

NOT MADE IN AMERICA

Top 10 Ways Walmart Destroys US Manufacturing Jobs

Why is it that America no longer *makes things* the way we used to? Between 1980 and 2011, the United States lost 7 million manufacturing jobs,¹ many of them middle-class positions that enabled workers to support their families with dignity. Today, the nation's largest employer is not a manufacturer, but mega-retailer Walmart—which is celebrating its 50th anniversary this week. Walmart pays its associates just \$8.81 an hour on average.² In this economy, a quarter of full-time working-age American adults are not earning enough money to meet their families' economic needs.³ While the decline of American industry was caused by a variety of complex factors, the actions of the nation's biggest corporation and largest retailer play an under-estimated role.

As America's biggest company, Walmart wields tremendous market power. Walmart could use this might to help build up the American economy, offering good jobs to its own employees, encouraging contractors to do the same, and helping to strengthen U.S. manufacturing through its relationships with its suppliers. Instead, Walmart has wielded its market power to eliminate good-paying manufacturing jobs and lower labor standards in the retail sector and throughout its entire supply chain. On this Fourth of July, here are 10 ways Walmart has facilitated America's industrial decline:

1

BUYING BILLIONS OF GOODS THAT WEREN'T MADE IN AMERICA.

The vast majority of merchandise Walmart sells in the U.S. is manufactured abroad. The company searches the world for the cheapest goods possible, and this usually means buying from low-wage factories overseas. Walmart boasts of direct relationships with nearly 20,000 Chinese suppliers,⁴ and purchased \$27 billion worth of Chinese-made goods in 2006.⁵ According to the Economic Policy Institute, Walmart's trade with China alone eliminated 133,000 U.S. manufacturing jobs between 2001 and 2006 and accounted for 11.2 percent of the nation's total job loss due to trade.⁶ But China is hardly the only source of Walmart goods: the company also imports from Bangladesh, Honduras, Cambodia, and a host of other countries.

2

PUSHING U.S. COMPANIES TO MOVE THEIR FACTORIES OVERSEAS.

With \$419 billion in annual net sales, Walmart's market power is so immense that the even the largest suppliers must comply with its demands for lower and lower prices because they cannot afford to have their goods taken off its shelves. Companies that used to manufacture products in the United States, from Levi's jeans to lock maker Master Lock, were pressured to shut their U.S. factories and moved manufacturing abroad to meet Walmart's demand for low prices.⁷

3

MAKING IT EASIER FOR OTHER U.S. RETAILERS TO BUY FROM FOREIGN FACTORIES.

Walmart was a leader in sourcing goods overseas, establishing a centralized purchasing system, technological infrastructure, and linkages to foreign factories that other companies imitated and built on. While researchers find that Walmart still imports disproportionately more goods than other apparel retailers,⁸ its innovations accelerated the use of offshore suppliers by its competitors, speeding the loss of American manufacturing jobs.

4

FORCING LAYOFFS AMONG ITS U.S. SUPPLIERS.

Even when Walmart products are made in the United States, manufacturing jobs still get eliminated as suppliers cut costs to meet Walmart's demands for low prices. A spokesman for the National Knitwear and Sportswear Association noted that producing goods for Walmart "forces domestic manufacturers to compete, often unrealistically, with foreign suppliers who pay their help pennies on the hour."⁹ A Walmart spokesperson admitted that this was the point of the company's efforts to buy domestic goods: "one of our big objectives was to put the heat on American manufacturers to lower prices."¹⁰ Even as manufacturing costs increase, Walmart demands that suppliers' prices go even lower, a dynamic that helped push Kraft Foods to plan the closure of 39 factories and lay off 13,500 workers.¹¹

5

PROMOTING DOMESTIC SWEATSHOPS.

Layoffs aren't the only way manufacturers contrive to meet the low prices Walmart demands. Walmart's domestic suppliers lower wages, cut benefits, aggressively fight employee efforts to unionize and bargain collectively, and skimp on worker comfort and safety. For example, Louisiana seafood processor C.J.'s Seafood, which sells an estimated 85 percent of its processed crawfish

AN INTERVIEW WITH

JOE ALLEN JR.



I'm an 81-year-old retired apparel manufacturer. I had five factories, and all of them were here in Texas. I was producing apparel for JC Penney's, Sears, Montgomery Ward's, and a multitude of independent stores, small chains. I had a business and I built it up to \$50 million a year, which was a pretty good size back in the 60's, 70's and 80s.

When I started my companies, I said we're going to do everything possible to make conditions as good as possible and wages as good as possible. Not out of the goodness of our heart, but I believed if we treat people right and pay reasonable wages and have good working conditions that we'll have good, productive workers. And it worked for us. I hired the best engineering firms in the country to come in and make my plants the most modern plants in my industry: productive, efficient.

I'm out there competing with the rest of the manufacturers in this country—I probably had a thousand competitors. But we had the best, most efficient plants, I could be priced efficiently.

Walmart would squeeze you so much on prices that you couldn't do these things and remain manufacturing in this country.

I was president of the Southwestern Apparel Manufacturers Association. There was a meeting sometime between 1985 and 1990. Walmart had contacted our organization and asked if they could meet with us at our beautiful Apparel Mart we had here in Dallas, which has now been razed, because all the independent

merchants don't exist that used to come to it. Two people from Walmart came down and they said they were going to be sourcing goods from

to Walmart, has recently come under scrutiny for allegedly abusing employees working in the U.S. on temporary immigrant visas (known as guestworker visas).¹² A complaint to the U.S. Department of Labor claims that the Walmart supplier “engaged in extremely coercive employment related actions, including forcing guestworkers to work up to 24-hour shifts with no overtime pay, locking guestworkers in the plant to force them to continue to work, threatening the guestworkers with beatings to make them work faster, and threatening violence against the guestworkers’ families in Mexico after workers contacted law enforcement for assistance.”¹³

6

SQUEEZING U.S. MANUFACTURERS OUT OF BUSINESS.

Walmart’s unrelenting push for low prices eats into the profit margins of its U.S. suppliers, often weakening companies in the process. Journalist Charles Fishman provides a vivid example: Walmart provided 30 percent of Vlasic Pickles’ overall business and insisted that if the company did not allow Walmart to sell a gallon jar of pickles for the ruinously low price of \$2.97, they would stop buying Vlasic’s other products. “The pickle maker had spent decades convincing consumers that they should pay a premium for its brand. Now Walmart was practically giving them away.”¹⁴ According to Fishman, Vlasic’s profit margin from pickles shrunk 25 percent or more. Nor is Vlasic alone in seeing its business cannibalized by Walmart: of the top ten companies supplying Walmart in 1994, four sought bankruptcy protection by 2006.¹⁵

7

DISCOURAGING AMERICAN INNOVATION.

By squeezing its suppliers, Walmart leaves companies without the resources to make new investments in research and development. And once companies become dependent on Walmart as a massive purchaser, their greatest incentive is to keep producing the products Walmart has decided to sell, making it unnecessary and unprofitable to innovate.

8

DRIVING COMPETITORS TO SQUEEZE MANUFACTURING.

If discount retailers like Target and Kmart want to remain competitive with Walmart, they must demand similarly low prices from suppliers. As a result, the pressures pushing down costs and propelling the elimination of American manufacturing jobs are magnified.

overseas and we would have to meet those prices for consumer products and to get ready for it—we are going to be sourcing the world. Walmart was the only company that came out and said this.

It was sort of shocking: I was selling them some merchandise at the time. On the back of their trucks it was saying “Bring it Back to America!” They had the big “keep it in America” program going at that time on the big signs in the stores. Meanwhile when I reminded the buyer of that, she told me, “that is just for domestic consumption, we’re going to buy at the cheapest we can anywhere on earth.”

I could see that if you’re going to be a player in the apparel industry you’re going to have to sell Walmart: they were just too big a user. Their orders were like telephone numbers—the quantity. You don’t negotiate prices with Walmart because they can just tell you what they’re going to pay and that’s it. You got to make it cheaper than you did last year.

People didn’t start importing from overseas because they wanted to. They did it because they had to, to survive. Those that didn’t join in the club are not around anymore. I could see the handwriting on the wall. ■

9

LOBBYING FOR POLICIES THAT MAKE IT EASIER TO MOVE U.S. JOBS OVERSEAS.

According to the non-profit Center for Responsive Politics, Walmart spent \$7.8 million on lobbying in 2011 alone.¹⁶ While this money was paid to influence a range of legislation, from promoting corporate tax cuts to opposing a bill to guarantee paid sick time to working people, trade policy was among the issues Walmart lobbied on most aggressively. In fact, Walmart has lobbied to make it easier to push American jobs out of the country for years, playing a key role in lobbying for NAFTA in the early 1990s.¹⁷

10

MAKING GROWING INEQUALITY THE ACCEPTED NORM.

Walmart has set the template for today's economy: one in which increased economic productivity is not shared with working people, and the vast inequality that this creates is seen as normal. Today the six members of the Walton family who inherited the Walmart fortune enjoy wealth equal to that of the least-wealthy 30 percent of Americans *combined*.¹⁸ These billionaires are the ultimate beneficiaries of Walmart's push to cut costs, condemning retail employees to work in poverty and American factory workers to unemployment.

Walmart is the nation's largest employer and one of America's most profitable companies, netting \$15.7 billion in profits in 2011.¹⁹ With the great resources at its disposal, Walmart could afford to take the high road, supporting good manufacturing jobs in America by allowing for higher wages and more investment in its supply chain and paying its own employees—from retail “associates” to warehouse workers and cleaning contractors—a living wage. That would set the template for a new American economy, one in which Americans might once again “make things” and also find greater dignity and stability in selling them.

ENDNOTES

1. Demos calculations based on data from the Bureau of Labor Statistics.
2. John Nichiols, "Supreme Court Decides That Walmart's a 'Too-Big-for-Justice' Corporation," *The Nation*, June 20, 2011. Citing independent market research group, IBIS World.
3. "Living Below the Line," *Wide Opportunities for Women* (2011). <http://www.wowonline.org/documents/WOWUSBESTLivingBelow-theLine2011.pdf>
4. "Walmart China Factsheet," Walmart Corporation, <http://www.wal-martchina.com/english/walmart/index.htm>.
5. Nelson Lichtenstein, *The Retail Revolution: How Wal-Mart Created a Brave New World of Business*. Metropolitan Books: 2009. p 159.
6. Robert E. Scott, "The Wal-Mart Effect," Economic Policy Institute, 2007. <http://www.epi.org/publication/ib235/>.
7. For an account of this history, see: Charles Fishman, "The Wal-Mart You Don't Know," *Fast Company*, December 1st, 2003, <http://www.fastcompany.com/magazine/77/walmart.html>
8. Emek Basker and Pham Hoang Van, "Wal-Mart as Catalyst to U.S.-China Trade," working paper, Department of Economics, University of Missouri, Columbia, MO, 2007. http://economics.missouri.edu/working-papers/2007/WP0710_basker.pdf.
9. Nelson Lichtenstein, *The Retail Revolution: How Wal-Mart Created a Brave New World of Business*. Metropolitan Books: 2009. p 158.
10. Nelson Lichtenstein, *The Retail Revolution: How Wal-Mart Created a Brave New World of Business*. Metropolitan Books: 2009. p 157.
11. Barry Lynn, "Breaking the chain: The antitrust case against Wal-Mart," *Harper's Magazine*, July 2006. <http://www.harpers.org/archive/2006/07/0081115>.
12. Richard Rainey, "Striking guest workers from Breaux Bridge crawfish plant protest Sam's Club in Metairie," *Times-Picayune*. June 06, 2012. http://www.nola.com/business/index.ssf/2012/06/striking_guest_workers_from_br.html
13. Jennifer J. Rosenbaum, "Complaint To The Wage And Hour Division: Violations of The Fair Labor Standards Act And H-2B Regulations By CJL Enterprises, Inc. Db a CJ's Seafood and Michael Leblanc," *National Guestworker Alliance*, June 2012. http://www.guestworkeralliance.org/wp-content/uploads/2012/06/CJL_DOL-complaint.pdf
14. Charles Fishman, "The Wal-Mart You Don't Know," *Fast Company*, December 1st, 2003, <http://www.fastcompany.com/magazine/77/walmart.html>
15. Barry Lynn, "Breaking the chain: The antitrust case against Wal-Mart," *Harper's Magazine*, July 2006, <http://www.harpers.org/archive/2006/07/0081115>.
16. "Lobbying: Wal-Mart Stores Summary 2011," Center for Responsive Politics, <http://www.opensecrets.org/lobby/clientsum.php?id=D000000367&year=2011>.
17. Bethany Moreton, *To Serve God and Wal-Mart: The Making of Christian Free Enterprise*. Harvard University Press: 2009.
18. Sylvia Allegretto, "The few, the proud, the very rich;" *The Berkley Blog*, UC Berkley, December 5th, 2011, <http://blogs.berkeley.edu/2011/12/05/the-few-the-proud-the-very-rich/>.
19. See CNN's Fortune 500 list <http://money.cnn.com/magazines/fortune/fortune500/2012/snapshots/2255.html>

DEMOS.org

220 Fifth Avenue, 2nd Floor
New York, NY 10001
p: (212) 633-1405
f: (212) 633-2105
info@demos.org

MEDIA CONTACT

Lauren Strayer
Associate Director of
Communications
p: (212) 389-1413
lstrayer@demos.org