

Wal-Mart: Not such a bargain

Wal-Mart, a US retail multinational, has offered to buy South Africa's Massmart.

Bridget Kenny examines Wal-Mart's poor employment record and its role in driving out competitors in the US. She concludes that Saccawu, the catering union, needs to be vigilant in monitoring and making demands on the deal that Wal-Mart is offering South African workers.

Wal-Mart is the world's largest employer with some 2.1 million employees in 15 countries across the world. It was started by Sam Walton as a general merchandise store in the state of Arkansas in the United States. It has been rapidly successful at expansion, first within the US and then internationally. And now, for the first time, Wal-Mart has made a bid to enter Africa via a merger with South African retailer Massmart, trading as subsidiaries Game, Dion, Makro and Builder's Warehouse.

In January, Massmart shareholders accepted Wal-Mart's offer to purchase 51% of shares. On 11 February, the Competition Commission recommended the deal be approved without conditions. The merger needs only to pass the Competition Tribunal to be implemented. The Tribunal hearings will be held on 22-24 March this year.

WAL-MART – US EXPERIENCE

There has been a huge and growing literature examining Wal-Mart. Its uniqueness as a company and

indeed as a standard-bearer of capital accumulation strategies for the 21st century, generally focus on its culture of surveillance and induced loyalty from its employees, its efficient logistical supply systems extending around the globe, its tight cost and price control, its use of innovation in formats and its aggressive destabilisation when it enters new markets.

The effects which have been remarked upon in the US is its off-shoring of manufacturing to lower-wage regions of the world. As retailers source from suppliers globally, this has eroded domestic unionised manufacturing jobs and replaced them with lower-wage, non-union service jobs.

Wal-Mart's logistics and supply systems are legendary. It operates through a highly centralised fully computerised system where information on sales is closely tied to supply and distribution. It maintains close supplier relationships, requiring that they share extensive information.

Wal-Mart's mantra is 'everyday low prices'. In order to ensure regular low prices, it squeezes

efficiency throughout the chain from the retail shop floor to the farmers and producers. Supplier agreements are highly monitored and specific, and Wal-Mart's enormous buying power and dominance of consumer markets means that it can insist on price reductions and quality specifications which suppliers have little power to resist.

In the US, workers' wages in Wal-Mart are low and the company discourages unions. The company has become notorious for work intensification and multi-tasking, underpaying workers by avoiding overtime or injury pay, and discrimination against women.

A University of California study calculated the costs to state social welfare of Wal-Mart workers. It found they earn a third less than other retail workers in the state, and they use 40% more public health-care resources and 38% more other public assistance than other retail workers, thereby costing the state more than other workers.

Through its size and dominance, Wal-Mart sets the bar for other businesses in the local market.

Research has shown fairly consistently that it reduces consumer prices in an area, but many have also shown that it reduces wages in a local labour market.

One study estimated that Wal-Mart employees earned 12.5% less than retail workers in total in the US and 14.5% less than other large corporate retail employees. The grocery workers' strike and lockout in California in 2003 and 2004 was a product of this low wage context promoted by Wal-Mart. As a union, the United Food and Commercial Workers spokesperson said, 'Wal-Mart is essentially the third party at the bargaining table at every retailing negotiation in the country.'

Furthermore, a Loyola University study investigated the impact of Wal-Mart on local business in Chicago after its entry. It found that 82 of 306 businesses followed in their survey went out of business within two years of its entry. Those close to the Wal-Mart store were significantly more likely to have gone out of business.

The study estimated that employment losses of approximately 300 full-time jobs were roughly equivalent to jobs created by Wal-Mart, suggesting that Wal-Mart 'absorbs retail sales from other city stores without significantly expanding the market' which it claims to do when entering a local market.

In short, this research found a clear displacement of local businesses with Wal-Mart's entry and did not support claims that the company added to economic development in the area. There have been numerous studies on the impacts of Wal-Mart stores on local businesses in smaller towns and rural areas which show similar 'substitution effects' resulting in market share losses of other businesses and the reduction in numbers of businesses overall.

Even if this 'Wal-Mart effect' says



more about perceptions than direct competition, Wal-Mart's entry into South Africa will clearly pressurise other companies. We have already seen increasing efforts to streamline its distribution channel and more recently, retrenchments of workers in Pick 'n Pay, with nods to the impending entry of Wal-Mart, as the CEO of Pick 'n Pay Nick Badminton said in May 2010, 'We're... getting fitter and fitter for the moment when - if - Wal-Mart arrives.'

WAL-MART: WHAT'S IN STORE FOR SA?

Wal-Mart's moves outside the US are an uneven story.

In 1991 Wal-Mart went into Mexico. In some local markets, Wal-Mart blacklisted and dismissed workers trying to organise a union. There have also been negative impacts on local retailers and markets with Wal-Marts' aggressive prices which are set to drive out competitors. On the other hand, studies suggest that in Mexico, Wal-Mart marketed its stores not through low prices but through consumer choice to the middle class. Chris Tilly in 'Wal-Mart and

its Workers: NOT the same all over the world' suggests this was true also of other places like Germany and China.

In Mexico, Tilly found that Wal-Mart offered the same wage levels and benefits as other retailers. He also found that Wal-Mart's use of pressure on suppliers to lower costs, was not unique in Mexico to Wal-Mart but a more generalised strategy of retailers there.

Furthermore, Wal-Mart concluded union contracts at its stores in Mexico, China and Brazil. In Argentina, Wal-Mart stores are covered by a sectoral agreement.

So, those examining the effects of Wal-Mart in other countries besides the US find a more complex story, including cases where Wal-Mart has not fared well.

In a context of the globalisation of the retail industry with other multinational players involved, Wal-Mart can look less all powerful. Tilly argues usefully that in each context, the company localises its operations so that local market structures and the regulatory environment conditions how the company enters and operates.

In South Africa, we see that Wal-Mart has acknowledged and read our local context persuasively. Wal-Mart CEO Doug McMillon, wrote in *Business Day* on 26 January 2011, that 'Wal-Mart's core mission - to save people money so they can live better - is a compelling fit with Africa's growing economic vitality. Nowhere is that vitality more apparent than in SA.' Hence Wal-Mart inserts itself into South Africa's wished-for development

ROLE OF COMPETITION LAWS

Technically, the Competition Tribunal rules on mergers in terms of its effects on the competitive environment in a sector or a local market. Thus, in 2009, the Competition Commission blocked a merger of Masscash, a subsidiary of Massmart, and Finro, both wholesalers in the grocery market in a local market of Port Elizabeth, which could have eliminated competition in the wholesale market in the region.



A demonstration against Wal-Mart practices in the US.

agenda, and its 'rapidly growing middle class'.

Wal-Mart offers 'food choices' and to 'recruit local people and provide training and opportunities for career growth' and to support Black Economic Empowerment (BEE). It makes promises to source products locally and to 'work with the labour unions representing Massmart'. But, these stories of development are not charitably offered. Wal-Mart complies where local regulation limits and defines its participation.

However, in the Wal-Mart South African deal it is unlikely that a case can be made for Wal-Mart decreasing competition in the sector or of adversely affecting local industries supplying stores. And in fact as previously mentioned, the Competition Commission has already recommended to the Tribunal that it should approve the deal. Nevertheless, the regulatory step of requiring the Tribunal to consider whether a deal will have ill-effects on others participating in the economy can usefully be used by the union, Saccawu (South

African Commercial Catering & Allied Workers Union).

Saccawu is hoping that an application to the Tribunal will lead to conditions being put into the deal. The United Food and Commercial Workers and UNI Global have been assisting Saccawu in its legal case to the Competition Tribunal.

ORGANISING

While Wal-Mart may appear to 'localise' its business strategies, the reality is that today's retail sector stands on low-wage, low-skilled employment, where most major chain retailers including in South Africa squeeze profits from increasing control over suppliers and from intensifying and cheapening labour. Wal-Mart has led this effort.

Jane Collins argues that Wal-Mart guarantees its own future as provider of cheap consumer products in a process of 'reverse Fordism' where low-wage service jobs perpetuate poverty through discount spending. Despite Wal-Mart's promises to contribute to South Africa as a 'responsible and productive citizen' it will rather continue on the low-wage, low-skill path along which South Africa hobbles.

While efforts to set conditions on the deal with Massmart are tactical, retail workers need to look beyond this regulatory moment that will force Wal-Mart to abide by existing collective agreements and labour and competition law. Even with these conditions in place, Wal-Mart's history and the global industry show that retail workers will remain among the working poor. Saccawu needs to continue to organise and mobilise retail workers. ¹⁸

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