

Wal-Mart: A Destructive Force for Chicago Communities and Companies

Special Report to
The New Chicago School of
Community Economic Development

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CLCR is a not-for-profit research and consultancy organization founded in 1982. Our mission is to promote and support High Road economic development, build sustainable communities, and work with companies to improve business performance through innovation and effective partnerships. We believe that research tied to strategy leads to results.

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Executive Summary

The New Chicago School for Community Economic Development is a network of practitioners working in universities, community and community development organizations, businesses, unions, and consulting organizations. We share a determination to promote High Road development that is socially, economically, and environmentally sustainable. We are equally determined to expose and block Low Road business strategies that destroy the productive capacity and future of our communities, companies, and society. A fuller description of the New Chicago School plus contact information is at the end of this report.

Wal-Mart: A Destructive Force for Chicago Communities and Companies is a working draft prepared by Dan Bianchi and Dan Swinney for the New Chicago School. The paper describes Wal-Mart's Low Road practices that have contributed to the decline of communities as a result of its stores. The paper argues that Chicago must not allow this predatory company to operate in our city, and must instead promote and further develop a High Road retail sector that benefits consumers as well as builds communities.

The High and Low Road: For businesses, labor, community, and government, there is a fork in the road representing a choice between the "High Road" and the "Low Road." We believe that key elements of the solutions to the challenges of a late capitalist society can be met when businesses adopt certain practices. We call this set of practices the High Road. High Road practices benefit workers and communities, but they also materially benefit the businesses that adopt them. Examples of High Road business practices include:

- ❖ Managing the business for long-term value, including shareholder value, as opposed to chasing short-term gains. Firms managed this way:
 - Reinvest in the business;
 - Have adequate capital per worker;
 - Enjoy high productivity; and
 - Constantly innovate in products and processes, based on an adequate R&D budget.

- ❖ Guaranteeing workers' active participation in decision-making. Genuine worker involvement has been overwhelmingly shown to yield rich profits. Worker involvement is also arguably the High Road practice with the most direct spillover effect into society. There is evidence that High Road business practices, mediated through the mechanism of subjective competence, increase the stock of social capital, which in turn strengthens civil society and thereby democratic government, while at the same time improving the health status of the community.

- ❖ Implementing equitable employment and labor practices. Workers are paid family sustaining wages and benefits, are well trained, have opportunities to advance and have the freedom to associate and organize. Diversity in the workplace is embraced.
- ❖ Developing ethical and fair relationships with suppliers.
- ❖ Treating customers ethically, fairly and well.
- ❖ Operating the firm in an ecologically sustainable manner.
- ❖ Ensuring that company products and workplaces are safe; and
- ❖ Treating the community as a key stakeholder and acting in the community's best interest.

Some would see this as the way business was generally done in the past; it is not a particularly new concept. In contrast, the Low Road seeks a strong return on investment by:

- ❖ Emphasizing short-term gains, even if that means postponing or sacrificing improvements in the productive capacity of the company or sector;
- ❖ Keeping wages and benefits at the lowest possible levels;
- ❖ Managing by intimidation, undermining employee initiative, and discouraging the exercise of employee rights; and
- ❖ Ignoring the needs and concerns of those beyond the most short-sighted and powerful shareholders, investors, and/or managers.

The pursuit of the Low Road by some companies is made possible by new opportunities created by the global economy and new technology. Business in the manufacturing, retail, and service sectors can take the Low Road by responding to the challenge of domestic and global competition by slashing costs, reducing investment and lowering wages, or moving production to the state or country with the lowest wages at the moment. Leaders in the public as well as private sector must recognize that this strategy is not the only option, and this strategy guarantees the degradation and destabilization of our economy and society.

Wal-Mart Embodies the Low Road: Wal-Mart started as a family-owned discount store grounded in decent values and a commitment to provide low-cost goods for consumers. During its dramatic growth, it has been an innovator in the retail industry. But it has now evolved into one of the largest and most destructive companies in the world. There have been detailed exposures of Wal-Mart's destructive business practices in *Business Week*, the *Wall Street Journal*, and scores of other publications as well as in

reports prepared for the US Congress. Wal-Mart has become recognized as a leading destructive economic power in the US and abroad. Where it establishes stores, other retail stores are forced to close, wage and benefit rates for workers are lowered in the area, the rights of workers to organize are abused, and local communities have to pick up the costs of these abuses in many different ways. In the face of these revelations, Wal-Mart has launched an aggressive public relations campaign to create the illusion that the company is a source of good jobs and benefits for workers and communities and a good corporate citizen.

Wal-Mart is trying to enter the Chicago market. Some in the City welcome their entry hoping that Wal-Mart will provide jobs in communities desperate for new employment, tax revenues for the city, and low-cost goods for consumers. The New Chicago School opposes the entry of Wal-Mart into Chicago. Wal-Mart will accelerate the de-development of our communities, further drain scarce public resources, and encourage anti-labor actions and sentiment. Chicago needs to stop Wal-Mart from entering our city. Instead, Chicago needs to encourage the development of a High Road retail sector that both meets the needs of consumers as well as builds our communities.

The New Chicago School for Community Economic Development calls on Mayor Daley, the City Council, as well as our labor, religious, civil, community, and business leaders to join us in stopping Wal-Mart from coming into our community and to instead focus on being the national leader in creating a comprehensive High Road retail sector that will be the envy of the global economy. This is not principally a moral or political argument, although it has those dimensions. It's a business argument. Scarce city dollars and city assets such as land and infrastructure should be used in a way that secures the greatest return for the city—the biggest bang for the buck. This is the wisdom that guides any investor. It's clear that City investment in Wal-Mart and its proven Low Road policies will result in a *negative* return on investment. It is simply the obligation of good government to find and reward those in the retail sector who operate on the High Road and will generate a *positive* return on investment for the City.

Wal-Mart: An Overview

Founded in 1962 in a small Arkansas town by Sam Walton, Wal-Mart started as a family owned discount store that was grounded in values of respect for workers and community, and committed to under-pricing the competition. There is no questioning the company's incredible efficiency and shrewd market sense, and that the innovative business strategy of Sam Walton has transformed the retail industry in some positive ways. However, somewhere along the way Sam Walton and his successors lost track of the community- and worker-focused values on which Wal-Mart's initial success was built. Wal-Mart is still run on the principle that low prices are the greatest good, yet its commitment to Low-Road business practices and disregard for community and worker well being are far more damaging to its employees, suppliers, manufacturers and the community than any of the supposed benefits of low prices.

Wal-Mart is the world's largest company in terms of sales. It is the US's largest private employer--second only to the federal government--with 1.1 million workers. Recently it has become the largest grocer in the US¹. Wal-Mart has 3,400 stores in the US and 1,400 abroad. It plans to open 1,000 Supercenters (combination supermarket/discount stores) in the next five years². In 2002 it posted revenues of \$246.5 billion, a 12.2% increase over 2001 and made a net profit of \$8 billion, or about \$7,300 per employee on an annual basis. The five members of the Walton family who own a substantial portion of Wal-Mart are all on the list of the 10 wealthiest Americans and are collectively worth \$100 billion dollars³.

Because of Wal-Mart's size, its enormous profitability, and its aggressive growth, it cannot help but be a leader in defining corporate trends. For instance, Wal-Mart pioneered the use of the Universal Bar Code and insisted that its suppliers do the same, laying the groundwork for its proliferation across the entire US. Similarly, although Wal-Mart did not invent the discount store, it certainly has dictated and perfected the nature of the market. Wal-Mart's size of stores, variety of goods, warehouse clubs, marketing strategies, distribution, and relationships with suppliers – and increasingly with labor – have become the sector benchmark.⁴

Perhaps the greatest threat posed by Wal-Mart's ability to lower costs lies in the effect that this has on its competitors. Wal-Mart's strategies focus on cutting cost in all phases of business, while ruthlessly targeting competitors and unions. This is exemplified in practices that include boardroom meetings where executives pay for their own coffee, distribution that employs constantly evolving techniques and technology (like just-in-sequence loading, and, starting soon, radio chips in every item), relationships with suppliers that force vendors to lower the price of an item each year or face losing their contract, relentless insistence on efficiency and punctuality, and employee relations where unquestionably Low Road methods are used to lower labor costs at the expense of worker rights and health. This obsession with slashing costs, combined with Wal-Mart's size, leave competitors with no choice but to follow suit or perish. Although it does not have majority market share everywhere it goes, Wal-Mart's low costs and popularity

force competitors to behave as it does. Thus, when Wal-Mart innovates in the field of Low-Road retail and groceries, its competitors replicate. This is visible in Southern California where more than 70,000 grocery store workers were forced into a strike with Ralph's, Albertson's and Safeway stores. These chains were preemptively attempting to cut benefits to be more competitive as Wal-Mart arrives, despite the fact that estimates say Wal-Mart will only have a 5% market share in the region in the next 5 years⁵.

Wal-Mart's PR Offensive—Create the Illusion

Wal-Mart actively cultivates two complementary images of its operation. The first is the image of a friendly, all-American company employing happy workers and smiling greeters who are eager to help and grateful to work at Wal-Mart. This is the company that always offers low prices, shares warm-hugs with its employees, respects its customers and cares about the community. This is the Wal-Mart of 30-second, warm and fuzzy television commercials with the smiley face. Perhaps at one time this was indeed the reality of Wal-Mart. This is certainly much easier to believe of Wal-Mart when Sam Walton was still alive and when the company was true to its "Buy American" pledge.

However, as of late, Wal-Mart has taken a series of public relations hits and the company has recognized a concurrent slide in consumer perception. Wal-Mart's own research informs it that the public is increasingly suspicious and untrusting of the giant retailer. The reaction to this problem has been a massive public relations campaign designed to flood the public with more sugary-sweet images of employees telling tales of how life-saving operations were paid for by Wal-Mart's health insurance, or clips that highlight Wal-Mart's profit sharing initiatives, the openness of its management ranks and the community development work it funds⁶.

When Wal-Mart is challenged by, for instance, a community group or a city council, it responds with a much more nuanced and sophisticated level of illusion. In Los Angeles when the city council proposed a zoning ordinance that would ban the store from the city, Wal-Mart commissioned the Los Angeles Development Corporation to study the economic impact of Wal-Mart Supercenters on Southern California. The findings of this supposedly unbiased report were that savings on grocery bills for L.A. families would have such a positive effect on the overall economy that any negative effects of Wal-Mart's presence (lower wages, decreased benefits, etc.) would be overcome by the average savings of \$500 per family, per year⁷. Thus, the overall economic impact, supposedly measured objectively, would be to lower grocery and retail costs, promote spending, and create jobs. Very serious and compelling doubts have been raised about the accuracy of such assertions, but it is important to note that Wal-Mart actively responds to critics who raise significant questions with complex public relations campaigns.

A more common response to attempts to keep Wal-Mart out through legislation is for the super-retailer to sponsor ballot initiatives and form "citizen groups" in favor of Wal-Mart, and spend hundreds of thousands – even millions – of dollars to create the impression that the community welcomes its presence and its low prices at all costs. In

these cases Wal-Mart draws upon issues of consumer choice to reach out to voters, urging communities to let shoppers decide with their dollars what kind of stores they want. The company hopes to thereby skirt the more complex development issues and keep the level of dialogue quite low⁸.

The Real Wal-Mart

Needless to say, the image projected by Wal-Mart is far from the whole story. While Wal-Mart is not without some positive attributes, it is undeniably one of the premier Low-Road firms operating in the US and world today – so much so that it almost appears as if Wal-Mart’s overriding goal is the erosion of social capital, healthy communities, and quality jobs, not low prices. This can be seen across nearly every part of its operation – from its relationship to producers to its treatment of employees and customers, and to its treatment of communities—large and small.

Wages

Based on estimates by Forbes Magazine, the United Food and Commercial Workers, and Ralph’s (Kroger) supermarket chain, the average Wal-Mart “Associate” (non-management, non-salaried worker) earns between \$7.50 and 8.50 an hour.⁹ A study by the staff of a congressional committee placed the average Wal-Mart associate wage at \$8.23 in 2001.¹⁰ This is significantly less than the national average hourly wage of retail or grocery workers (union or non-union)¹¹. Nationally grocery workers are paid an average of \$10.35/hour in the unionized or non-unionized sector, based on Bureau of Labor Statistics data¹². In the retail sector, wages average approximately \$9.50 to \$10.50 per hour for union and non-union, non-supervisory workers¹³. Nationally, union grocery workers earn considerably more, as much as \$11-\$12 per hour more than Wal-Mart employees when benefits are factored in¹⁴. As of 2002 in Chicago the average hourly wage for retail workers without college degrees in either the unionized or non-unionized sector was \$10.93¹⁵.

Wal-Mart wages are typically not adequate to sustain a family: employees are often living below the federal poverty line and eligible for food stamps. At Wal-Mart full-time workers are defined as those working 34 hours or more per week¹⁶. A very large number of employees are asked to work less than this in order to keep benefit costs down. The following table shows that a typical “Associate” would be eligible for food stamps and all but those few workers working 40 hours a week and having small families would be below the poverty line. Bad as this seems the poverty line may not be the best measure of just how bad off Wal-Mart employees are. The federal poverty level is a more or less arbitrary figure that poorly estimates the way poor Americans spend their income and as a result is significantly lower than the self-sufficiency level, as defined by Wider Opportunities for Women Self-Sufficiency Standard. This is the ability to meet the needs of healthcare, food, transportation, housing, etc. without government assistance. In many places in the country, a family of four with *two* Wal-Mart employees working 34 hours

per week would fall below this level¹⁷. Of course, Chicago is a high cost area where abysmal Wal-Mart wages will not stretch as far as they would in a rural community.

Hours working at Wal-Mart	Working 33 hours		Working 40 hours	
Family size	3	4	3	4
Hourly wage	8.23	8.23	8.23	8.23
Annual earnings	14,123	14,123	17,118	17,118
Federal poverty line	15,260	18,400	15,260	18,400
Above (below) poverty line	(1,137)	(4,277)	1,858	(1,282)
Food stamp eligibility	19,838	23,920	19,838	23,920
Above (below) food stamp eligibility	(5,715)	(9,797)	(2,720)	(6,802)

Wal-Mart often defends its low wages by pointing out its health benefits (see below) and by pointing out that two-thirds of its managers were once hourly, entry-level workers. However, as a new store is opened managers are typically moved from other existing stores and do not come from the area around the store. While there are a very few better paid, salaried jobs at Wal-Mart the benefits of these positions are diluted by the closed nature of these positions in new stores and by the extremely high turnover rate at Wal-Mart (see below).

At Wal-Mart stores, managers are judged in part on their ability to keep payroll costs at a strict percentage of sales. Because this is about the only area of operation that is significantly under the local control of the manager, it is often the primary way he/she holds down costs. Managers are given wide latitude in managing these costs, which result in great variation among company stores in the rate of pay increases, starting salaries, etc.

Worker Treatment

Overtime: Wal-Mart faces 38 state and federal lawsuits filed by hourly workers in 30 different states, accusing the company of systematically forcing them to work long hours off the clock. A July 2000 internal audit of 128 Wal-Mart stores found that 127 stores were "not in compliance" with company policies concerning workers being allowed to take breaks¹⁸.

Gender Discrimination: Despite the fact that 65% of Wal-Mart's hourly employees are women only about 30% of management is female. Female workers on average earn 4.5-5.6% less than men for the same work. Male management trainees make an average of \$23,175 a year, compared with \$22,371 for women. On June 19, 2001 current and former female Wal-Mart employees filed a massive nationwide sex discrimination class action lawsuit against Wal-Mart Stores, Inc in the U.S. District Court. The suit is seeking

class action status and will make the largest class action lawsuit ever, with well over one million participants¹⁹.

Managers: Wal-Mart store managers are salaried workers who earn bonuses based on their stores' earnings. Since the corporation dictates the inventory and operating expenses to a large degree, one of the few ways managers have to cut costs is by keeping a tight lid on wages. Wal-Mart expects its managers to increase sales each year, yet decrease labor costs by two tenths of a percent from the prior year's figures. This may be a large factor in high worker turnover rates, low health care participation, low wages, and failure to pay overtime²⁰.

Labor Rights: Wal-Mart regularly suppresses its workers' democratic right to organize through management techniques, labor busting teams, and unfair intimidation. Federal labor law charges have been filed on behalf of Wal-Mart workers in 25 states. From 1998 through 2003 the National Labor Relations Board (NLRB) filed more than 45 complaints accusing Wal-Mart managers in more than two dozen stores of illegal practices. When meat cutters at a Jacksonville, Tex., Wal-Mart voted for UFCW Local 540 representation in February 2000, the company refused to recognize the union, and suddenly eliminated the meat cutter job function and switched to case-ready "boxed" meat. So extreme was its desire to prevent unionization that Wal-Mart not only eliminated the butcher function in that particular store, but in every single store in the entire nation: all to prevent eleven employees from being unionized. After a lawsuit and three years of litigation the case was resolved in favor of the workers who had their Union recognized. However, only one of the original workers from the meat-cutting department was still there and is the only member of the local.²¹

Worker Turnover: On average, worker turnover at a Wal-Mart store is 50% per year. Some stores average as much 100% turnover per year. The result is an endless cycle of entry-level workers, ineligible for health benefits and receiving the lowest or close to the lowest possible wage. This is important to take into account, given that Wal-Mart frequently points out to detractors that it has no wage structure or wage caps and that two-thirds of management started as hourly wage workers²².

Health Care: Despite Wal-Mart's attempts to show otherwise, it appears that its health care program offers incomplete coverage in a number of ways and comes at great expense to its "associates". The first great failing of Wal-Mart's Health care program is the fact that it only provides benefits to between 41-46% of employees (as compared to a national average of 66% of workers at other large firms and 53% of retail workers in any sized firm). High premiums, of as much as 20% of yearly income, also characterize the plan. Then there are the enormous gaps in coverage that ultimately force the employees who are able to afford the plan to pay out of pocket expenses, or turn to publicly funded health care to meet their medical needs. In addition, Wal-Mart places huge barriers in the way of those who attempt to insure spouses or family members under their plans. The basic failings of Wal-Mart's healthcare plan are as follows:

- ❖ Full time employees are eligible for health care coverage only after 6 months;
- ❖ Part time employees (defined as less than 34 hours a week) are eligible for coverage only after two years (it is especially important to remember that there is typically 70% turnover per year);
- ❖ Depending on the number of family members covered, premiums range from 6% of pay to 21.2% of pay (or \$864-\$3,000 per year) for a plan with a deductible of \$350; or premiums of 3% to 12% of pay (\$400-\$1,716 per year) for a plan with a deductible of \$1,000;
- ❖ An interim plan is available which is entirely funded by employees and capped at an amazingly small \$1,000 in benefits per year;
- ❖ There is an increased premium to extend coverage to a spouse, plus an additional fee of \$1,300 per year, nearly doubling the premium;
- ❖ Part-timer employees cannot receive coverage for spouses or family members;
- ❖ Wal-Mart has been widely criticized for denying fulltime status to willing employees in order to deny them health benefits.

Wal-Mart's health care plan is also characterized by huge gaps in coverage. These include:

- ❖ A 20% co-payment for workers of all medical bills in addition to their deductible (40% for non-network doctors).
- ❖ No coverage for preventable or wellness care, including regular check-ups, and routine wellness care for babies.
- ❖ No immunizations.
- ❖ A cap on the number of doctor visits for mental health problems.
- ❖ Mental health services covered at 50%.
- ❖ In-patient treatment limited to 30 days and 50% coverage.
- ❖ Costs as great as 50% of a fulltime worker's income in the form of premiums, deductibles and co-payments.²³

The list goes on and on, but the bottom line is that the small percentage of employees who have health insurance are not well covered and are likely to end up paying significant portions of their incomes to supplement coverage in the event of serious illness. Furthermore, given the low wages at Wal-Mart, this greatly increases the likelihood of turning to some form of public health care to subsidize their medical expenses.²⁴

“Made in America”: Despite Wal-Mart’s widespread campaign in the 90’s to create the impression that it “Buys American”, presently 50%-60% of its products are from abroad. In fact, Wal-Mart has nearly 3,000 supplier factories in China and nearly 10% of all imports from China to the US goes directly to Wal-Mart²⁵. Wal-Mart has even established its own global procurement division this year, abandoning any pretenses about buying American²⁶. This division of Wal-Mart searches the globe for the cheapest raw materials, manufacturers and shipping routes. This unit allows Wal-Mart to directly exert downward pressure on wages and working conditions and costs as they shop from country to country in an endless quest to squeeze countries and suppliers for the lowest possible price.

Supercenters: Supercenters are combination grocery and retail stores, typically around 200,000 square feet in size. They bring scale to Wal-Mart’s Low Road business strategy and constitute even a greater danger to the local economy than the smaller Wal-Mart operations. These massive stores usually include an extensive jewelry department; a hardware center; a beauty aid department; a full line of electronics; a pharmacy; a full-sized grocery store featuring a bakery, delicatessen, frozen food section, meat & dairy, and fresh produce departments; a one-hour photo processing lab; a barber shop/salon; an optometrist; an auto center; and a gas-station. In the next year Wal-Mart plans to build 420 Supercenters nation-wide and 1,000 over the next 5 years. A typical Supercenter grosses \$140 million per year and has around 3,300 car trips per day and 100,000 visitors per week²⁷. Two-thirds of Supercenters are converted from existing Wal-Mart discount stores²⁸. Wal-Mart’s expansion plans in this area represent an unheralded threat to grocery stores throughout the country.

Buildings: Wal-Mart has about 3,400 stores in the US and is constantly looking to expand or upgrade stores to newer, more highly trafficked locations. Right now there are more than 396 vacant former Wal-Mart stores in America. Most other retailers cannot easily reuse a 220,000 square foot Supercenter building. Wal-Mart currently leases 70% of its stores. When a location is no longer optimal, Wal-Mart often moves on to greener pastures, leaving an empty eyesore or a dangerous abandoned site. As a result, many communities have been saddled with the cost of tearing down, securing or policing abandoned Wal-Marts. This problem is further exacerbated by the strategy of over-building. This tactic calls for the construction of multiple stores near competitors in order to steal their customer base and drive them out of business. This is done even though the Wal-Mart stores may operate nearer to each other than optimal, and in the end “cannibalize” one another’s business. Once the goal of running the enemy out of town is accomplished, Wal-Mart is left with a superfluous location, which can be freely abandoned²⁹.

Supplier relationships: To a large degree Wal-Mart is able to control and dominate its suppliers. Wal-Mart stores can do this because of the sheer size of their orders and by threatening to switch to another supplier that is prepared to make the same or similar products at cheaper prices. Both of these factors give Wal-Mart leverage to pressure its

suppliers to cut labor cuts, lower prices every single year and turn themselves into a shadow Wal-Mart. It also allows them to pressure vendors into opening up their records to Wal-Mart who scours these in order to find “wasteful” spending and then demand price cuts. If a supplier offers the same product two years in a row it is expected that the cost of the item will be reduced. This pressure to slash prices at any cost inevitably forces manufacturers to follow the same Low Road tactics as Wal-Mart (low wages, union-busting, etc.) and/or move abroad. Suppliers who sell to Wal-Mart are in a paradoxical bind, they often find themselves producing and selling significantly more product while earning less due to the constant downward pressure on prices. The overall result of these policies is that Wal-Mart acts as the world’s largest engine for pushing manufacturing abroad or onto the Low Road³⁰.

Distribution: Wal-Mart has spent billions on making its distribution networks as efficient as possible. The principle mechanism to do this has been the development of its own distribution centers and its own distribution network. The vast majority of merchandise that Wal-Mart sells comes to stores from these distribution centers and is delivered by its own trucks and drivers. Its distribution centers are 1.5 million square foot regional facilities that service as many as 100 stores. Goods are shipped directly to these centers by suppliers, and often times loaded immediately onto other trucks to be sent directly to stores in a highly efficient form of just-in-sequence distribution. Wal-Mart is meticulous about the accuracy and punctuality of deliveries from its suppliers to its distribution centers. Wal-Mart employs its own drivers and owns its own trucks to reach stores from distribution centers in order to maintain the greatest control of this process, and to cut costs.

According to some analysts, Wal-Mart’s huge market share, and stringent demands on suppliers have had a ripple effect across industries, causing many firms to improve efficiency and distribution networks. Wal-Mart is not afraid to flex its muscle or bully suppliers, however, the outcomes may not always be bad. Innovation in this sector has greatly helped Wal-Mart to control its costs, as has the use of its own trucking fleet and its intimidation of suppliers. Innovation in this field has been largely free from Low Road cost slashing and could be considered an area in which Wal-Mart has made admirable advancements in efficiency.

The use of the Universal Bar Codes on products was pioneered to increase accuracy of distribution, and the drive to improve efficiency has recently lead Wal-Mart to insist that all major suppliers put radio identification devices in all products in the coming years.

It should be noted that Wal-Mart, already has an infrastructure for distribution in the Chicagoland area. Thus, the positive effect of a Wal-Mart or Wal-Mart on Chicago may be significantly lessened; any multiplier effect may be minimized because distribution infrastructure is already in place. Distribution employees, like their co-workers in stores, are non-unionized³¹.

Community Impact: A report by economist Kenneth Stone of the impact of Wal-Mart on the retailing sector in the state of Iowa, found that the presence of Wal-Mart changed the shopping habits of consumers. Customers purchase fewer goods at local merchants resulting in the loss of many stores across the region or city.³² Stores that were hardest hit in Iowa were clothing stores, drug stores, hardware stores, and jewelry stores. (This study was completed before Wal-Mart had a significant presence in the Iowa grocery business.)

Another study carried out by the Bay Economic Forum entitled “Supercenters and the Transformation of the Bay Area”, found that while Wal-Mart-like Supercenters are often touted and coveted as sales tax revenue and job generators, the positive effects of these institutions is often overestimated. This is due in large part to the tendency to ignore the displacement effect that Wal-Mart has on other retailers and grocers in the area. While Wal-Mart Supercenters are likely to collect lots of sales tax, they are also likely to steal shoppers from other stores in the area and simply shift their tax dollars around. This is the case particularly in urban areas where the consumer population is static; the introduction of a Wal-Mart will only shift shoppers, jobs and taxes to a new location³³.

The Los Angeles City Council recently commissioned a report on the impact of supercenters which cites six areas of potential community impacts, particularly in low income communities: These include:

❖ Impact on workers

- Higher paying retail jobs will be displaced.
- Compensation (wages and benefits) in retail sector as a whole will shrink by \$8- \$9.26 per hour.
- Lack of, or insufficient health care will place a greater burden on employees and government to pick up health care costs.
- There will be a net loss of jobs in the retail sector due to the greater economies of scale of big-box stores.

❖ Impacts on businesses and consumer choice

- Big-boxes will undercut the competition’s prices.
- Other stores will lose market share and some will close.
- Local stores and Mom and Pop stores will be hit hardest.
- Big-Box retailers like Wal-Mart often result in the reduction of consumer choice by pushing out any competition.
- Predatory Pricing will be used to crush the competition.

- ❖ Impact on municipal revenue,
 - Retail sales may decrease in total dollars due to lower big-box prices.
 - Closure of other businesses will result in lost taxes revenue.
- ❖ Lost investments in economic development: Millions are spent on economic and small business development in low-income communities, Wal-Mart's impact will counteract and conflict with such development initiatives.
- ❖ Vacated Big-Boxes (see section Buildings above).
- ❖ Urban land use and design issues
 - Destroys attempted to create pedestrian friendly areas; and
 - Promote increased traffic.

The L.A. city council report is significant because it illustrates that Wal-Mart's potential impacts on communities are wider and deeper than simply providing jobs and tax dollars.

The San Diego Tax Payers Association conducted a report on the influx of big box stores on the San Diego region and found that the wide-spread presence of such stores would lower wages between \$105 and \$221 million per year and increase public health costs by \$9 million per year. The report went on to estimate that the San Diego region would lose between \$89 and \$170 million in lost pension and retirement benefits per year³⁴.

A report issued by the staff of California US representative George Miller entitled "Everyday Low Wages: the Hidden Price We All Pay for Wal-Mart", reported that losses as a result of depressed wages caused by the entry of Wal-Mart into the Southern California region and the subsequent reaction by competitors would equal between \$500 million and \$1.4 billion annually. When reduced benefits are factored in these losses could reach as much as \$2.8 billion.

The report also found that a typical Wal-Mart with 200 employees is likely to result in \$420,750 in costs to the federal government per year, or about \$2,103 per employee per year. These costs come in the form of:

- ❖ \$36,000 a year in free and reduced lunches for families of 50 qualifying employees;
- ❖ \$42,000 a year for section 8 housing assistance for three percent of employees;
- ❖ \$125,000 a year for federal tax credits and deductions for low-income families for 50 families;

- ❖ \$100,000 a year for additional Title 1 expenses, for the families of fifty employees;
- ❖ \$108,000 a year for the additional federal health care costs for thirty families; and
- ❖ \$9,750 a year for the additional costs for low income energy assistance.

The authors of this report attribute this largely to low wages and benefits at Wal-Mart. This gives us an idea of the variety of costs that are generated by Wal-Mart's poor treatment of its workers. While these are costs that are incurred at the federal level, it can be assumed that some similar costs will be incurred at the state and local level.

Yet another report on the State of Georgia's program for uninsured children shows that it is overburdened with the children of Wal-Mart employees. A state survey found that 10,261 of the 166,000 children covered by Georgia's Peach Care for Kids health insurance in September 2002 were children of a Wal-Mart employee. That's about 14 times the number for next highest employer--Publix, with 734³⁵.

The significance of these reports is to illustrate the consequences for local businesses and the kinds of costs that Wal-Mart's low wages and poor benefits generate, on the federal level, state level, regional level and city level. It is clear that Wal-Mart's impact is profoundly negative on communities and that Wal-Mart's profitability is subsidized to a great degree by workers, government and taxpayers.

Significance for Chicago

The most discussed result of Wal-Mart's entrance into Chicago is cheaper grocery and retail prices for some residents. However, this is but a small part of Wal-Mart's impact, an impact that is likely to be felt citywide in a considerably negative manner. The entrance of Wal-Mart into the Chicago market promises to have a dramatic effect on the city's economy and specifically on the retail and grocery industries.

The results of Wal-Mart's impending arrival are already visible, despite the fact that a significant Wal-Mart presence is years away. The recent strike of Dominick's workers was in response to an attempt by the Safeway Company (owner of Dominick's and the Southern California chains Pavillion's and Von's) to preemptively cut health and pension benefits to new hires. Such rollbacks, or attempted rollbacks, have become common in a region threatened by Wal-Mart where grocery and retail industries are already unionized. Dominick's, Ultra, Cub's, Jewel, Target and Costco have all made or attempted to make similar cuts. In the non-unionized retail and grocery sector, companies have become extra vigilant in opposing organizing drives. The Target chain has imitated Wal-Mart by starting its own anti-union division to combat drives and "educate" workers.

All of these activities can be attributed to awareness on the part of competitors that Wal-Mart is expanding rapidly, and is likely to undercut their prices significantly. Grocery

stores that have pursued relatively High-Road policies are increasingly pursuing Low-Road practices. They mistakenly believe that the only way to stay viable and maintain market share is to play Wal-Mart's game. In the case of groceries, it is estimated that Wal-Mart's prices are between 8% and 13% lower than the market average³⁶.

Competitors will likely lower costs out of necessity to remain competitive, and will most likely target labor costs as a strategy to accomplish this. Thus the greatest effect that Wal-Mart is likely to have in the short run is to bring local grocers and retailers down to its level, exerting substantial downward pressure on wages and benefits in a sector that is currently a source of high-wage entry level jobs.

Recently, in midst of the 70,000-member California strike mentioned above, the United Food and Commercial Workers (UFCW) commissioned the Center for Labor and Community Research (CLCR) to produce a report entitled "The Economic Impacts of Southern California Grocery Chains' Proposals to Reduce Contributions to UFCW Health Fund on the Seven County Area". It detailed the likely costs to local business and government and loss in macro-employment in terms of direct, indirect, and induced costs. The proposed cutbacks in employer contributions to health care (in the Von's, Albertson's, Pavillion's and Ralph's stores) will equal \$221.9 million annually. The overall effects are determined to be a loss of \$40 million annually in industry output, and a loss of \$331.1 million annually in business sales across the entire region. The industries most affected in these regards are retail, real estate, health services, wholesale, banking, business services, utilities, social services and legal services. These declines in industry output and sales would lead to declines in employment in the region equal to 2,770 jobs, of which the most affected would be retail health services, business services, wholesale trade, social services, personal services, real estate, non-profit organizations and professional services. Lost taxes due to shrinking business sales and personal incomes would equal \$31.9 million for the federal government and \$15.1 million for local and state government. In addition to these costs the report outlines that the costs that are likely to fall on the shoulders of other local business owners and the self-employed in terms of lost profit will equal \$17.4 million due to decline in workers consumption³⁷.

This is an illustration of a fundamental truth: the burden of Wal-Mart doesn't just fall on its employees. Everyone in the community, from lawyers to charities, pays the high price of Wal-Mart's ride on the Low Road.

While Southern California differs from Chicago in terms of the size of the affected region (the seven county Southern California region is home to about 19 million, as opposed to the City of Chicago's approximately 2.8 million residents and the region's 8 million), the nature of the impact of decreasing employer benefit contributions for unionized and non-unionized grocery workers is likely to be similar³⁸. We have already seen attempts in Chicago by Dominick's to cut health benefits in a similar Low Road, pre-emptive move against Wal-Mart. As Wal-Mart becomes a reality in Chicago, such cuts are likely to occur throughout the retail and grocery industries as they try to remain competitive. A likely scenario is that any grocers who are unable to cut costs will be pushed out of business and replaced by either Wal-Mart or the remaining pre-Wal-Mart grocers that have been able to cut costs by employing Low Road strategies.

The above-cited Bay Economic Forum found that often Big-Box retailers and Supercenters tend *not* to create new tax dollars but to shift tax collections from other retailers. This simply makes common sense. A new Wal-Mart does not create additional consumer spendable income. In fact, because Wal-Mart pays less in wages and benefits than the stores and their employees it displaces, Wal-Mart's arrival actually heralds a *decrease* in available consumer spending. In fact, local government will be worse off because of less tax collections and higher expenses as a result of Wal-Mart. (While this is certainly true of the governmental units in the market area as a whole municipal boundaries can result in burden shifting among units of government, especially when municipalities adopt a "beggar thy neighbor" competitive strategy rather than a well thought out regional development strategy.)

So when attempting to weigh the costs and benefits of Wal-Mart's arrival in Chicago, predictions about jobs created and taxes earned should take into account the jobs and taxes that will be lost in competitor stores. These jobs that are lost are likely to be those with better pay and benefits than those at Wal-Mart. This in turn will cause the indirect and induced loss of jobs in a wide variety of economic sectors. Rather than representing development that creates jobs, and generates tax revenues for the City, Wal-Mart represents a decrease in the quality and number of jobs and no increase in tax revenues.

Another factor to consider when assessing the impact of Wal-Mart on Chicago is that 3,300 cars per day and 100,000 shoppers weekly visit a typical Supercenter. This will have substantial impact on traffic in the area, as well as the overall quality of life for the community. In addition, North Avenue (from Humboldt Park to Kostner Ave.), is almost exclusively commercial and highly populated by small businesses that will be significantly negatively affected by Wal-Mart's presence.

A City-Wide Issue

While the arrival of Wal-Mart to the Westside should be cause for alarm for the nearby community, it is not exclusively a neighborhood issue. This is a citywide issue that has large-scale consequences in addition to local ones. While certain parts of the city may benefit from lower grocery and retail prices, the true costs are likely to affect the entire city. Most likely to feel the burden will be small business owners, retail workers and grocery workers and City, County and State government. All of the following factors should be taken into account when considering Wal-Mart's impact: displacement of the existing retail base, impact on the workforce, needs of displaced workers and low-wage workers for public services, land use, vacancy of closed stores, public service needs of new facilities, infrastructure, traffic, tax revenues, future expansion plans and how all these factors impact quality of life.

It has been demonstrated that Wal-Mart has a significant downward pressure on wages and a significantly lower wage scale than other retailers and grocers in the both union and non-unionized sectors. The average retail wage in Chicago for individuals without a high school degree is \$10.93, which is between \$2-\$3 dollars more than the average hourly wage at Wal-Mart, and as much as \$10 or \$11 dollars less than what some union grocery workers make. Workers all over the city will feel the downward pressure on their wages.

Alternatives

In spite of the seemingly inexorable march of Wal-Mart towards the complete domination of the retail and food market, there are a number of notable examples of companies that challenge Wal-Mart effectively.

Costco: Despite Wal-Mart's incredible dominance in the US market, it has been continually out-performed by one rival: Costco, a discount warehouse club similar to Wal-Mart's Sam's Club. Although Sam's Club has 71% more stores, Costco managed to chalk-up 5% more sales in 2002 than Sam's Club. In fact, a typical Costco earns twice as much as a Sam's Club. Sam's and Wal-Mart in general have been continually scrambling to catch up with Costco. Ironically, workers at Costco are some of the best-paid retail workers in the industry and have comprehensive health care benefits³⁹. Customers get no-questions-asked merchandise returns, and shoppers revisit Costco much more loyally than Sam's. Costco customers are even willing to pay the higher subscription fee of \$45 compared to \$25-\$30 at Sam's.

Costco has been so successful because it has been able to perfect the strategy of combining high-end discount shopping (items like gourmet foods, wines, designer clothes) mixed with cheap, low-end, everyday items (soap, paper towels, detergent, etc.). Another secret to the success of Costco is its management. The founder of Costco is extremely involved in the day-to-day operation of the company and runs the business much like Wal-Mart once was. His management is guided by the following principles:

- ❖ Obey the law;
- ❖ Take care of customers; and
- ❖ Take care of employees.

It has managed to be much more profitable than Wal-Mart while pursuing some High Road policies. It should be noted, however, that Costco caters to a more upwardly mobile, urban customer-base than Wal-Mart. Costco is not ideologically opposed to unions, and has many unionized workers. In order to compete against Wal-Mart, however, it does engage in some of the same sort of the same Low Road activities as Wal-Mart. This, however, tends to happen less in its relations with labor than with distributors and suppliers⁴⁰.

Eroski: Spain is one of the few Western European countries without a Wal-Mart presence. This is due in large part to the ability of chains like Eroski to maintain customer loyalty, grow and win their support and react to an invasion of French grocers and retailers, who are similar to Wal-Mart. As a result Spain remains a hostile market for Wal-Mart.

Eroski is a Spanish chain of grocery/retail stores that is part of the Mondragon Cooperative Corporation network based in the Basque region. It is a worker/consumer cooperative. It is highly dedicated to a social mission and operates more than 500 stores. This chain grossed more than \$50 billion in 2002.

The Mondragon Cooperative Corporation is a network of over 100 companies employing 50-60,000 people in the Basque region that are owned and managed on the basis of one worker/one vote. The highest paid employee make no more than eight times that of the lowest paid employee. This corporate network is at the leading edge of the Spanish industrial economy and is a model of comprehensive development that is being studied around the world as an effective High Road approach in contrast to the Low Road approach by companies such as Wal-Mart.

Eroski was a moderately sized regional supermarket chain until the mid- eighties. At that point, the big French chains started to enter Spain in a serious way and Eroski felt it had to make a strategic response. Eroski was faced with the choice of getting out of the business, specializing in some niche market, or massively expanding as a supermarket/consumer goods retail store. Leaving the market was not an option, especially given the several thousand workers it employed in an economy with nearly 20 percent unemployment. Becoming a niche retail/grocery was also rejected. Thus, the only remaining option was expansion. Narrow margins in the retail industry meant that this expansion had to be massive. Success depended on volume in purchasing, logistics, transport, and sales. Simply taking on a lot of debt could not finance this expansion, so Eroski created a structure that would allow for equity investment. A holding company was set-up and investors were invited in, mainly institutions and companies from the social economy.

In the late eighties Eroski launched the expansion campaign, opening up new stores all over Spain, buying or creating partnerships with small to medium-sized regional chains and co-ops. Creating new stores as straightforward cooperatives was too complicated financially, legally, organizationally, culturally, and would take too long. As a result almost all of the new operations were plain vanilla subsidiaries of the holding company (i.e. not co-ops). At the time, and in subsequent years, the company struggled with this decision to find ways to promote cooperative employment, principles and practices in these new companies.

Eroski and Mondragon leadership went ahead with the plan for what they determined to be business survival reasons, but also with the explicit intention of creating worker ownership structures for salaried, non-member workers down the road. In the late '90s this worker ownership structure called GESPA, was created. In this system non-co-op member workers are all offered the opportunity to buy into GESPA, after their stores went through a period of implementing the Eroski business and management model, and after they received certain kinds of training. Workers then became worker-owners. However, Eroski holds the controlling interest of the co-ops. Worker ownership in GESPA means the right to information, to elect a portion of GESPA board and to a share of profit. Where the opportunity to become a co-owner of GESPA has been offered, it

has been very successful. Eroski employs over 30,000 people, and about 8,000 have become worker owners of GESPA⁴¹.

As a consumer one can become a member of Eroski by paying a nominal annual charge, which gets you up to a five percent discount on purchases and the right to participate in a mixed worker-consumer committee at the store level. This committee does not make binding decisions, but recommendations. Consumer-members, also have the right to run for election to regional governance boards that make or contribute to binding decisions. Members also receive a well-regarded consumer information magazine and access to consumer information/advocacy seminars. The regional boards are mixed worker-consumer, but general policy is that the board's president must be a consumer-member. The same is true of the corporate board of Eroski as a whole. Worker-members have essentially the same rights, but their membership also gives them the right to a profit sharing account. A portion of annual profits, after taxes, is distributed to these accounts. In Eroski consumers don't participate in profits unlike straight consumer co-ops.

Dominick's, Jewel, Meijer's, and Publix: There are grocery and retail stores in the Chicago area like Dominick's and Jewel; and stores around the country like Meijer's that have historically represented a commitment to some High Road practices in that they provided good options for customers, generally treated employees fairly, recognized and negotiated in good faith with their unions, and maintained a commitment to the local community. Meijer's has some 80 plus stores in Michigan. Wal-Mart has now purchased land and will build its stores in 70 plus of those locations in an effort to drive them out of business.

When considering alternatives to Wal-Mart, the grocery sector offers many successful examples, due to the relatively widespread success of Employee Stock Ownership Plans (ESOP) and employee owned firms. In fact, thirteen of the one hundred largest employee-owned companies in the US are supermarkets. The largest of all employee owned firms is Publix Super Markets. Publix is a Florida based chain with approximately 800 stores located primarily in Florida, but also a few other states in the Southeast. It is one of the 10 largest supermarket chains by volume in the US and had more than \$16 billion in retail sales in 2003. It has more than 123,000 employees, 97,000 of whom own about 44% of the company. Publix is a historically employee owned firm since the 1940's. The remaining shares are owned by family members of the original owner. The benefits of employee ownership can be seen in more employee involvement in workplace decisions, and ownership of stock that acts as a retirement benefit.

Publix was rated the number one grocery store chain in terms of customer satisfaction for the tenth year in a row by the University of Michigan Business School's American Customer Satisfaction Index, and has actually improved its ratings during the last ten years significantly. It has largely responded to the threat of Wal-Mart by focusing on its superior customer service, creating a pleasant shopping experience, and its variety of products.

Another example of a grocery store with employee ownership and profit sharing is Hy-Vee, an Iowa based chain with 45,000 employees. This chain has also been historically employee owned and successfully so. It too has responded relatively well to the threat of Wal-Mart. There are a number of smaller chains, Brookshire Farms of Texas (10,000 employees) and Win-Co (7,000 employees) of Idaho, Houchens Food Store (5,000 employees) of Kentucky, and Harps Food Stores (3,000 employees) of Arkansas, which all offer ESOPs⁴². Publix, Hy-Vee and all of these smaller companies share in common an increased level of transparency and greater employee involvement in workplace decisions, as well as relative profitability. However, while ESOPs and profit sharing are not necessarily High-Road business practices, these firms collectively display that the grocery industry does offer a variety of innovative alternative ideas in terms of management, ownership and employee involvement.

These stores demonstrate that businesses with High Road practices could prosper in our economy. Now these stores too face the predatory Low Road practices of Wal-Mart. Many of these same companies are now considering entering into a suicidal competition with Wal-Mart in a race to the bottom. This shift in business strategy – a shift with potentially devastating impact -- underscores the importance of cities and communities advancing a strategy for High Road retail development and encouraging and assisting these businesses to retain their commitment to a High Road future. Business, communities, local government, and labor must unite in the fight against Wal-Mart.

The New Chicago School Campaign to Stop Wal-Mart From Locating in Chicago

The New Chicago School of Community and Economic Development takes the position that Wal-Mart is the quintessential Low Road retail firm. Wal-Mart clearly represents the threat of de-development for Chicago. It constitutes a threat across the board – from its assault on retail and grocery competitors (forcing many out of business), and on workers (slashed wages, benefits, protection and rights), to its relentless and illegal campaign against unions, to the intense pressure it places on manufacturers to cut labor costs. In addition, many Wal-Mart workers may require government support to make ends meet, in spite of working full time.

The New Chicago School critically assesses all development that enters our communities. It recognizes that Wal-Mart does offer some benefits to the community, primarily in the form of some lower prices than competing stores for some consumer goods. Although Wal-Mart will hire 250 people these new hires will come at the expense of the abolition of a larger number of jobs, which are higher paying than the new jobs at Wal-Mart. We believe any benefits will not only be outweighed by Wal-Mart's negative aspects noted above, but that allowing Wal-Mart to enter Chicago would cause a "race to the bottom" in the retail and grocery industries in terms of worker treatment and compensation. As a result, the New Chicago School is initiating a campaign to keep Wal-Mart out of Chicago.

Wal-Mart or its supercenters have been successfully repelled by cities, towns and counties all over the country as diverse as Rockville, MD., San Diego, CA, Santa Fe, NM., St. Petersburg, FL., Fort Collins CO., Somerset County, NJ., and Portland, OR. By and large the most commonly used method for preventing Wal-Mart from entering communities has been through zoning restrictions. Specifically limiting buildings of a certain size or limiting stores that sell more than a certain number of non-taxable goods (i.e. groceries in states such as California where many grocery items are not taxed. This provision is targeted specifically at Supercenters). While this has been successful in many communities, it is a method that is open to challenge by Wal-Mart in the form of lawsuits and ballot initiatives.

Recently in Contra Costa County California a city council ordinance banning big box supercenters of more than 90,000 sq. ft., was overturned by a Wal-Mart financed ballot initiative. During the campaign Wal-Mart ran television ads and sent mailings to residents throughout the county spending more than \$1 million, despite the fact that it has no plans to build a Supercenter in Contra Costa County⁴³.

Any victory over Wal-Mart will require a broad base of support from the community and the labor movement, and a protracted political fight. Victory will not be easy and will hinge on several primary characteristics. Key to this campaign is an educational component, in which the true record of Wal-Mart as the premier Low-Road business will be put forth, as well as the true impact of its presence in Chicago. This phase will require a full cost/ benefit analysis of Wal-Mart's possible entry into the city including its potential impact on:

- Chicago's retail sector including grocery;
- The construction industry;
- Trade unions;
- The public sector, in terms of taxes, cost to public health care; and
- Other variables, like traffic and congestion.

It will be critical to define Wal-Mart in the context of a High Road vision of community development, using comparisons from the cost benefit analysis to demonstrate how Wal-Mart does not fit a High Road vision and is indeed antithetical to it. It will also be necessary to put forth an alternative, High Road vision of retail/grocery development. In this phase it will also be critical to line up the support of consumers, local business, workers and community organizations and members of the city council. The campaign must be broadly understood as part of a strategy for development of the city, not just a union organizing drive.

It must be emphasized that *consumers are the key*. Wal-Mart is successful because shoppers go there in droves. Their decision to support or oppose Wal-Mart will have the greatest impact. Our campaign will not only advance and develop an alternative for

shoppers but also educate them on the social and economic impact of using their dollars at a store that has such a destructive impact on our community, city, and country.

Conclusion

Wal-Mart has become the symbol—for good reason—of the destructive power of Low Road globalization. What began as a local, family-owned discount store guided by an entrepreneur with strong positive values and determination to innovate, has now become a huge complex that engages in predatory business practices that generates enormous wealth (in excess of \$100 billion for the Walton family) at enormous social cost to millions of workers and thousands of communities throughout the world. It has set in motion a kind of competition that scares its competitors into joining a suicidal race to the bottom. It's size and growth have lured many to believe that this is the only way the retail business can survive, and that being a partner to Wal-Mart is an inevitable relationship in today's business climate. Elected officials, local banks, consumers, a few community organizations, and contractors line up to be part of the behemoth's expansion despite the growing exposure of its destructive and predatory practices.

It is important to expose that this kind of support is tantamount to celebrating the return of slavery to our community—because there is no question that Wal-Mart degrades our community and society. In light of the huge public relations effort launched by Wal-Mart to create a sugarcoated illusion about its role and performance, we need to intensify the exposure of its actual character.

This exposure is required but insufficient. What is most important is to advance an alternative retail choice for consumers, for developers, and for public officials and community leaders who want to see their communities have a vibrant retail sector. There are existing stores and chains that have High Road practices—decent wages and benefits, good products at decent prices, and a history of stewardship and fairness. We need to shop at these stores. But more importantly, we need to find ways to build a partnership with them based on a continued commitment to High Road practices that increases their competitive advantage because they are High Road. We also need to recognize that there are too few of these stores. An inspired and creative political and development community needs to find ways to use its scarce public dollars to encourage more and improved High Road retail companies to develop. Many should be locally, and even cooperatively, owned. They should benefit from participation in networks of similar stores in order to achieve the scale of operation that is essential for success in the competition with bottom feeders such as Wal-Mart. We need to look more closely at international models such as the Eroski to see what features can be applied in our city.

The New Chicago School for Community Economic Development calls on Mayor Daley, the City Council, as well as our labor, religious, civil, community, and business leaders to join us in stopping Wal-Mart from coming into our community and to instead focus on being the national leader in creating a comprehensive High Road retail sector that will be the envy of the global economy.

The New Chicago School for Community Economic Development is committed to this fight as part of the war to restore and rebuild our communities and to regain confidence in our future.

¹ AFL-CIO “Wal-Mart: An Example of Why Workers Remain Uninsured or Underinsured” October 2003 P.8, and The Bay Area Economic Forum “Supercenters and the Transformation of the Bay Area Grocery Industry: Issues, Trends and Impacts.” January, 2003. P.1.

² AFL-CIO “Wal-Mart: An Example of Why Workers Remain Uninsured or Underinsured” October 2003 P.7, and Los Angeles Economic Development Council “Wal-Mart Superstores: What’s in store for Southern California?” January 2004, p. 7.

³ AFL-CIO “Wal-Mart: An Example of Why Workers Remain Uninsured or Underinsured” October 2003 P.7

⁴ Harvard Business School, “Wal-Mart Stores Incorporated” August 1996

⁵ Los Angeles Economic Development Council “Wal-Mart Superstores: What’s in store for Southern California?” January 2004, p. 9

⁶ Washington Post Saturday Jan. 24, 2004. “Wal-Mart’s Damage Control.”

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⁸ Los Angeles Times November 25th, 2003. “Grocery Unions Battle to Stop the Invasion of the Giant Stores.”; Washington Post Writers Group Dec. 14, 2003. “Wal-Mart Enduring Bargain or Sunset of our Middle Class”, USA Today March 2, 2004; “California tries to slam lid on big-boxed Wal-Mart” and Chicago Tribune, Jan 12th, 2004: Wal-Mart Tries to End Run Around Balky City.”

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¹⁰ *Everyday Low Wages: The Hidden Price We All Pay for Wal-Mart*, A report by the Democratic Staff of the Committee on Education and the Workforce, U.S. House of Representatives, February 16, 2004.

¹¹ AFL-CIO “Wal-Mart: An Example of Why Workers Remain Uninsured or Underinsured” October 2003 P.8-9, and The Bay Area Economic Forum “Supercenters and the Transformation of the Bay Area Grocery Industry: Issues, Trends and Impacts.” January, 2003. P.40.

¹² As cited by the UFCW Wal-Mart Fact Sheet. www.UFCW.org

¹³ Ibid.

¹⁴ The Bay Area Economic Forum “Supercenters and the Transformation of the Bay Area Grocery Industry: Issues, Trends and Impacts.” January, 2003. P.?

¹⁵ Current Population Survey As Cited in Moshe Adler piece

¹⁶ AFL-CIO “Wal-Mart: An Example of Why Workers Remain Uninsured or Underinsured” October 2003 P.8.

¹⁷ Ibid. P 8-9.

¹⁸ Associated Press Jan. 13th, 2004: “Wal-Mart Audit”, and UFCW: Online Wal-Mart Facts and Figures: “Wal-Mart’s War on Workers’ Wages and Overtime Pay”.

¹⁹ UFCW: Wal-Mart Facts and Figures: “Wal-Mart’s War on Women”.www.ufcw.org

²⁰ UFCW: Online Wal-Mart Facts and Figures: “Wal-Mart’s War on Workers’ Democratic Right to Choose a Union.”

²¹ Ibid, and UFCW: Online Wal-Mart Facts and Figures: “Wal-Mart’s War on Workers’ Wages and Overtime Pay”

²² High wages may give Costco an edge over Wal-Mart, Reuters, Nov 23, 2003

²³ AFL-CIO “Wal-Mart: An Example of Why Workers Remain Uninsured or Underinsured” October 2003.

²⁴ *Everyday Low Wages: The Hidden Price We All Pay for Wal-Mart* Democratic Staff of the Committee on Education and the Workforce US House of Representatives, February 16 2004.

²⁵ Fast Company, December 2003: “The Wal-Mart You Don’t Know”.

²⁶ Los Angeles Times, Nov. 24th, 2003. “Scouring the Globe to Give Shoppers a \$8.63 Polo Shirt”.

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- ²⁸ Ibid.
- ²⁹ St. Petersburg Times, May 12, 2003. “Too Many Big Box Stores Stand Empty”
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- ³⁷ UFCW The Economic Impacts of Southern California Grocery Chains’ Proposals to Reduce Contributions to UFCW Health Fund on the Seven County Area”.
- ³⁸ US Census Bureau, American Community Survey
- ³⁹ Fortune, Nov. 24 2003. “The Only Company Wal-Mart Fears”.
- ⁴⁰ Fortune, Nov. 24 2003. “The Only Company Wal-Mart Fears”, and Los Angeles Times: February 15, 2004: “Costco Sees Value in Higher Pay”.
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What is The New Chicago School (NCS)?

Many are looking for new alternatives to the current economic and social system for many different reasons. Our economy is in crisis and more people are losing jobs, or working in substandard jobs. And there is a strategic drift that dominates intellectual circles in the field of community development. More than ever, poor communities and working people need leading organizations that think critically and that have a contemporary and powerful agenda for the development of communities.

The NCS is intended to address these problems and develop an agenda for change. We are a network of practitioners in universities, businesses, unions, community, community economic development, and consulting organizations. Our operating assumptions are:

1. The traditional approaches to community economic development have, in the main, failed to address the underlying causes of poverty, and failed to be effective in providing employment, good housing, and good services in our communities.
2. Our main objectives are the eradication of poverty and the development of a society that is economically, socially, and environmentally sustainable. These objectives are practical and achievable. Our approach is holistic and comprehensive. We take into consideration all social, cultural, and political factors; and particularly the issues of race, class, gender, and the environment.
3. We pursue High Road strategies in the creation of wealth and profit. The High Road seeks family-supporting and fulfilling jobs for employees; a sustainable society and economy; high performance companies; a high degree of participation and local ownership; and accountability to the broader community. We advance a High Road solution as we block and oppose the Low Road.
4. Community development can only be achieved through a strategic alliance of labor, community, and business to drive the creation of wealth, promote the just distribution of wealth, and seek government policy to support the High Road and block the Low Road. Finally, this is a struggle for power. It requires building the institutional capacity of our partners and the self-sufficiency of communities.
5. Community economic development must be rooted in effective action at the micro-level of the economy - at the level of the firm, the household, and the local community. This reality must guide and inform, as well as be supported by, effective macro policy and government action.
6. While we are particularly responsible for our local community, we share a commitment to promote sustainable development in all the world's communities.

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