

THE WAL-MART EFFECT



OUT OF A JOB: Kelly Gray, mother of five, lost her job as a *Raley's* supermarket clerk after Wal-Mart's expansion into the grocery business in Las Vegas contributed to *Raley's* decision to shut 18 stores and lay off 1,400 workers.

Photographs by GENARO MOLINA, Los Angeles Times

An Empire Built on Bargains Remakes the Working World

Wal-Mart is so powerful that it moves the economies of entire countries, bringing profit and pain. The prices can't be beat, but the wages can.

First of three parts.

By ABIGAIL GOLDMAN AND NICK CLEVELAND
Times Staff Writers

Las Vegas
 C hastly Ferguson kept watch over four sleepy children late one Friday as she flipped a pack of corn dogs to a cart at her new favorite grocery store: Wal-Mart.

The Wal-Mart Supercenter, a pink stucco box twice as big as a Home Depot, combines a full-scale supermarket with the usual discount mega-store. For the 26-year-old Ferguson, the draw is simple. "You can't beat the prices," said the hotel cashier, who makes \$400 a week. "I come here because it's cheap."

Across town, another mother also is familiar with the Supercenter's low prices. Kelly Gray, the chief breadwinner for five children, lost her job as a *Raley's* grocery clerk last December after Wal-Mart expanded into the supermarket business here. California-based *Raley's* closed all 18 of its stores in the area, laying off 1,400 workers.

Gray earned \$14.29 an hour with a pension and family health insurance. Wal-Mart grocery workers typically make less than \$9 an hour.

"It's like somebody came and broke into your home and took something huge and important away from you," said the 36-year-old. "I was scared. I cried. I shook."

Wal-Mart gives. And Wal-Mart takes away.



POCKETBOOK APPEAL: Glenn and Debbie Mirafora shop at a Wal-Mart in Las Vegas. Glenn, a member of *Ironworkers Local 416*, dislikes the retailer's anti-union stance but asks, "Where else are you going to find a computer for \$49.97?"

From a small-town five-and-dime, Wal-Mart Stores Inc. has grown over 50 years to become the world's largest corporation and a global economic force.

It posted \$245 billion in sales in its most recent fiscal year — nearly twice as much as General Electric Co. and almost eight times as much as Microsoft Corp. It is the nation's largest seller of toys, furniture, jewelry, dog food and scores of other consumer products. It is the largest grocer in the United States.

Wal-Mart's decisions influence wages and working conditions across a wide slice of the world economy, from the shopping centers of Las Vegas to the factories of Honduras and South Asia. Its business is so vital to developing countries that some send emissaries to the corporate headquarters in Bentonville, Ark., almost as if Wal-Mart were a sovereign nation.

The company has prospered by elevating one goal above all others: cutting prices relentlessly. U.S. economists say its tightfistedness has not only boosted its own bottom line, but also helped hold down the inflation rate for the entire country. Consumers reap the benefits every time they push a cart through Wal-Mart's checkout lines.

Yet Wal-Mart's astonishing success exacts a heavy price.

By squeezing suppliers to cut wholesale costs, the company has hastened the flight of U.S. manufacturers to jobs overseas. By scouring the globe for the cheapest goods, it has driven factory jobs from one poor nation to another.

[See *Wal-Mart*, Page A30]

Senate Debates Medicare After House OKs Bill

Deep divisions show as a reform measure to add a drug benefit and boost the private sector's role squeaks through in an all-night session.

By VICKI KEMPER
Times Staff Writer

WASHINGTON — In a suspenseful and controversial pre-dawn vote, a sharply divided House on Saturday approved and sent to the Senate the most sweeping revision of Medicare since its creation in 1965, as lawmakers from both parties said the nearly \$400-billion bill represented only the start of a long-term political battle over the shape of the health-care program.

"This is just the beginning of trying to reform Medicare," said House Speaker J. Dennis Hastert (R-Ill.), referring to the legislation that not only would provide a long-sought prescription-drug benefit but also would promote competition by giving private insurance companies billions of dollars to entice seniors and the disabled into managed-care plans.

The Senate opened debate, expected to last three days, within hours of the bill's 220-215 passage in the House.

If it is passed by the Senate, as many observers believe is likely, and signed into law, the legislation would do more to change how the elderly and disabled receive and pay for their health care than any development since Medicare was created 38 years ago.

And that's exactly what has Sen. Edward M. Kennedy (D-Mass.) worried.

Outraged by the action in the House, where Republican leaders held the Medicare vote open for almost three hours — instead of the usual 15 minutes — until pressure from President Bush and other lawmakers convinced two Republicans to switch their votes, Kennedy announced that he would seek to prevent a vote in the Senate.

"What happened in the House of Representatives in the dead of night was Florida 2000 all over again," Kennedy told reporters in his Capitol office. "It was a rigged vote."

Although several Democrats

are expected to join a Kennedy filibuster — presidential contender John F. Kerry of Massachusetts said he would leave the campaign trail in New Hampshire to participate — Congress' longtime leader on healthcare issues acknowledged that he would not have the 41 votes needed to prevent a Senate vote on the bill.

But Kennedy said he hoped that a longer debate would highlight what he sees as the legislation's shortcomings and open a broader discussion on the future of the government health-care system. [See *Medicare*, Page A29]

2 Suicide Bombers Kill at Least 14 in Iraq

By JOHN HENDREN
Times Staff Writer

KHIAN BANI SAAD, Iraq — Suicide bombers simultaneously ripped apart two police stations north of Baghdad on Saturday, killing 14 people — including a 10-year-old girl whose last words were "Daddy, help!" — on a bloody day in which insurgents succeeded for the first time in striking a plane leaving Baghdad's airport.

The planes, a DHL cargo jet taking off for Bahrain, returned safely to the runway after its left wing was struck by what authorities believed was a surface-to-air missile. In recent weeks, hostile fire is believed to have been involved in the crashes of five U.S. military helicopters, killing 39 Americans.

The suicide attacks here in the village of Khian Bani Saad and in nearby Baghdad, less than an hour's drive north of Baghdad, marked an apparent shift in strategy by insurgents who have made a point of targeting those seen as cooperating with the U.S.-led coalition. The holy month of Ramadan began with a series of tightly coordinated assaults on three police stations in the heavily fortified

[See *Iraq*, Page A31]

RELATED STORY

Blatant: Bush flexes muscle to stave off bill's defeat. A28

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Power struggle: L. Paul Bremer III gains clout in Iraq debate. A5

Georgian Parliament Seized by Opposition

Shevardnadze promises to restore order swiftly. His rivals tout success of their 'velvet revolution.'

By DAVID HOLLEY
Times Staff Writer

MOSCOW — Georgian President Eduard A. Shevardnadze declared a state of emergency in the former Soviet republic Saturday after opposition leaders backed by thousands of protesters demanding his resignation seized the parliament building, forcing him to flee in the middle

of his speech. With Shevardnadze hunkering down at his residence on the outskirts of the capital, Tbilisi, and promising to restore order swiftly, opposition leaders retained control of the building and said they would move quickly to form a new government.

The protesters, who interrupted the opening session of a new parliament, accused Shevardnadze of falsifying the results of parliamentary elections early this month.

There were no reports of weapons being used by either side Saturday, but it appeared [See *Georgia*, Page A12]

Bay Area Park Group Sees as Private Funding Model

Golden Gate foundation has raised \$70 million. Federal officials call it 'corporate stewardship.'

By JULIE CAWT
Times Staff Writer

SAN FRANCISCO — Golden Gate National Recreation Area, home to such California icons as Alcatraz, Muir Woods and the Presidio, enjoys a reputation for natural beauty in a city that prides itself on its charm.

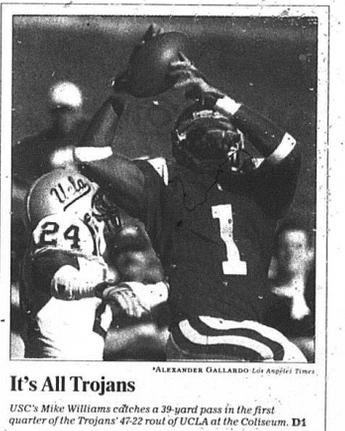
But the 75,000-acre park, which sprawls across three Bay Area counties, is being hailed by

the Bush administration for another reason: as a model of private money used for public good.

A local nonprofit group has raised more than \$70 million to repair, renovate and otherwise aid the park, which receives 20 million visitors a year. Officials say it is the most successful private fund-raising program affiliated with the National Park Service.

The nonprofit Golden Gate Parks Conservancy, formed in 1981, has created visitor centers at Muir Woods and the Point Bonita Lighthouse and, in a \$34-million project, re-

[See *Park*, Page A38]



It's All Trojans

USC's Mike Williams catches a 39-year pup in the first round of the Trojans' 47-22 rout of UCLA at the Coliseum. D1

INSIDE

News Summary A2
 Astrology E28
 Opinions D18
 Bridge E58
 Opinion M1
 Business C4
 Real Estate K1
 Editorial A4
 Sports D1
 Lottery B3
 Travel L1
 The Nation A19
 The World A3

CALIFORNIA

Deal Lets State Limit Polluters
 A provision added to a congressional bill would let California keep stricter limits than federal standards on small engines. B1

TRAVEL

The Annual Turkey Roundup
 Our tales of travel we span the globe, from a golfcourse desert outpost in China to a coast-to-coast trip with kids. L1

BUSINESS

What's Next for 'Ring' Mollster?
 New Zealanders wonder whether director Peter Jackson's vast film empire will last beyond the "Lord of the Rings" trilogy. C1

MAGAZINE

Jesus With a Genius Grant
 Inspired by Pasadena's Fuller Theological Seminary, "most-evangelicals" are saying smart Christians can have it all. A2

REAL ESTATE

Construction Announcements
 With the boom in residential building in Southern California, neighbors seek relief from noise, dirt and other activities. K1

Weather: Mostly sunny with a little drizzle. Local northeast winds to 20 mph this morning. L.A. Downtown: 69-64. B22



THE WAL-MART EFFECT

'The prices' falling, in effect, raises the wages of everyone who buys their products.' —ARTHUR LAFFER, an economic advisor to President Reagan



ONE-STOP SHOPPING: A Wal-Mart Supercenter in Las Vegas combines a supermarket and a discount mega-store. Wal-Mart carefully manages the flow of goods, from factory floor to store shelf. GENARO MOLINA/Los Angeles Times

Paying for Wal-Mart's Success

[Wal-Mart, from Page A1]
Wal-Mart's penny-pinching extends to its own 1.2 million U.S. employees, none of them unionized. By the company's own admission, a full-time worker might not be able to support a family on a Wal-Mart paycheck.

Then there are casualties like Kelly Gray. As Wal-Mart expands rapidly into groceries, it is causing upheaval in yet another corner of the economy. When a Supercenter moves into town, competitors often are wiped out, taking high-paying union jobs with them.

Wal-Mart's plans to enter the grocery business in California early next year have thrown the state's supermarket industry into turmoil. Fearful of Wal-Mart's ability to undercut them on price, the Ralphs, Vons and Albertsons chains have sought concessions from their unionized workers in Southern and Central California, leading to a work stoppage now entering its seventh week.

Half a century ago, the nation's largest and most emulated employer was General Motors Corp. "Today," said Nelson Lichtenstein, a history professor at UC Santa Barbara, "for better or worse, it's Wal-Mart."

GM brought prosperity to factory towns and made American workers the envy of the world. With a high-wage union job, an assembly-line worker could afford a house, a decent car, maybe even a boat by the lake.

There was a bit of truth, Lichtenstein said, to the famous assertion by Charles Wilson, General Motors chief from 1941 to 1953, that what was good for GM was good for the country.

With Wal-Mart, the calculus is considerably more complex.

'We Have Split Brains'

Glenn Mirafior used to chide his wife for shopping at Wal-Mart.

As a member of Ironworkers Local 416, the 50-year-old father of four is well aware of the retailer's anti-union stance. But when the family's credit card debt topped \$10,000, Wal-Mart's deals suddenly looked irresistible.

"Where else are you going to find a computer for \$499?" he asked, looking for a PC with his wife, Debbie, at the Supercenter on Serene Avenue, far



HUMBLE BEGINNINGS: Sam Walton opened his first five-and-dime in 1950 in Bentonville, Ark. From there, Wal-Mart has grown into the world's largest corporation, with \$245 billion in sales in its most recent fiscal year. BRIAN VANDER BRUG/Los Angeles Times

from the glitz of Las Vegas Strip. "Everyone I work with shops here."

Surveys by the Teamsters and the United Food and Commercial Workers — the two unions most threatened by Wal-Mart — show that many of their own members shop at the discountor.

"We have split brains," said Robert Reich, U.S. secretary of Labor under President Clinton and now a professor of economic and social policy at Brandeis University in Waltham, Mass. "Most of the time, the half of our brain that wants the best deal prevails."

The connection may be lost on many, Reich said, but consumers' addiction to low prices is accelerating a shift toward a two-tiered U.S. economy, with a shrinking middle class and a growing pool of low-wage workers.

"Wal-Mart's prices may be lower," he said, "but that's small consolation, to a lot of people who end up with less

money to spend."

Others insist there is a net benefit whenever consumers can get more for less. "If you have lower real prices, you're saving money," said Arthur Laffer, a key advisor to President Reagan who is now an economic consultant in San Diego. "The prices' falling, in effect, raises the wages of everyone who buys their products."

That's basically the way the Mirafiors saw it as they grazed the aisles of the Supercenter — Wal-Mart Store No. 2556 — and snapped up deals: Ragu pasta sauce for 89 cents, Aunt Jerima pancake mix for 48 cents, pork shoulder steaks for \$1.49 a pound and five cans of Del Monte vegetables for \$2.

After making their way through the groceries, the Mirafiors turned their attention to the housewares section, stopping in front of a 20-inch box fan. Glenn Mirafior checked the price and

made room for it in their cart.

"Ten bucks," he said. "You can't beat that. That's why we come here."

Vendors' Alley

The fan was made 1,700 miles away in Chicago at Lakewood Engineering & Manufacturing Co. A decade ago, the same fan carried a \$20 price tag.

But that wasn't low enough for Wal-Mart. So Lakewood owner Carl Krauss cut costs at every turn. He automated production at the red-brick factory built by his grandfather on the city's West Side. Where it once took 22 people to put together a product, it now takes seven. Krauss also badgered his suppliers to knock down their prices for parts.

In 2000, he took the hardest step of all: He opened a factory in Shenzhen, China, where workers earn 25 cents an hour, compared with \$13 in Chicago.

On the Web

Additional photos are available at www.latimes.com/walmart.

About 40% of his products now are made in China, including most heaters and desktop fans. The Mirafiors' box fan was assembled in Chicago, but its electronic guts were imported.

"My father was dead set against it," Krauss said of the move overseas. "I have the same respect for American workers, but I'm going to do what I have to do to survive."

Survival in an age when consumers are hyper-vigilant about prices means shaving expenses again and again. "Nobody wants to be on the shelf with the same item for \$1 more," Krauss said.

All the retailers he supplies — including Home Depot Inc. and Target Corp. — drive a hard bargain with manufacturers. But none is as tough as Wal-Mart, Krauss said.

Twice a year, his sales representatives travel to Wal-Mart headquarters to pitch their products. There, competitors sit side by side, waiting to be ushered into one of 60 glass-sided cubicles — a space some call Vendors' Alley.

Then the haggling begins. "You give them your price," Krauss said. "If they don't like it, they give you theirs."

The suppliers are at a disadvantage. The Wal-Mart buyer can always go out to the waiting room and find someone who will go lower. "Your price is going to be whittled down like you never thought possible," Krauss said.

After moving much of his manufacturing abroad, Krauss doesn't see any way to push costs lower. "If you're doing things legally, you can't," he said.

At the Serene Avenue store, shopper Sarah Saxon, 17, pulled a \$40 Lakewood heater off the shelf. She looked it over, then put it back in favor of an AirTech model selling for \$24.88. She said it looked better than the Lakewood.

"Besides," she said, "it's cheaper." [See Wal-Mart, Page A31]

Comparison shopping

These groceries were bought on Sept. 4 at a Wal-Mart Supercenter and at nearby Vons and Albertsons stores in Las Vegas.

	1 gallon of milk	2-lb. bag of carrots	Head of romaine lettuce	Box of Cheerios	Large loaf of Wonder bread	13-ounce Folgers coffee	2-liter bottle of Coke Classic	Hebrew Nat'l. hot dogs	Herbal Essence shampoo	Total
Wal-Mart	\$1.95	\$.98	\$1.18	\$2.50	\$1.50	\$2.53	\$.98	\$3.14	\$2.94	\$17.70
Albertsons	\$3.05	\$.99	\$1.49	\$2.00	\$1.50	\$3.99	\$1.34	\$4.39	\$4.99	\$23.74
Vons	\$3.24	\$1.29	\$1.49	\$3.99	\$2.79	\$3.69	\$1.69	\$4.29	\$2.94	\$25.41

THE WAL-MART EFFECT

'Wal-Mart wants our customers and your jobs. If we don't change, you bet we'll lose jobs — and it will be in the thousands.' —LARRÉE RENDA, *Safeway executive*



ECONOMIC POWERHOUSE Shareholders gather at Wal-Mart's annual meeting in June, filling the Bud Walton Arena at the University of Arkansas in Fayetteville. According to researchers, 4% of the growth in the U.S. economy's productivity from 1995 to 1999 was due to Wal-Mart alone.

Wal-Mart, from Page A30

Wal-Mart's culture of cheap emanates from Bentonville, a town of 20,000 tucked into the low green hills of northwest Arkansas, where a young Sam Walton opened his first five-and-dime in 1962. Even then, Walton wanted to slash prices as much as he could and still make a profit. Other stores would use price breaks from manufacturers as a way to boost their bottom lines, paying less at wholesale while leaving retail prices untouched.

Walton passed such savings on to his customers as his discount business evolved into Wal-Mart stores in 1962. He figured he would make up the difference in volume. He was right.

By the mid-1980s, Wal-Mart's success had catapulted Walton to No. 1 on the Forbes list of richest Americans. Still, he drove an old pickup truck to haul around his bird dogs, refused to fly first class and shared hotel rooms with colleagues on business trips.

Bentonville, like the man who put it on the map, is a combination of Southern charm and Midwestern practicality. The town square is anchored by the original Walton's five-and-dime (now a visitors' center) and dotted with small shops. But the real action is down Business Route 71, where the Wal-Mart Supercenter rises up, big enough to fit three 747s with room to spare.

Across the street is the base of Wal-Mart operations: the Home Office. The world's biggest company occupies an industrial-looking hodgepodge of windowless work spaces, connected by bunker-like hallways. The drab gray-and-blue walls display the vision and savings of Sam Walton, who died in 1992.

"Listen to your associates... They're the best idea generators."

"To succeed, stay out in front of change."

"Swim upstream. Go the other way. Ignore the conventional wisdom."

Lists abound. The best-performing stores. The worst-performing stores. Under a picture of the founder asking, "Who's taking your customers?" is a roster of competing retailers, including Costco Wholesale Corp., Circuit City Stores Inc. and Target, with the name and picture of each company's chief executive.

It's all part of the Wal-Mart culture: a zealous attention to competition, customers and costs.

Wal-Mart employees, unlike their counterparts at other retailers, are forbidden to accept so much as a soda from vendors — or anybody else the company does business with — on the theory that such favors ultimately are paid for by consumers. The company's meticulous management of the flow of goods, from the factory floor to the



LABOR RELATIONS: Larry Allen, who worked at a Las Vegas Wal-Mart where he advocated for a union election, is now an organizer. Sandy Williams, an employee at Sam's Club, which is owned by Wal-Mart, also backs the union.

store shelf, has shaved shipping and inventory costs to a degree that retailing experts say is unprecedented.

"You could argue that some of what Wal-Mart does to cut costs which has been win-win," said Richard S. Tedlow, a professor of business administration at Harvard Business School. "What's being squeezed out is waste."

The company is so ruthlessly efficient that 4% of the growth in the U.S. economy's productivity from 1995 to 1999 was due to Wal-Mart alone, researchers at the McKinsey Global Institute estimated last year. No other single company had a measurable impact. Wal-Mart also has forced competitors to become more efficient, driving the nation's productivity — output per hour of work — even higher.

Walton, who still is referred to as Mr. Sam throughout the corporation, worked in a ground-floor office barely big enough for a conference table. The current occupant, Chief Executive H. Lee Scott Jr., is the keeper of Mr. Sam's vision. Like all Wal-Mart executives, he empties his own trash and shares budget hotel rooms when traveling. Everyone files coach.

"We do not have limousines," said Scott, who certainly could afford one, having made nearly \$18 million last year in salary, bonus and stock, plus options with an estimated value of \$11.3 million. "I drive a Volkswagen Bug."

Wal-Mart's stinginess reaches down to the executive suite in the loading dock. Some truckers complain that they must unload their own cargo — or pay

Wal-Mart to do it. Other big retail chains absorb that cost themselves. "They're awful," said independent driver George Hauschild of Palm Springs. "They don't even let you use the bathroom."

At every one of the 2,966 Wal-Marts in the U.S., thermostats are kept at a steady 73 degrees in summer, 70 degrees in winter; raising or lowering the temperature is considered a waste of money.

Such measures seem mild compared with what Wal-Mart has done to cut payroll costs. In one case, a jury in Oregon last year found that company managers had covered hundreds of employees to work overtime without pay.

The managers were driven by intense pressure from Bentonville witnesses said. Managers whose labor costs were considered too high were singled out during the company's weekly in-house satellite broadcasts. In response, managers tampered with electronic time cards or bullied employees to work off the clock, according to trial testimony.

The Oregon jury found last December that Wal-Mart's behavior was illegal and willful. A separate trial to determine damages for the 290 plaintiffs is set for early next year.

Wal-Mart settled similar overtime suits in Colorado and New Mexico for undisclosed amounts. More than 40 other cases are awaiting trial.

The company says it prohibits off-the-clock work and blames the problems on a small number of rogue man-

agers.

Last month, Wal-Mart ran into trouble because of another cost-cutting practice: using dirt-cheap janitorial services.

A grand jury is investigating whether Wal-Mart knew that janitors provided by subcontractors were illegal immigrants cheated out of overtime pay. Federal agents raided 61 Wal-Marts across the country and seized boxes of documents from the Bentonville headquarters. Wal-Mart has denied wrongdoing.

Scott, the CEO, lauded Wal-Mart's employment record. Even in tight labor markets, he said, the company never has trouble finding workers.

"It is not forced labor," he said. "The truth is, I go to the stores and shake hands with the associates, and they like working at Wal-Mart."

On the Fast Track

Aaron Rios liked working at Wal-Mart so much that he decided to make his career there.

Like two-thirds of Wal-Mart's store managers, Rios started off as an hourly worker — in his case, stocking shoes on the graveyard shift at the Wal-Mart in his hometown of Hanford in the San Joaquin Valley.

After two years, Rios was recommended for management training — the company's last track — leading him to quit community college and pursue a climb through the Wal-Mart ranks.

"There's just something about a Wal-Mart environment," said Rios,

who became manager of the Serene Avenue Supercenter in Las Vegas at age 26. "It changed who I am, where I was going and what my career goals were."

Wal-Mart store managers earn about \$95,000 annually, including bonuses, according to the company. Supercenter managers earn \$130,000.

A management position requires long hours — as many as 80 a week — and, often, a willingness to relocate. Rios worked at six California Wal-Mart stores before taking the helm at Serene Avenue.

"It doesn't come free," said Rios, a divorced father who shares custody of his 2-year-old son.

Still, he said, the benefits outweigh the sacrifices.

"I have an open opportunity. I could go into real estate for Wal-Mart. I could do systems, analysis, accounting. It's endless," Rios said. "If I wanted to go to Germany or Japan or Brazil or any of the markets we have, I believe I could go."

A few weeks later, Rios snared an open promotion, moving back to California as a district manager in the Antelope Valley, overseeing seven stores from Barstow to Palmdale.

Larry Allen had his own dreams of climbing the Wal-Mart ladder.

In the fall of 2001, he and his wife, Jacque, left Portland, Ore., where the economy was sputtering and headed to Las Vegas. He was an executive chef and she worked in catering. They looked forward to a fresh start in unionized casino jobs, making more than \$15 an hour, with health insurance and pensions.

But recession and terrorism were hitting the gaming industry hard, and work of any kind was scarce.

Just before their money ran out, the Allens lowered their expectations and took jobs at the Serene Avenue Wal-Mart. Jacque, then 43, worked the counter at the in-store restaurant. Radio Girl, Larry, 46, stocked produce. They each earned \$8 an hour.

Despite the letdown, Larry Allen said he attacked the job with enthusiasm. Inspired by tales of well-paid Wal-Mart managers who had started out as hourly employees, such as his manager Aaron Rios, he figured on working his way up. "That was Sam's way, he said.

"I've been following Sam Walton since the 1970s," he said. "He's the American dream."

The glow faded quickly. At his 90-day review, Allen said, he received an unenthusiastic write-up and an hourly raise of 35 cents. His supervisor told him that if he continued working hard, in two years he might make his way up to \$10 an hour.

Allen thinks he knows why he received such mediocre marks. For one thing, he was prone to question company policy. Then, Allen committed the ultimate act of disloyalty: He openly promoted unionization.

West Coast Amateurs

For decades, Wal-Mart has tantalized and frustrated union organizers. But the company's move into the grocery business — a labor stronghold — has raised the stakes dramatically.

Union organizers say the high wages and benefits of their members are at risk, as Wal-Mart expands its Supercenters beyond the South and Midwest. The company recently established a beachhead in Las Vegas, with five stores.

Next stop, California, where Wal-Mart plans to open 40 Supercenters starting next year. In a sense, it has already arrived. Wal-Mart's low wage, a central factor in the labor dispute between California's three major supermarket chains and the United Food and Commercial Workers.

"They are the third party now that comes to every bargaining situation," said Mike Leonard, director of strategic programs for the UFCW.

Over many years of hard negotiating, the union has won and maintained premier contracts for its 800,000 grocery workers. But with the opening of each new Supercenter, the union's clout is eroding.

Every one of the giant stores sells nearly 200 UFCW jobs, said retail consultant Bart P. Flickinger III, who runs Strategic Resources Group in New York. That means less power at the bargaining table and less money to hire organizers.

On average, Flickinger says, Wal-Mart's wage-and-benefit package is about \$10 an hour less than those offered by unionized supermarkets.

(See Wal-Mart, Page A32)

Unrivaled expansion

1962-1973: The first Wal-Mart opens in Arkansas in 1962. By 1973, there are 64 stores in six states.

1974-1988: By 1988, the chain has 1,116 stores in 23 states, still mostly in the Midwest and South.

1989-2003: In 1990, Wal-Mart becomes the No. 1 retailer in the U.S. Today, it has 2,966 U.S. stores.

THE WAL-MART EFFECT

'If you are the sole provider for your family and [cannot] move up the ladder, then maybe it's not the right place for you.' —MONA WILLIAMS, Wal-Mart spokeswoman

The Inseparable Party in Contract Talks

[Wal-Mart, from Page A31]

For shoppers, that makes a big difference. A cartful of groceries is 17% to 30% cheaper at a Wal-Mart Supercenter than at a unionized supermarket, according to a survey last year in Las Vegas, Dallas and Tampa, Fla., by investment bank UBS Warburg.

Wal-Mart's move into groceries has led 25 regional supermarket chains around the nation to close or file for bankruptcy protection, eliminating 12,000 mostly union jobs, Flickinger said.

With this in mind, Safeway Inc. recently aired a videotaped message to employees, whose contract in Las Vegas expires next fall.

Wal-Mart wants our customers and your jobs," said Safeway executive Larree Renda. Total wage and benefit costs represent 15% of sales at Safeway, Renda said. At Wal-Mart, they account for 9%.

"If we don't change," Renda said, "you bet we'll lose jobs — and it will be in the thousands."

Staying Unorganized

From their first day on the job, Wal-Mart employees are organized to avoid unions and to report any organizing activities to their supervisors.

"If a union got in here, every benefit we've got could go on the negotiating table, every one of them," says a manager identified as Russell, a veteran employee, in a video shown to new hires. "Unions will negotiate just about anything to get the right to have dues deducted out of paychecks. You see, they need big money to pay union bigwigs and their lawyers."

Company policy prohibits any union talk in work areas and organizers say they routinely are asked to leave stores. The retailer sought, and last year received, a court order keeping organizers out of all of its stores in Arkansas. The state Supreme Court nullified the order in July.

At the first hint of union activity, Wal-Mart managers are supposed to call a hotline, usually prompting a team visit from Bentonville.

Wal-Mart spokeswoman Mona Williams said the intervention was meant to help store managers respond effectively and legally.

"Our philosophy is that only an unhappy associate would be interested in joining a union," she said, "so that's why Wal-Mart does everything it can to make sure that we are providing our associates what they want and need."

But dozens of times in the last four years, attorneys for the National Labor Relations Board have claimed that the company infringed on the supermarket union's legal right to organize.

Although some of those claims have been thrown out, others have been upheld by administrative law judges, who have ruled that Wal-Mart illegally influenced employees with offers of raises, promotions and improved working conditions just before they were to vote on whether to join a union.

Judges also have found that Wal-Mart illegally implied that workers could lose benefits such as insurance and profit sharing if they unionized.

What's more, managers illegally confiscated union literature, threatened to close down a store if workers voted to join the union, fired several union supporters and failed to promote others, according to rulings from Minnesota to Florida.

Committed in their previous attempts to organize Wal-Mart workers, UFCW leaders adopted a new strategy in 2000. They decided to marshal their resources for a concerted organizing effort in one place: Las Vegas.

The union reached out to workers with a Web site and a weekly radio talk show, and posted organizers outside Wal-Mart stores at all hours. When they could, UFCW members would leave union literature inside stores, hoping that workers would see it before managers ordered the material thrown away.

Larry Allen got his first glimpse at a union pamphlet last year as he carried it to the garbage at the Serene Avenue Supercenter. He was hooked, and began advocating for an election to bring in the union.

"Somebody has got to step up and fight for what is right," Allen said.

Ripple Effect

Less than a mile away from the Serene Avenue store, another shopping center stands deserted, in desperate need of an anchor.

A year ago, the Raley's grocery store drew thousands of shoppers who spilled out to neighboring businesses, buying flowers, mailing packages, resting their nails done. Today, the store is

gone. The remaining shops are struggling.

"I'm probably down 45%," said Bonnie Neisewander, who owns a UPS Store franchise in the center. "I just don't get the foot traffic anymore."

A few doors away, Windmill Flowers owner Diana I. Murphy leaned on a table where she would have been arranging bouquets — had there been customers.

"There are a couple of things in play," Murphy said. "The recession, terrorism. And Wal-Mart. It's had a direct effect on me, because they sell flowers, too.... They even deliver."

Unlike small towns with boarded-up commercial centers, fast-growing Vegas quickly loses track of its Wal-Mart victims.

Wal-Mart's costs to the community tend to show up in subtler ways.

In an informal survey in the late 1990s of people who used Las Vegas emergency rooms for routine medical care, patients who said they were employed but uninsured were asked where they worked.

"Wal-Mart came up more than any other," said Dr. Raj Chandrera, a Las Vegas cardiologist and chairman of the Clark County Health Care Access Consortium, a group that works to provide medical services to the uninsured.

The reason, say critics: Because Wal-Mart pays such low wages, many employees can't afford the health insurance the company offers. And those who do have health coverage through the company often can't afford deductibles that run as high as \$3,000 a year.

"Their employees are ending up at the county hospital and become the burden of the county," said Clark County Manager Thom Reilly.

Wal-Mart disputes that. Williams, the company spokeswoman, said that 46% of employees are covered by Wal-Mart's health insurance plan. Among those who aren't, 26% have coverage from another source such as a spouse's employer or Medicare, Williams said.

The notion that Wal-Mart doesn't provide adequate health coverage is "just rhetoric," she said. "It's simply not true."

According to the Employee Benefit Research Institute in Washington, nearly 44% of workers in the retail sector as a whole have employer-provided health coverage. Among big companies in all industries, the figure is 66%.

Those who blame Wal-Mart of short-changing its employees, Williams suggested, don't understand the modern service economy. "Retail and service wages are what they are," she said, "whether you look at a department store, a discount store, the local dry cleaners, the bakery or whatever.

"Wal-Mart is a great match for a lot of people," Williams added. "But if you are the sole provider for your family and do not have the time or the skills to move up the ladder, then maybe it's not the right place for you."

'Still Believe in Wal-Mart'

Larry Allen spent about a year advocating for the supermarket union while working at Wal-Mart.

In the parking lot and in the break room, he passed out fliers and talked up the benefits of unionizing. But he and his fellow union backers didn't get as far as they hoped. About 40% of workers in the grocery department at Serene Avenue unionized UFCW cards — not enough for the union to file confident about winning an election.

In August, Allen was fired. NLRB attorneys said it was because of his union activities and filed a complaint against Wal-Mart, seeking his reinstatement.

On a recent afternoon outside the Supercenter, dozens of union members rallied to support Allen. "Larry, Larry, Larry," they chanted. Over at the store's entrance, the demonstration was a muffled, distant bit of noise. Store managers watched on as surveillance cameras scanned the crowd.

Asked about the surveillance, a gray-haired Wal-Mart greeter named Robert just smiled. "They want to make the store union," he said. "But that would make the prices go up for our customers. We can't let that happen."

On some level, even Larry Allen understands. "I still believe in Wal-Mart," said Allen, who now is on the union payroll as an organizer. "I like the idea of it — give a quality product at a low price. It's what the American public wants."

Coming Monday

Overseas, Wal-Mart's low-cost suppliers feel the heat.



ON STAGE: H. Lee Scott talks to shareholders at an annual meeting this year in Fayetteville, Ark.

Proud to Be at the Top

H. Lee Scott Jr., 54, joined Wal-Mart in 1979, overseeing the company's trucking fleet. He gained a reputation as a master of logistics, moved into sales and merchandise, and became CEO in 2000. A friendly, plain-spoken man, Scott sat down in his office and talked about where the company has been and where it's going.

Question: What obligations does Wal-Mart have as the biggest company in the world, and are you meeting them?

Answer: We have an obligation to give back to the community, and I think we are. We do not have a sense that we have to make corporate donations to rebuilding monuments or supporting opera or the arts or any of those things. We think our obligation is to give back in that individual community. That's where that money came from, that's where it ought to go back to.

Founder Sam Walton said that Wal-Mart wouldn't go where it wasn't wanted. Is that still true?

I think that is true. How do you define "where it's not wanted"? Is it not wanted by those people who would like to not see lower prices? I don't think we're going to let them define whether or not we come. Is it going to be those people who do not want to compete with Wal-Mart? I don't think we're going to let them define it.

What services or products can Wal-Mart add?

Well, I think financial services is one we would like to be in. We're already offering money orders. We've dramatically lowered the costs of wiring money. There's probably a place for us in mortgages. I think the dot-com is going to be in very powerful tool.

How big can Wal-Mart be?

We are 8% of the nonautomotive, nonrestaurant sales in the U.S. I'm not sure why it couldn't be 24%. We're really done a great job for our customers, lowering prices, lowering the cost of living, raising the standard of living. It is really unhealthy for us to be 32%? Could we be four times

bigger right here? I don't know why not.

Tell us about plans for expansion in California. When will you see that?

I think they're going to see it very quickly. Our goal is to roll out Supercenters as we get the permission from individual towns, and to roll out Supercenters fairly aggressively in California.

What is your response to critics who say Wal-Mart is replacing high-paying supermarket jobs with inferior ones?

I think it's interesting that people think that they can legislate what the world is going to look like. That they can set up a process of protections that doesn't reward efficiency.

We went through the lowest period of unemployment we've had in years, and yet we staffed our stores. We hired people. We trained people. So, if our jobs were so poor, when you had 2% unemployment, 3% unemployment, how did we get a million people?

Do you think your wages and benefits should be better?

No. But I think one of the goals would be to pay people as much as you can pay them. I think that's obviously anybody's goal, so that you can have a balance between what the prices should be [and] what the pay should be.

I think health care is a huge issue for all of us and whether it's buried in the costs of the product or whether it's in your paycheck. I think there's something that we as a country are having to address as we see these costs going up.

Are you proud of the wages and benefits you provide?

Yes, I'm proud. I think it's very competitive, but I'm particularly proud of the careers we provide. I see associates who like us and appreciate what the company has done for them and who know that the company appreciates what they have done.

—ABIGAIL GOLDMAN

Financial snapshot

Wal-Mart sales (in billions)

1973	\$0.12	
1978	\$0.68	
1983	\$3.38	
1988	\$15.96	
1993		\$55.48
1998		
2003		\$117.96

Sources: Retail Financial, company reports, Times research

Net income (in millions)

Year	Net income (in millions)	Year	Employees worldwide
1973	\$4	1973	3,500
1983	\$124	1983	46,000
1993	\$1,995	1993	434,000
2003	\$234.52	2003	1.5 million

World's largest retailers

By global sales (in billions*)	World's largest retailers
Wal-Mart (U.S.)	\$244.5
Carrefour Group (France)	\$64.8
Home Depot (U.S.)	\$58.2
Kroger (U.S.)	\$51.8
Metro (Germany)	\$48.1
Royal Ahold (Netherlands)	\$47.1
Target (U.S.)	\$42.7

*For each company's latest fiscal year