made its peace with unions. Where unionization is a matter of worker choice (Canada, United Kingdom, United States), Wal-Mart has resisted. As one example of regulatory impacts, Wal-Mart has suffered slower-than-expected growth in countries where local, state, or national land use laws facilitate resistance to big-box stores (Germany, United Kingdom).
- *The culture.* Food culture, shopping culture, and workplace culture all structure Wal-Mart's expansion options. Whereas the average U.S. family shops for food two times per week,⁸¹ the average Mexican family makes four weekly trips to the supermarket plus an added sixteen trips to neighborhood outlets (such as fresh tortilla shops), for a total of twenty weekly food shopping trips.⁸² Mexican consumers repeatedly told me they prefer buying produce in street markets or municipal marketplaces and meat in local butcher shops because it is "fresher." Wal-Mart, which offers everything under one huge roof for weekly stockpiling, can only capture part of Mexican demand as long as such shopping patterns persist. In Germany, Wal-Mart stopped requiring clerks to recite the Wal-Mart chant each morning before opening and smile at customers—"People found these things strange; Germans just don't behave that way," a union representative commented.⁸³

For policy-makers and activists seeking to curb the excesses of the Wal-Mart model, these international lessons contain some good news. While it may be difficult to shape markets writ large, we do have levers to affect institutions and culture. Local legislation, such as the big-box minimum wage ordinance passed by the Chicago City Council in 2006 (but

⁸¹ *Changing Channels*, PROGRESSIVE GROCER, Dec. 1999, at 78.

⁸² Rogelio Rodriguez & Ian Reidor, *Tendencias en México: Actitudes del consumidor y el supermercado* (Presentation at the XXI Convención del Asociación Nacional de Tiendas de Autoservicio y Departamentales, Guadalajara, Jalisco, Mar. 12–15, 2004).

⁸³ Landler & Barbaro, *supra* note 39.

then vetoed by Chicago's mayor),⁸⁴ can set the rules of the game for retailers like Wal-Mart. And critiques of Wal-Mart have increasingly filtered into popular culture, arguably contributing to slowing growth in Wal-Mart sales and prompting the company to counterattack with a public relations blitz (including public support for a higher minimum wage), a "Wal-Mart Facts" website, and a "green" initiative.⁸⁵

Finally, the international evidence demonstrates that Wal-Mart does not necessarily bring the same package of characteristics (such as low wages, opposition to unions, and low prices) everywhere it goes, and that in some countries other retailers are pursuing these policies as aggressively as Wal-Mart or more so. Given that both "Wal-martization without Wal-Mart" and "Wal-Mart without Wal-martization" are possible, we should be careful not to define Wal-Mart itself as the problem, despite its current leading role in retail transformations. In 2005, I attended a gathering of retail unionists from across the Americas, in which U.S. and Canadian representatives argued for a hemisphere-wide campaign against Wal-Mart. A Chilean union official stood up and said, "We don't know much about Wal-Mart, since they are not in Chile. But the practices you are describing, our big supermarket chains are doing the same thing." Inadequate compensation, frustrating workers' right to union representation, and destructive pressure on suppliers are the problems. The question is whether Wal-Mart—and many of its competitors, at home and abroad—will continue contributing to these problems, or begin helping to undo them.

⁸⁴ Gary Washburn & Mickey Ciokajlo, *'Big-Box' Veto Sticks*, CHI. TRIB., Sept. 14, 2006, at C1, available at LEXIS, News Library, CHTRIB File.

⁸⁵ AL NORMAN, THE CASE AGAINST WAL-MART 145–52 (2004) (advocating a shoppers' boycott of Wal-Mart); *Wal-Mart Caught in Politics*, BOSTON GLOBE, Apr. 24, 2006, at E6, available at LEXIS, News Library, BGLOBE File; Wal-Mart Facts, <http://www.walmartfacts.com> (last visited Jan. 21, 2007); Wal-Mart Watch, <http://walmartwatch.com/> (last visited Jan. 21, 2007).