The Cost of a Low Price
A Study of Walmart’s Corporate Accountability

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Walmart holds a fascinatingly omnipresent existence in American, and increasingly international, communities. This corporation faces many deep and passionate criticisms, most commonly, the exploitation and discrimination of workers and the crowding out of smaller, local businesses in towns and cities across America. This paper studies how Walmart reacts to these two main criticisms, how their marketing and public relations efforts combat the growing opposition to the questionable practices discusses thoroughly in this paper.

In the first section of this paper, two main questions will be answered. What are the critical components of oppositional arguments to Walmart? How are these criticisms expressed, and are they effective? In the second part of this paper, Walmart’s reaction to opposition from both a marketing and public relations standpoint will be examined. How does Walmart handle the critics? Ultimately, this paper evaluates the effectiveness of the two largest criticisms and backlash of worker exploitation and small business displacement, synthesizing and comparing the effectiveness of Walmart’s reaction to opposition.

Walmart is an American multinational retail corporation, operating a chain of hypermarkets, discount department stores, and grocery stores.\(^1\) Founded in 1962 by Sam Walton, the company now owns over 11,000 stores in 28 countries. Walmart employs more than 2.2 million people full time, which is more than seven times the population of Iceland. Each week, nearly one third of the U.S population visits a Walmart store. The scope and reach of Walmart is massive; just last year, the corporation received $405 billion in revenue. It is the world’s largest company by revenue, according to the Fortune Global 500.

In 1969, Walmart was incorporated as Walmart Stores, Inc. The corporation began trading stock as a publicly held company in October of 1970 and was soon listed on the New

\(^1\) “Walmart.” https://en.wikipedia.org/wiki/Walmart
York Stock Exchange. The first supercenter was introduced in 1988 in Washington, Missouri, signaling financial success, a growing consumer base, and a growth of one stop shopping. In 2007, Global Insight, an economics and data collecting organization, found that Walmart’s low prices resulted in consumer savings of $287 billion in 2006, equivalent to $37 billion in 2015, or $957 per household. If all of the parking lots that accompany Walmart stores were added up to create one piece of concrete, that combined parking surface would be enough to cover the entire city of Tampa, Florida.²

As highlighted above, Walmart has a vast reach, providing groceries, clothing, electronics, household items, and a multitude of other goods to consumers. With the slogan “Save Money. Live Better.,” Walmart emphasizes the low prices for their goods. Today, consumers of a range of demographics continue to shop at Walmart. The largest demographics of shoppers includes households that make between $35,000 and $50,000 per year.³ One in five consumers uses SNAP benefits (formerly known as food stamps) at a Walmart store. One study conducted in Las Vegas, Dallas, and Tampa showed that a cartful of groceries is 17%-39% cheaper at a Walmart than at a unionized supermarket.⁴ Even though Walmart outperforms other big box stores such as Target, Kmart, and Kohls, the company still struggles to find growth. Due to this struggle, there has been an increased effort in recent years to shift the demographic of consumers to a higher revenue customer, with the hope of increasing revenue and diversity of consumers.

Part One:

As one of the largest retailers in the world, Walmart faces a multitude of criticisms and complaints. One of the biggest criticisms of the Walmart corporation that manifests itself in these lawsuits is the exploitation and mistreatment of workers. Specifically, this exploitation centers on wage and employment discrimination on the basis of sex and age. A vast number of women and aging workers have exposed compelling and disturbing stories of the Walmart corporation taking advantage of and treating them unfairly for the company’s benefit. Walmart is the largest overall employer in the United States and is the biggest employer in 25 states; the mistreatment of their employees affects a disproportionate number of the national workforce. There are two main claims against Walmart that pertain to worker exploitation, and each utilizes critical tactics for bringing complaints and criticisms into the public sphere.

Discrimination on the basis of sex is one of the largest aspects of worker exploitation occurring at Walmart. Walmart employs 815,000 women and has a history of unfair treatment of these female employees, as they are often underpaid, underrepresented, and given few
opportunities for advancement. Although women make up the majority of Walmart workers, few attain management roles. Many female workers also make less money than their male counterparts; in 2001, female workers holding hourly jobs earned $5,200 less per year on average than male workers. Female employees with salaried positions with average yearly earnings of $50,000 were paid $14,500 less per year than men in the same position.

How is pressure put upon Walmart to address this discrimination in the workplace? One of the most common efforts has been lawsuits, which raise awareness and garner media attention, primarily due to their sheer numbers. One Forbes article astutely explains, “After one of Walmart’s 1.2 million employees gets to work at 9 A.M., three lawsuits will be filed against the company by the time he or she takes a 10:30 A.M. coffee break. By lunchtime, the count is up to six. By the time the employee heads home at 5 P.M., no fewer than seventeen people or groups have brought a complaint in court. The same pattern will repeat itself tomorrow, and the next day, and the day after that.” In just 2005, Walmart was sued 4,851 times, which is about once every two hours for the entire year. All of these lawsuits come to an astounding annual total that blatantly exposes consumer and employee unrest with regard to Walmart’s corporate accountability and social responsibility.

One of the most significant of these 5000 annual cases was the Dukes vs. Walmart lawsuit. Dukes vs. Walmart is the largest class action gender discrimination lawsuit in United States history, and was heard by the Supreme Court in 2011. In this case, 1.6 million female employees accused Walmart of discrimination in promotions, pay, and job assignments. 120

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5 “Walmart and Sex Discrimination,” Reed, Amanda. now.org/blog/walmart-and-sex-discrimination/
6 Ibid.
8 Ibid.
9 Ibid.
affidavits relating to 235 stories were taken into account, yet the Supreme Court ultimately ruled in favor of Walmart, citing that “even if every single one of these accounts is true, that would not demonstrate that the entire company operates under a general policy of discrimination.”

This massive case, which lasted for over 10 years, did not rule in favor of the women who had been discriminated against. At first glance, this seems like a dead end for employees taking legal action to enforce better corporate practices. But instead of seeing this effort as a complete failure, this can be seen as a step in vocalizing, in shining light upon, the discrimination plaguing the Walmart workplace. The case garnered a massive amount of media attention and was covered in The New York Times, the Huffington Post, The Wall Street Journal, CNN, and a number of other well known and notable news sources. Many of the plaintiffs in the case are currently in the process of filing smaller suits against the corporation, many of which have lead to individual settlements and justice. As a result of this case, class action lawsuits have become one of the primary paths of remedy for employees facing injustice or discrimination in the workplace, particularly when labor unions do not suffice or have been diminished. It is through these cases that employees can use the legal system to fight back against the corporate giant.

Another critical component of the worker exploitation criticism of Walmart is the corporation’s anti-union stance. Walmart often stands against the organization of employees; there are many stories that demonstrate this strong anti-union stance. As Barbara Gertz, an overnight Walmart stocker in Denver remarked, “People are scared to vote for a union because they’re scared their store will be closed.” Many workers are reluctant to join unions due to

Walmart’s anti-union tactics, including managerial surveillance and pre-emptive closures of stores and departments that choose to unionize.

This fear is far from unfounded: multiple cases show the unjust dismissal of employees and shutdown of sectors as a result of labor organization and unionization. For example, in 2000, the meat department of a Walmart store in Texas became the corporation’s first and only operation in the United States to unionize. Two weeks later, Walmart announced plans to use prepackaged meat and eliminate butchers at that store and 179 others.13 This past year, in Pico Rivera, California, labor activism led to the shutdown of an entire Walmart. As the site of the first pro-union strike at a United States Walmart, this store became a target for union wary Walmart officials. The National Labor Relations Board stated that “Walmart targeted this store because the associates have been among the most active associates around the country to improve working conditions.”14 Walmart claimed the store had to be shut down due to “plumbing issues.”

Larry Allen meets with other employees attempting to unionize (latimes.com)

Unionization also carries the risk of termination of employment, as many cases and lawsuits have shown. Larry Allen started working at a Walmart in Las Vegas in 2001, earning a salary of eight dollars an hour. The 46-year-old man stocked produce for two years and received an hourly raise of only thirty-five cents after that two-year period. As an open promoter of unionization, Allen continued to commit the “ultimate act of disloyalty” as a Walmart employee over the duration of his employment. Allen passed out fliers and talked up the benefits of unionizing in the the parking lot and the break room, trying to gain enough support to become backed by the supermarket union. In August of 2003, Allen was fired. The National Labor Relations Board claimed it was because of his union activities and filed a complaint against Walmart, seeking his reinstatement and eventually succeeding, with the court backing Allen’s employment.

One Walmart spokesperson, a woman named Mona Williams, claimed that “our philosophy is that only an unhappy associate would be interested in joining a union, so that’s way Walmart does everything it can to make sure that we are providing our associates what they want and need.” Yet dozens of times, attorneys for the National Labor Relations Board have claimed that the corporation infringes upon the rights of workers to unionize. Judges have found that Walmart “illegally [implies] that workers could lose benefits such as insurance and profit sharing if they unionize.”

Walmart periodically releases guides and toolboxes that are meant to educate new employees on the corporation’s policies and practices. In 1997, “A Manager’s Toolbox to Remaining Union Free” was distributed, with quotes such as “We are not anti-union; we are pro-

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16 ibid.
17 ibid.
In 2015, a training video was leaked that contained specific anti-union language discouraging employees from collaborating and providing misguided information about the allocation of union funds. In the video, one actress stands in a grocery aisle and states, “I always thought that unions were kind of like clubs or charities that were out to help workers. Well, I found out that wasn’t exactly the case. The truth is unions are businesses, multimillion dollar businesses that make their money by convincing people like you and me to give them a part of our paychecks.” This training video is displayed for thousands of employees across the nation.

Despite Walmart’s firm anti-union sentiment, Organization United for Respect at Walmart (OUR Walmart) formed as an independent not-for-profit organization in the early 2000s. This organization, comprised of Walmart associates, creates a platform for conversation, protest, and demands for the respect and dignity that all workers deserve. The group has worked to improve wages, hours, and decrease discrimination by developing a network of employees and connecting these workers to the tools necessary for defining and fighting for their rights.

OUR Walmart has played a key role in connecting employees to legal help they need. The organization outlines the rights that workers have, so that employees understand what is allowable and what is an injustice. Social media helps to unite workers from all over the country facing similar problems at different Walmart locations. While this organization primarily serves as a platform for the exchange of information, ideas, and complaints, it also serves a practical purpose of providing legal help when necessary. OUR Walmart relies heavily on a coalition of twenty partners, including National People’s Action, Working Families Party, Interfaith Workers

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19 Ibid.
Justice, Colors of Change, and Jobs with Justice. This organization publicizes the treatment of workers, and does not want recognition as a union; instead, OUR Walmart functions as a legally independent group focused on uniting workers and connecting them to the help they need. This group arguably succeeds at its mission, as it empowers employees who feel they have no voice.

Part Two:

The second large criticism of Walmart addressed in this paper is the displacement of smaller, more localized businesses. As the giant corporation moves in with low prices, diversity of goods, and a one stop shop structure, smaller businesses are often run out of business. Accounts of small business displacement as a result of superstores such as Walmart are plentiful, and the number of instances of community backlash to new superstore developments is growing rapidly.

In 2006, in the Austin neighborhood of Chicago, researchers counted 306 businesses in the surrounding area a few months before a Walmart moved in. Two years after the Walmart opened, 82 of those businesses had closed their doors. While Walmart disputes these findings and argues that their stores provide growth and economic development, many critics highlight Walmart as poison for the local economy.

In Vermont, preservationists claim that the character, culture, and economy of the state is under threat from an influx of superstores, most significantly, Walmart. In May of 2004, the National Trust for Historic Preservation placed Vermont on its “endangered” list in the midst of fears that Walmart was planning massive expansion in the state. President of the Trust Richard

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Moe spoke to the New York Times and stated, “we know the effects these superstores have. They tend to suck the economic and social life out of these downtowns, many of which whither and die as a result. I think [the development of Walmart] will drastically affect the character of Vermont, which I think is quite unique.”

In a small suburb of Las Vegas, an entire shopping strip center stands completely vacant, in desperate need of an anchor tenant. A Raley’s grocery store once anchored the center, drawing thousands of shoppers to the strip, which included a flower shop, a mailing center, a nail salon, and other small businesses. These neighboring businesses are now struggling to make ends meet, as community members are no longer drawn to the area by the grocery store. Instead, they head a mile up to road to a Walmart that was built in 2008; a comprehensive shopping spot that sells groceries, flowers, has a UPS facility, and a multitude of other goods. Bonnie Neisius, owner of the mailing center in the strip mall says, “I’m probably down 45%. I just don’t get foot traffic anymore.”

The three stories outlined here are not isolated events. They are just a few glimpses at the overwhelming negative effects of expanding Walmart stores. When Walmart moves into a town, it often wipes out any other business competitors. Studies have shown that these smaller, local businesses often pay their employees higher wages and their employees are frequently unionized, creating a system of better paid workers with more control over their jobs. Walmart does often provide goods at a lower price point than local competitors, as their global supply chain and economy of scale allow for their “always low prices” guarantee. With abundant evidence of the

displacement of local business, how do cities and towns across the nation stand up to the swift and powerful expansion of this corporate giant?

A critical and effective step in halting the expansion of Walmart centers on zoning rules and regulations set forth by the towns Walmart attempts to settle within. These efforts combine the forces of local citizens, business owners, employees, and government officials to prohibit the development of a Walmart in a specific town or city. This method of standing up to Walmart is remarkably successful, but only if a strong force within the local community decides to push an anti-Walmart sentiment to the city council or zoning board. Without this force, Walmart frequently receives the zoning variances and development permits it needs to build in countless cities and towns in the United States. The success of this method of halting the spread of Walmart hinges entirely upon a motivated community, dedicated to preserving the local business structure of fair wages and employee treatment, the historic culture, and the diversity of shops.

This method uses the local land use policy to block the expansion of Walmart. Community members and citizen coalitions look at the comprehensive plan and the zoning code for their town, and use the development review process as an opportunity to protest and educate the planning board and their fellow residents of the negative effect Walmart could have on the town.

A study published in the *American Journal of Sociology* exposed that between 1998 and 2005, residents organized to block Walmart proposals in 563 locations. Walmart was either defeated or withdrew its proposal in 366 of the locations.26 The Food and Commercial Workers Union (UFCW) works in many areas across the nation to slow the spread of Walmart by fighting

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for stronger zoning regulations against the corporation.\textsuperscript{27} Tighter zoning laws and the formation of community coalitions that rally against special zoning ordinances can succeed in stopping the development of a Walmart.

\textbf{Walmart’s Response:}

Walmart’s response to the criticisms above vary in complex ways. As seen in the prior discussion, organizing employees and concerned citizens to fight Walmart through legal and governmental pathways are the most prevalent methods of critiquing issues of a lack of corporate responsibility.

Walmart has a strategic method for dealing with the thousands of lawsuits and court case brought against the corporation. As discussed above, many of these cases center on the mistreatment and exploitation of workers, particularly on the basis of age and sex, as well as on the exclusion from unionization. In general, the company is reluctant to settle all but the smallest of cases. Instead, Walmart takes on plaintiffs’ complaints, while simultaneously hammering home the message of “everyday low prices” and “Save Money, Live Better” to the consumer through ad campaigns, media outlets, and commercials. Serious class action suits and complaints, each of which can potentially end in hundreds of millions of dollars in liability, are complaints the company repeatedly fights back against.

In the long term, fighting these bigger lawsuits makes the most sense because winning some of these cases can, in Walmart’s opinion, dissuade more organizations from filing other suits. Larry McQuillan, a director at the Pacific Resource Institute, a free market think tank, said in an interview with Forbes, “Walmart has been a leader in not bowing to these pressures, unlike

\textsuperscript{27} The Regulation of Superstores. Lefcoe, George. April 2005.
many companies that are afraid of bad publicity and want to settle. If you don’t defend yourself early on, and be persistent, you will be steamrolled.” With regards to lawsuits, effectiveness can be measured in the sheer number of cases the corporation faces every day. With over 5000 cases per year, it is clear that there is serious unrest between employees, legal enforcement, consumers, and Walmart.

With regards to zoning and land use changes to prevent development, Walmart unfortunately holds a competitive advantage over the towns fighting its expansion. While many towns across the country have stood up to the creation of a Walmart within their town borders, many other towns are happy to have a Walmart, particularly due to the diversity of goods and the incredibly affordable prices. The massive size of the corporation serves as a shield, protecting the corporation from outcries against questionable treatment and practices. There has been an expansion in the past few years of the number of communities fighting the growth of Walmart.

With the inception of large scale movements such as “small scale Saturday” as backlash to Black Friday, and “shop small, shop local” campaigns, many of which started in 2013, it is becoming more common for consumers and residents to purchase from local business and fight the expansion of superstores like Walmart. These movements are backed and promoted by powerful corporations, including American Express, and state governments, further demonstrating their growing traction in opposition to retail giants.

One of the largest additional steps Walmart has taken to address and ameliorate bad public perception of the company is large scale donations to various causes. These donations are, for the most part, completely unconnected in topic or direction to the backlash Walmart faces,

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yet they are hard to ignore as public relations efforts that cover up bad press. One of the largest and most relevant examples of this is the immediate and generous response after Hurricane Katrina. This philanthropic giving of over $17 million in direct investment and $3 million in goods can be looked at from many perspectives.

On the surface, it seems to be a generous, humanitarian outreach to an area decimated by natural disaster. From a more critical perspective, this massive donation can be seen as a public relations play, a good media stunt, that can be highlighted during imminent times of criticism. As one critic eloquently recognized, “A company capable of operating in such a coordinated, humane way should do so not just in a disaster but every day. There is no reason Wal-Mart could not operate in an equally streamlined, well-organized manner to make sure that labor laws (on overtime, child labor, discrimination) are followed. There is no reason its impressive resources could not be marshaled to remedy the daily, ongoing disaster that so many of its workers face: low wages and inadequate healthcare.”

The truth in this quote can be seen in the business model at Costco, a similar big box, low price retailer. Costco uses its resources to pay employees a living wage, provide comprehensive benefits, and reduce turnover amongst employees. The starting wage at Costco is $11.50 per hour, and the average salary is $21.00; at Walmart, the average wage is $11.25. Costco embraces equality, scoring extremely well on the Human Rights Campaign’s Corporate Equality Index and provides comprehensive healthcare to 88% of its employees. This company hires from the inside, as more than 70% of its warehouse managers began their careers working the register or the floor.³⁰ Costco sees more than 100 billion dollars in revenue annually, and improves profitability

nearly every year. Costco, unlike Walmart, succeeds in fairly employing workers while still making a profit.

In light of Walmart’s responses to the criticisms at hand, I see awareness as one of the biggest mobilizing factors in addressing the complaints of employee discrimination and exploitation, as well as the displacement of smaller, local businesses. Knowledge can spread to more employees, consumers, and law enforcement bodies, through the proliferation of lawsuits, through platforms such as OUR Walmart, through community protest against zoning, through various media campaigns. This awareness holds the power to be one of the most damaging factors for Walmart.

One success that could arise from raised awareness and subsequently greater mobilization of employees, labor regulators, and law enforcement is the universal unionization of employees. This would ensure fair wages for people of all genders and ages, no unlawful dismissal, and equal treatment in the workplace. Studies show that unionization would also drive up prices at Walmart, which could give other smaller businesses a fighting chance against the low prices Walmart preaches and practices.

Walmart presents a fascinating case for the study of corporate accountability. While I see awareness as a great mobilizing factor in shining a light on, and hopefully changing, the systems of discrimination and crowding out that occur as a result of this corporate giant, Walmart maintains its position as a global supplier of a multitude of goods for millions of people worldwide. The massive size of the company protects Walmart from many of the worker protests, small scale shifts in consumer purchasing, or inflexibility in zoning variances. The challenge in confronting Walmart is that the corporation provides less expensive products to the

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31 “Why Costco is Beating Walmart.” Campos, Adrian. 2 December 2013. 
http://www.usatoday.com/story/money/markets/2013/12/02/why-costco-is-beating-wal-mart/3691555/
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consumer, making it an undeniably attractive store for millions of lower income people across the country. This reality makes standing up to issues of corporate accountability more difficult to tackle, but not less important.

Kathryn Harrigan, a professor at Columbia Business School, remarked in an interview with Forbes that “when you’re just about the largest company in the world, it’s tough to breathe without offending someone.” But as the discussion above shows, Walmart provokes serious questions about corporate accountability, and lawsuits, protests, and governmental regulations towards the corporation are warranted, necessary, and at times, successful.

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