



## An Analysis of Practices at Wal –Mart

### KEYWORDS

Labor, Work environment, employee benefits

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**ABSTRACT** *In America., Wal-Mart is the single largest employer, employing over 1.8 million “associates”. Wal-Mart is as big as Home Depot, Kroger, Target, Costco, Sears and Kmart combined. Wal-Mart has stores in Mexico, Canada, England, China and entered a joint venture agreement with New Delhi based Bharti on August 6, 2007. The partnership is known as Bharti Wal-Mart and plans to expand in India also.*

*Wal-Mart has been greatly criticized for its effects on the following: labor, economics, employee benefits and environment. The paper discusses the use of illegal immigrants, child labor violations, employee benefits, environment and makes some recommendations.*

### Introduction

In the US., Wal-Mart is the single largest employer, employing over 1.8 million “associates”. Wal-Mart is as big as Home Depot, Kroger, Target, Costco, Sears and Kmart combined. Sam Walton(founder) put 95 percent of his money to open the first store.In 1962 we also saw the opening of Kmart and the first Target. Walton believed “sell stuff that people need every day just a little cheaper than everyone else, sell it at low price all the time and customers will flock to you”. Wal-Mart forced suppliers to be more frugal and asked them to lower the prices of their products. Wal-Mart has stores in Mexico, Canada, England, China and entered a joint venture agreement with New Delhi based Bharti on August 6, 2007. The partnership is known as Bharti Wal-Mart.

Wal-Mart has grown from a mere small town store in Rogers, Arkansas to a multi-billion dollar corporation basing its business strategy on offering lower prices than its competitors, regardless of how they can be achieved. Although Wal-Mart has grown to be the world’s largest retailer, the majority of focus on this corporation has been directed toward Wal-Mart’s effects on the local community, employees and even its impact on the environment. Wal-Mart’s use of illegal immigrants has sparked much conflict within recent years. The employment of illegal immigrants has been discovered through the use of subcontractors who most often hire these individuals to clean Wal-Mart stores after hours. During a raid in 2005, as many as 125 immigrants were found at a construction site in which they were participating in the construction of a Wal-Mart facility. According to the Department of Labor, Wal-Mart has also been found in violation of several child labor laws. From 1998 to 2002 at least eighty-five minors were discovered operating hazardous machines.

Beginning with the introduction of the first Wal-Mart Super Center in 1988, to the expansion into the international market in 1990, numerous questions have arisen concerning the fair treatment of the company’s employees. Multiple lawsuits and complaints have been made by employees stating that Wal-Mart provides unequal wages for females, denies lunch breaks, under staffs their stores, and refuses to pay employees for overtime. Most critics argue that the wages and work environment Wal-Mart offers are not suitable for today’s standards. Wal-Mart has been accused of being destructive to the environment and numerous fines against the corporation have been reported by the Environmental Protection Agency (EPA). The Environmental Protection Agency (EPA) has cited fines against Wal-Mart for storm water, air pollution, and oil storage violations. These violations have encouraged Wal-Mart executives to create environmental goals and ways

in enforcing these objectives in their facilities worldwide.

### Employee Wages and Benefits

Wal-Mart does not share its wage scale and doesn’t break out pay of its Sam’s club workers; Etter<sup>10</sup> states that Wal-Mart pays employees about US \$ 9.68 an hour, which is 3.5% less than other retailers. Wal-Mart countered this with a study of their own claiming that lower wages are being accounted for in the lower costs to purchase, hence giving consumers more buying power. An independent research firm concurred that there is direct relationship between having a Wal-Mart in a community and the lower wages. Wal-Mart is a defendant in numerous law suits involving employment related issues such as failure to pay required over-time to hourly employees and allegations of gender based discrimination in pay, promotions, job transfers, training, job-assignments and health care-coverage. Wal-Mart is well known for their low wages. In their Florida stores, the average full time work week was cut from forty to thirty-five hours. Through an internal memo leaked to the New York Times, it was discovered that Wal-Mart has decided to increase the proportion of its workforce that is part-time by 40% while forcing out longstanding employees.

Wal-Mart employees have stated basic employee benefits are lacking within many Wal Mart stores. The deductible for employees is \$1000 after a set number of doctor visits and drug prescriptions. Critics say deductible is too high in comparison with their wages. This has led to numerous claims that Wal-Mart discourages less than healthy people from applying for jobs. The CBS news reported that 46 percent of the children of Wal-Mart Based on 2005 figures, Costco had 338 warehouses and employed over 67,000 workers.

At Costco 85 percent of employees are covered by the company’s health care insurance plans. Costco average hourly wage is \$17 an hour and Wal-Mart doesn’t share its wage scale. At Costco workers pay 8 percent of their health premiums. Full-time workers at Costco are eligible for health insurance after three months and part-time workers after six months. Eighty-five percent of Costco employees have health insurance coverage compared to less than half at Wal-Mart. Further, in the State of California, there have been numerous claims that lunch breaks have been denied to many employees of Wal-Mart. The State of California passed a law in 2001 that employees be allowed a lunch break during any shift in which they are working more than five hours. Lawsuits were filed based on the denial of meal breaks and Wal-Mart workers have now been granted their much earned breaks. Wal-Mart has also taken measures to make sure lunch breaks

are taken in an accurate amount of time by incorporating new technology in their stores that alerts cashiers when they are due for a meal break. In addition to being denied lunch breaks earlier, Wal-Mart employees have declared that they were locked in stores after hours and forced to stay until the managers had checked every department to ensure things were in order. Furthermore, employees were not paid for the time they were locked in the stores after hours and were denied pay for overtime work.

### Child Labor Violation

Illegal immigrants are not the only problems that Wal-Mart has had to face. They have also been in trouble for not abiding by Child Labor Laws. During an investigation by the Department of Labor it was discovered that Wal-Mart was violating the "youth employment provisions of the Fair Labor Standards Act" by allowing eighty-five minors operate hazardous equipment such as paper scrap balers and fork lifts. Wal-Mart had to pay \$135,540 in federal fines per their agreement with the Department of Labor. This agreement also includes a fifteen day notice of any audits. There are many suspicions as to why Wal-Mart got away with these violations so easily.

### Impact on the Environment

Wal-Mart has become a retail giant in the business world but has also incurred consequences like harming the environment on the way to the top. As this company has grown, they have broken many storm water regulations made by the Environmental Protection Agency. In 2001, while building various locations in Texas, New Mexico, Oklahoma and Massachusetts, ten of Wal-Mart's contractors failed to obey regulations and also allowed pollution to be released from these sites. After these violations were brought to the attention of the Justice Department and the Environmental Protection Agency, they made a settlement with Wal-Mart for \$4.5 million to launch an environmental management program. Wal-Mart has to also pay an additional \$1 million in civil penalties.

Among the many storm water violations, Wal-Mart has also violated air pollution and storage of petroleum regulations. In 2004, the company paid \$400,000 to the government in order to settle the claims that Sam's Club, which is a division of Wal-Mart, ignored the federal air pollution regulations in eleven of the states they were operating in. In addition, in 2004, Florida forced Wal-Mart to pay \$765,000 for fines induced from operating out of the restrictions on petroleum storage. Wal-Mart also failed to perform routine checks, lacked the technology to prevent overflows of petroleum, blocked the inspectors from the records and failed to show the correct insurance papers. Wal-Mart has now taken concrete steps to help the environment. through 100% renewable energy, zero waste and to sell products that sustain resources and environment.

### Conclusion and Recommendations

Wal-Mart boasts of its low cost to customers. "Always low prices, always." The four powerful words define the trademark slogan of the world's biggest and most controversial retail store. But Wal-Mart lowest prices around are results of a variety of moral dilemmas: employee relations, health-care, safety, community impact, gender discrimination, low wages, illegal immigrants, worker's rights and child labor violations. While Wal-Mart has violated many of the regulations enforced by the Environmental Protection Agency in the past, they have also recognized that there are several ways to collectively help the environment and save on costs. Wal-Mart has donated money to needy organizations and local businesses within communities. Three environmental goals for Wal-Mart are 100% renewable energy, create zero waste and to sell products that sustain our resources and environment. Recently Wal-Mart has modified its slogan as, "Save Money, Live Better". Wal-Mart claims that "we are committed to saving people money, so they can live better. It starts with Wal-Mart's unbeatable values on quality, name-brand products. And ends every year with savings of over \$2300 for the average American family". We feel that Wal-Mart should also aim for providing "high living standards for its workforce. So Wal-Mart should change its "wage-policy" and pay the employees well so they can maintain high living standards.

Wal-Mart should also periodically investigate the subcontracting companies in which they are working with. By investigating these companies, the use of illegal immigrants will be drastically reduced. Wal-Mart should expand its national \$ 4 generic prescriptions by about 20-30 percent and more drugs. As far as the environment is concerned, Wal-Mart needs to ensure that their building sites are not in violation of storm water regulations and make sure pollution stays out of local water ways. In addition, Wal-Mart needs to continue their efforts of making their stores "green" by focusing on the heating and cooling of their buildings, changing their light bulbs to those that operate in more energy efficient ways, reduce packaging while recycling plastics, and continue their use of organic products. Many consumers would be willing to spend "a little extra for products that are produced by the companies that pay workers good wages, have good working conditions. Wal-Mart should try to improve health-burden and focus more on how employees can live better.

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