

WAL-MART WATCH

Low Prices At What Cost?

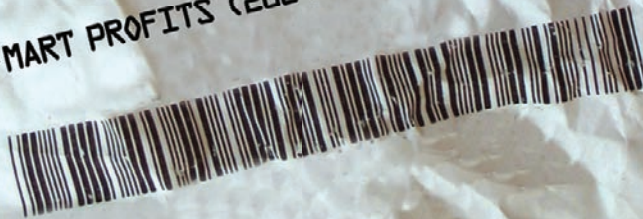
Annual Report 2005

WAL★MART®
ALWAYS HIGH PRICES

Always.

WE SELL FOR LESS
ALWAYS

Annual Cost to U.S. Taxpayers	\$1,557,616,500
Wisconsin Healthcare per year	\$2,700,000
Calif. Healthcare per year	\$32,000,000
Calif. Public Assist. per year	\$54,000,000
Connecticut Medicaid per year	\$5,400,000
CEO Compensation	\$17,543,739
Federal Campaign Donations	\$2,163,591
Clean Water Act Violations	\$4,100,000
Overtime Lawsuit Settlement	\$50,000,000
WAL-MART PROFITS (2004)	\$10,267,000,000



WALMARTWATCH

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FRONT COVER: See endnotes 109-119.

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BOTTOM LINE: WHAT ARE THE TRUE COSTS OF WAL-MART'S LOW PRICES?

Everyone loves a bargain, and Wal-Mart's "always low prices" draw millions of Americans to its stores. In fact, 8 in 10 Americans shop at Wal-Mart's stores. Is Wal-Mart really such a good value, or do consumers pay in other ways?¹

Where true retail competition still exists, Wal-Mart's prices are usually the lowest. The company regularly monitors competitors' prices and responds quickly by lowering its own. Wal-Mart has a "Never Be Beat" list of about 1,000 household items (such as toothpaste and toilet paper) on which it will not be undersold.² But in many small town markets, little competition is left, leaving Wal-Mart free to set its own prices.

Take local gas stations in Oklahoma, for example. Station owners expected a boon from all those cars driving to Wal-Mart, and they got it. But then Wal-Mart seized the opportunity and began pumping gas right at their stores, undercutting independent stations. In 2003, a federal judge ordered Sam's Club, a division of Wal-Mart, Inc., to stop selling gas below wholesale cost after the court found Wal-Mart had lost up to \$300,000 on gas sales at three stores over an 8-month period.³

The broader issue, of course, is the hidden costs Wal-Mart imposes on American taxpayers. Wal-Mart is one of the biggest recipients of corporate welfare in the world. Year after year, Wal-Mart's low pay and insufficient employee benefits programs leave hundreds of thousands of Wal-Mart workers to rely on Medicaid, food stamps, and public housing assistance to make ends meet. Call it the "Wal-Mart Tax." It costs American taxpayers at least \$1.5 billion in federal tax dollars every year, and hundreds of millions more in state and local subsidy costs.⁴

Wal-Mart pocketed over \$10 billion in profit in 2004.⁵ The company reached this level of profitability, in part, by getting state and local governments to provide tax breaks and to pay for roads and utility connections at many of its new stores and distribution centers. A May 2004 report by *Good Jobs First* documented that Wal-Mart has received more than \$1 billion in such subsidies.⁶

Finally, the issue of American jobs is central to the debate about Wal-Mart's influence on our community. For years Wal-Mart proudly touted the number of American jobs created or retained through its "Made in America" program. However, as Wal-Mart abandoned the program and the philosophy of founder Sam Walton that American jobs were a commitment and a partnership, the company abruptly stopped updating its figures of American job creation.⁷

FACTS ON LOW PRICES, HIGH COSTS

- ★ Wal-Mart's low prices come with very high costs, including over \$1.5 billion annually in federal subsidies for employee healthcare, food stamps and housing.
- ★ Wal-Mart's low-wage, meager benefits model drives down wages for workers everywhere, especially amongst its retail competition.
- ★ Wal-Mart's buying power and pricing strategy drives out competition and limits consumer choice in many rural markets.

How Much Does Wal-Mart Cost American Taxpayers Every Year?



\$ 1,557,616,500⁰⁰

It's Time to Rollback Wal-Mart.

The Wal-Mart Tax

Year after year, Wal-Mart's low pay and meager employee benefits force tens of thousands of employees to resort to Medicaid, food stamps, and housing assistance. Call it the "Wal-Mart Tax." And it costs you \$1.5 billion in federal tax dollars every year.¹

Who Else Gets Hurt?

Wal-Mart brags about its employee health care plan. Their ads claim that "Associate premiums begin at less than \$40 a month."² What they don't tell you is that the deductible is \$1,000.³ That's right, a \$1,000 health insurance deductible for sales clerks who, on average, make less than \$14,000 per year.⁴ No wonder so many Wal-Mart employees have to apply for public health assistance.

Low Prices at a High Cost

The \$1.5 billion Wal-Mart tax doesn't even include *state* tax dollars spent on Medicaid, food stamps, and housing assistance.⁵ And it doesn't include the millions of dollars that communities pay every year to provide new roads, electricity, sewer, and water lines for Wal-Mart stores. The company has a \$10 billion annual profit, but won't even build the driveways to its stores.⁶



ON THE PUBLIC DOLE: WHY SHOULD TAXPAYERS SUBSIDIZE WAL-MART'S HEALTH CARE BILLS?

Wal-Mart, the world's largest corporation with more than \$288 billion in annual sales⁸ and 1.2 million workers in the U.S., does not pay for health insurance for over half of its employees.⁹ Instead, Wal-Mart forces hundreds of thousands of employees to rely on government programs from children's health insurance to school lunches, costing taxpayers over \$1.5 billion dollars annually.¹⁰

Wal-Mart CEO Lee Scott has admitted this, saying, "In some of our states, the public program may actually be a better value — with relatively high income limits to qualify, and low premiums — lower than we can provide insurance for, even when our plans start as low as \$40 for an individual and \$55 for a family."¹¹

Take Florida, for example, where the *St. Petersburg Times* reported that Wal-Mart led the list of companies with the most employees and dependents enrolled in Medicaid or KidCare Insurance. The company has 12,300 workers enrolled in the state Medicaid program — more than 13 percent of its 91,000 Florida workers.¹²

The obvious question: why should taxpayers subsidize the health care costs for a corporation that reported more than \$10 billion in profits in 2004 alone?

Other states are facing this question, too. In Georgia, for example, more than 10,000 children of Wal-Mart employees rely on state-funded health care.¹³ In Alabama,¹⁴ Wal-Mart leads the list of the state's largest employers who receive public aid including Medicaid. Same in Iowa.¹⁵ Same in Tennessee,¹⁶ Wisconsin,¹⁷ West Virginia,¹⁸ Arkansas,¹⁹ Connecticut,²⁰ New Hampshire²¹ and Washington.²²

One reason so many Wal-Mart workers end up on taxpayer-funded health care programs is the unaffordable benefits programs that asks employees earning an average of \$14,000 per year to pay a \$1,000 deductible for health insurance. This means that a sales clerk making \$8.50 per hour is expected to pay the first \$1,000 of her health care costs out-of-pocket,²³ an impossible expense for many.



FACTS ON WAL-MART TAX SUBSIDIES

- ★ Wal-Mart tops the list of companies having the most employees on taxpayer-subsidized state health programs.
- ★ Wal-Mart sales clerks earn an average of \$14,000 annually and are offered health-care plans that include a \$1,000 out-of-pocket deductible.
- ★ On average, U.S. employers spend \$5,600 per worker on health care annually. Wal-Mart spends only \$3,500.



REALITY CHECK: WITH OVER \$10 BILLION IN PROFIT, WHY CAN'T WAL-MART PAY WORKERS MORE?



Photo Illustration

The Century Foundation's Simon Head reported at the end of 2004 that "the average pay of a sales clerk at Wal-Mart was \$8.50 per hour, or about \$14,000 a year — \$1,000 below the government's definition of the poverty level for a family of three."²⁴

When the world's largest and wealthiest corporation tolerates its employees living in poverty, something is wrong. Would raising workers' pay undercut Wal-Mart against its retail competitors? Not really.

Take Costco, a retailer vying for market share with Wal-Mart, and a direct competitor to its Sam's Club stores. Costco pays its employees, on average, \$16 per hour — 65 percent more than Wal-Mart and 33 percent more than Sam's Club.²⁵ 82 percent of Costco's workers have health insurance, compared to 48 percent for Wal-Mart.²⁶ In 2004 *Business Week* reported that Costco workers, with their higher wages and better benefits, helped the company earn \$13,647 in U.S. operating profit per hourly employee vs. \$11,039 at Sam's Club. Additionally, Costco benefits from lower turnover and higher productivity.²⁷

Wal-Mart's workforce is larger than General Motors, Ford, GE and IBM combined.²⁸ It does more business than Target, Sears, Kmart, JC Penney, Safeway, and Kroger combined.²⁹ Wal-Mart cannot blame competition for their shortcomings with employees.

Dismissing the Century Foundation's numbers and other studies, Wal-Mart executives and public relations professionals inflate income statistics claiming that full-time workers "average" \$9.68 an hour for a 35-hour workweek.³⁰ Even with their inflated numbers, which *include highly paid executives and Wal-Mart managers*, an annual pay of about \$17,600 leaves an "average" worker with a family of four substantially below the \$19,157 federal poverty line, according to *The New York Times*.³¹

With Wal-Mart refusing to pay its workers a family-sustaining wage, competitors and suppliers come under pressure to reduce their own wages and benefits costs to remain competitive. The United States is experiencing a race to the bottom...with Wal-Mart leading the way.

FACTS ON WAL-MART WAGES

- ★ Wal-Mart pays sales clerks about \$14,000 per year—a wage below the government-defined poverty level for a family of three.
- ★ If Wal-Mart raised wages and benefits by \$3.50 an hour, the changes would represent three percent of total sales.
- ★ Costco pays its workers 65 percent more than Wal-Mart and 33 percent more than Sam's Club, yet earns more profits per employee.³²



STRANGLEHOLD: WAL-MART'S POWER OVER SUPPLIERS... AT WHAT COST TO AMERICAN JOBS?

As the world's most powerful retailer, Wal-Mart demands that its suppliers reduce the cost of their products each year. Wal-Mart's estimated 61,000 suppliers face incredible pressure to lower costs which often results in good-paying American jobs being sent overseas to low-wage/low-regulation countries.³³

The "Wal-Mart squeeze" has forced many small- and medium-size suppliers to close U.S. plants, even when they operated modern, highly productive facilities with well-trained, long-time workers. Wal-Mart's huge buying power allows it to dictate not only price, but also everything from packaging to the design of suppliers' computer and delivery systems.

Take Lovable Company, founded in 1926, which did business with Sam Walton in the earliest days of Wal-Mart. Lovable was the sixth-largest maker of intimate apparel in the U.S. Wal-Mart was Lovable's biggest customer and, according to Frank Garson II, the firm's last president, Wal-Mart "had a big pencil." With little notice, Wal-Mart changed the terms of its contract with Lovable and, within a few years, the company's doors closed due to the unachievable pricing pressure. "Wal-Mart chewed us up and spit us out," Garson told *Fast Company* magazine. Thousands of workers lost their jobs here and in Central America.³⁴

Wal-Mart has lured customers with its blind focus on price, ignoring the true costs. As an executive of thread-maker Carolina Mills noted: "We want clean air, clear water, good living conditions, the best health care in the world—yet we aren't willing to pay for anything manufactured under those restrictions."³⁵



FACTS ON SUPPLIER SQUEEZE

- ★ Wal-Mart's 61,000 suppliers face constant pressure to lower costs every year which has resulted in many suppliers moving good-paying American jobs overseas to low-wage/low-regulation countries such as China, Bangladesh and India.
- ★ The company's emphasis on low prices encourages customers to accept goods produced under sub-standard conditions.
- ★ The Economic Policy Institute estimates that the U.S. has lost more than a million jobs to China since the early 1990's.³⁶



CHINA'S BEST FRIEND: WHAT HAPPENED TO WAL-MART'S "BUY AMERICAN" PROGRAM?



Wal-Mart Watch Ad:
USA Today, 4/25/05

In 1992, Wal-Mart's founder Sam Walton wrote a best-selling autobiography entitled *Made in America*.³⁷ Wal-Mart literature touted a corporate program called "Bring It Home to the USA."³⁸ The company advertised its loyalty to American manufacturers saying, "The Buy American program is both a commitment and a partnership."³⁹

That was then. This is now. Today, at least 70 percent of non-food items sold in Wal-Mart stores have a Chinese component.⁴⁰

Ted Fishman, author of the book *China, Inc.*, notes "there's a Chinese component in virtually every aisle you walk in Wal-Mart and Wal-Mart is the conduit for all of the output of the Chinese economy directly into American lives."⁴¹

The Washington Post notes "[Wal-Mart's] shelves bear little trace of the 'Buy American' philosophy of its founder."⁴²

Wal-Mart imports an estimated \$18 billion in products from China each year.⁴³ Experts believe Wal-Mart is China's eighth largest trading partner, importing more goods each year than entire countries such as England and Russia.⁴⁴

Wal-Mart also plans on importing more than \$2 billion worth of goods from India in 2005⁴⁵ and sources merchandise from many other countries with very low labor costs and weak worker and environmental protection laws.

FACTS ON WAL-MART'S EXPORT OF U.S JOBS

- ★ As Wal-Mart has abandoned its "Buy American" program, over one million jobs have been outsourced to China.
- ★ More than 70 percent of the non-food goods Wal-Mart sells have components from China.
- ★ Wal-Mart will import about \$18 billion from China in 2005, \$2 billion from India, and billions more from other low-wage countries around the world.



GRAND OPENING: WITH A NEW STORE OPENING NEARLY EVERY DAY, WHAT IS WAL-MART'S IMPACT ON AMERICA'S SMALL BUSINESSES?

Wal-Mart opened 242 new Supercenters in 2004.⁴⁶ On average, a Wal-Mart store gets 84 percent of its business from the existing stores in the area.⁴⁷ With Wal-Mart stores in the United States averaging more than \$1 million in sales per week, that's a lot of business being drained from the local economy.⁴⁸

A wide range of factors affect businesses that compete with Wal-Mart. On-line shopping, poor customer service, shorter hours of operation and lower marketing budgets all put competitors at risk. But the biggest impact of all may be the inability of local business to survive Wal-Mart's aggressive pricing practices. The local grocery store, the pharmacy that knows what heart medicine your grandmother takes, the sporting goods shop where you got your high school letterman's jacket—despite more personalized service, higher quality goods and local roots, few can withstand Wal-Mart's assault on prices.

Wal-Mart plans to open 1,000 new Supercenters in the U.S. over the next five years. Studies by Retail Forward estimate that the new Supercenters will double Wal-Mart's grocery and related revenues. If their growth goals are met, Wal-Mart will control over 35% of U.S. food sales and 25% of drugstore sales. **Retail Forward also predicted that for every new Supercenter that Wal-Mart opens, two local supermarkets will close.**⁴⁹

Take Iowa, for example, where Wal-Mart chose to expand some years ago and now has 60 stores.⁵⁰ Over the period of this expansion, Wal-Mart's growth has led to the closings of hundreds of stores, including: 555 grocery stores, 298 hardware stores, 293 building suppliers, 161 variety shops, 158 women's stores, and 116 pharmacies, according to a University of Iowa study. The study found that, after an initial 3 percent retail spike in sales immediately after a Wal-Mart opened, business then plummeted. For example, sales of mens' and boys' apparel dropped 44 percent, hardware sales fell by 31 percent, and lawn and garden sales dropped by 26 percent.⁵¹

FACTS ON WAL-MART V. MAIN STREET

- ★ Wal-Mart CEO Lee Scott says there's room in the U.S. for 4,000 more Wal-Mart Supercenters.⁵²
- ★ Ten years after Wal-Mart expanded in Iowa, 555 competing grocery stores had closed; plus 298 hardware stores, 293 building suppliers, and 116 pharmacies.
- ★ Market analysts estimate that for every new Wal-Mart Supercenter that opens, two local supermarkets will close.



Photo Illustration



DOUBLESPEAK: WITH SO MANY ACCUSED VIOLATIONS OF ENVIRONMENTAL LAWS, HOW CAN THEY CALL THEMSELVES A GREEN COMPANY?

FACTS ON WAL-MART'S ATTACK ON OUR ENVIRONMENT

- ★ Wal-Mart is a major polluter that frequently is accused of violating environmental laws.
- ★ Wal-Mart's price pressure on suppliers encourages harmful environmental practices to cut costs such as clear cutting of forests and industrial factory farming of seafood.
- ★ Relentless expansion by Wal-Mart causes loss of open space, traffic and air quality problems, and pollution of watershed.

Wal-Mart has been accused of environmentally-harmful practices for years, flaunting many state and federal environmental regulations. Their court and regulatory settlements are many — with fines totaling hundreds of millions of dollars.

In 2004, for example, Wal-Mart paid \$3 million for violating the Clean Water Act by allowing excessive storm-water runoff from its construction sites. Sediment and dirt spilled into streams and rivers, killing fish and destroying habitats. The runoff may have contained pesticides, chemicals, solvents, and other toxic substances.⁵³ As it always does, Wal-Mart pledged to do better. But that's what they said in 2001 when the Environmental Protection Agency hit the company with a \$1 million fine for violations of the same Clean Water Act.⁵⁴

In 2004, the *Associated Press* reported, "Wal-Mart Stores Inc. was ordered to pay \$765,000 in fines for violating state petroleum storage tank laws at its automobile service centers in Florida. The Florida Department of Environmental Protection said...that the world's largest retailer failed to register its aboveground fuel tanks with the state and didn't install devices that prevent overflows, among other problems. All 75 of the company's Tire & Lube Express service centers in Florida have tanks to store fuel and used oil. But none of them were registered with the state, according to a consent order."⁵⁵

Wal-Mart has repeatedly ignored environmental laws, ranging from the Clean Water Act to the Clean Air Act.⁵⁶ But the company also harms the environment in far broader ways. Its relentless expansion has had dire and incalculable consequences, including: loss of open space and homogenization of rural landscapes; worsening traffic adding to air quality degradation; deterioration of historic commercial centers; loss of wildlife habitat to Wal-Mart sprawl; and hundreds of abandoned buildings and parking lots left behind as Wal-Mart closes stores and opens larger Supercenters elsewhere, often just steps away.

Wal-Mart's quest for lower prices has also pushed suppliers to accelerate harmful business practices. As an example, by demanding cheaper paper packaging, it directly or indirectly promotes irresponsible logging and clear-cutting. And, as a major retailer of seafood, pork, chicken and beef, Wal-Mart has promoted harmful industrial factory farming.

With its unprecedented market dominance, Wal-Mart could set a new corporate standard for responsible growth and sustainability. Instead it sets a very dangerous standard: profit at any cost.



Photo Illustration



CONTROL: HOW ARE THE WALTONS USING THEIR \$90 BILLION FORTUNE TO CHANGE OUR FUTURE?

The Walton family members together control about 39 percent of Wal-Mart stock⁵⁷, and have a net worth of over \$90 billion.⁵⁸ The Waltons are richer than Bill Gates and Warren Buffett combined⁵⁹ and their net worth is equal to the gross domestic product of Singapore.⁶⁰ They earn nearly a billion dollars—\$873.8 million—a year in Wal-Mart dividends.⁶¹

In their 2004 profile, *Fortune* magazine wrote, “The Waltons have a large, if quiet, influence on our economy and society.”⁶²

The Waltons remain staunchly anti-union. In Oklahoma, for example, Wal-Mart funded a “right to work” campaign that passed in 2001.⁶³ America’s richest family also has been a driving force behind conservative school voucher programs around the country, contributing at least \$700 million to their version of education “reform”.⁶⁴

Recently, the Walton’s have spent huge sums of their wealth to fight for permanent repeal of the estate tax, another top conservative priority. **President Bush’s dividend tax cut, enacted in 2003, will save the Waltons an estimated \$240 million in 2005 alone.**⁶⁵

According to the nonpartisan Center for Responsive Politics, Wal-Mart gave \$2.1 million in political donations in the 2004 election cycle, up from \$1.5 million in 2002. That makes Wal-Mart the top giver among retailers. By contrast, in the 2000 cycle, Wal-Mart gave only \$731,182, making it the No. 6 donor among retailers.⁶⁶

Wal-Mart’s donations have gone about 4-to-1 to Republicans; in the 2004 election cycle they gave 80% to the GOP.⁶⁷ But that’s changing. In an attempt to widen their influence, Wal-Mart donations have been “about even” to both parties since the 2004 election.⁶⁸



The record-breaking amount Alice Walton paid for this painting — \$35 million dollars — would cover the health care costs of 8,572 Wal-Mart workers in Arkansas.⁶⁹

FACTS ON THE WALTON FAMILY

- ★ The heirs of Wal-Mart founder Sam Walton are richer than Bill Gates and Warren Buffet combined, with a net worth of about \$90 billion.
- ★ The Walton family rakes in nearly \$1 billion a year in dividends from Wal-Mart. Their holdings are equal to the gross domestic product of Singapore.
- ★ Staunch conservatives, the Waltons donate to anti-union efforts and spend millions on school voucher programs around the country.



EXCESSIVE PAY: WAL-MART CEO LEE SCOTT REPORTED \$17,543,739 IN INCOME LAST YEAR – 871 TIMES MORE THAN THE AVERAGE U.S. WAL-MART WORKER. HOW MUCH IS TOO MUCH?



Photo Illustration

Wal-Mart President and CEO H. Lee Scott has earned a reputation as a hardcore cost-cutter who demands that his fellow Wal-Mart executives strive to save fractions of a penny on everything from supplier costs to the cost of toilet paper in store restrooms. But when it comes to his own pay, the Wal-Mart CEO is quite generous. **Scott's \$17.5 million in compensation in 2004 was nearly twice the average of \$9.6 million for leading CEOs, according to *Business Week*.**⁷⁰ Scott raked in about \$8,434 per hour, which is \$8,424 *more per hour* than the official Wal-Mart figure for its average worker of \$9.68.⁷¹

CEO Scott is not alone in receiving excessive executive pay. The top five executives at Wal-Mart received \$219,684,584 over the last five years.⁷² Take Thomas M. Coughlin, a former Wal-Mart executive, for example, who didn't get all his 2004 income because of allegations that he stole up to \$500,000.⁷³ But Coughlin did pretty well in 2002, with total Wal-Mart compensation exceeding \$12.4 million.⁷⁴

No one argues that top executives should earn what cashiers or sales clerks make, but Wal-Mart's relentless penny-pinching on everything but pay for the very top executives creates a clear contradiction.

With so many Wal-Mart workers qualifying for taxpayer-financed food stamps, health care, and other welfare programs, why should the Wal-Mart CEO earn twice what his fellow corporate leaders do?

FACTS ON WAL-MART'S EXECUTIVE PAY

- ★ Wal-Mart CEO H. Lee Scott received \$17.5 million in 2004, nearly twice the average of \$9.6 million for leading CEOs.
- ★ While Wal-Mart claims its U.S. workers average \$9.68 an hour, CEO Scott takes home \$8,434 an hour—some 871 times more.
- ★ The top five Wal-Mart executives earned \$219,684,584 over the last five years.



CORRUPTION: WAL-MART'S FORMER NO. 2 EXECUTIVE IS ACCUSED OF STEALING \$500,000. WHO IS MINDING THE SHOP?

Wal-Mart's mounting legal and public relations problems escalated in March 2005 when news broke that Thomas M. Coughlin, an employee of 27 years who once served as the company's second-in-command, resigned following a fraud investigation.

Coughlin was one of Wal-Mart's most highly compensated executives and still holds millions in Wal-Mart stock. Wal-Mart alleges that Mr. Coughlin abused his expense account with up to \$500,000 in questionable transactions over a five-year period. Mr. Coughlin claims that he filed false invoices to obtain reimbursements for anti-union activities, including the payment of bribes.⁷⁵

Wal-Mart stakeholders confront a company caught in a quandary: either Wal-Mart looks bad if its former #2 executive outright stole up to half a million dollars in company funds . . . or Wal-Mart looks *really* bad if he was using the money to fund potentially illegal union-busting efforts.

In addition to Coughlin, who was a protégé of Wal-Mart founder Sam Walton, the company fired three other executives, including Rob Hey, who was Vice President of Store Operations and Jared Bowen, the Vice President who reported Mr. Coughlin's questionable transactions.⁷⁶ Is Wal-Mart attempting to keep whistleblowers quiet?

The Wall Street Journal reports that the company allegations against Coughlin include: seeking reimbursements for hunting vacations, a \$1,359 pair of custom-made alligator boots, and a \$2,590 dog pen for Coughlin's Arkansas home. The scandal now rests in the hands of William Cromwell, U.S. attorney for western Arkansas, and a federal grand jury. Wal-Mart and Coughlin both officially deny any wrongdoing.⁷⁷

Wal-Mart shareholders must ask the following questions:

- What is Wal-Mart's executive perk policy regarding the use of expense accounts?
- Why did Wal-Mart's internal controls fail to detect Mr. Coughlin's alleged expense account abuse for so long?
- How have Wal-Mart's internal controls been improved?
- Were SEC proxy disclosure rules on the disclosure of executive perks violated?
- Did senior executives violate the National Labor Relations Act or any criminal laws?
- What safeguards are in place to protect whistleblowers?

The United Food and Commercial Workers recently filed unfair labor practice charges against Wal-Mart and is seeking additional information on the anti-union slush fund Coughlin claims to have used on Wal-Mart's behalf to fight workers' organizing efforts.⁷⁸

FACTS ON WAL-MART CORRUPTION

- ★ Wal-Mart's former #2 executive, Vice Chairman Tom Coughlin, is accused of financial improprieties of up to \$500,000. Coughlin claims he didn't steal money, but used it to create a secret slush fund to finance anti-union activity.
- ★ A federal grand jury is investigating potential corruption at Wal-Mart.
- ★ Since 1995, the US government has issued more than 60 complaints against Wal-Mart's for illegal anti-union conduct.



Freedoms worth keeping



Should we let government tell us what we can read?

Of course not. We can read whatever we choose because of the limits the Constitution places on government's ability to restrict our freedoms.

So why should we allow local government to limit where we shop? Or how much of a store's floor space can be used to sell groceries?

The simple fact is that when competition is suppressed and choices are limited, prices go up and business goes elsewhere.

Flagstaff's cost of living is already one of the highest in the state; the anti-business, anti-competition, anti-choice restrictions in Prop 100 will only make it worse. Vote NO on Proposition 100.

Choice is a freedom worth keeping.

No! 100

Paid for by Protect Flagstaff's Future - Major funding by Wal-Mart (Bentonville, AR)

Wal-Mart funded "Nazi" ad as appeared in the *Arizona Daily Sun* on May 6 & 8, 2005

THE KANSAS CITY STAR.
Friday, May 13, 2005

Wal-Mart's woes help drag down stock prices

Pittsburgh Post-Gazette
ONE OF AMERICA'S GREAT NEWSPAPERS
SUNDAY, APRIL 10, 2005

Good Wal-Mart, Bad Wal-Mart; Global Goliath Spins Media In Hopes Of Overcoming Rash Of Negative Stories About Its Impact On Workers, Communities

Arizona Daily Star
SERVING TUCSON SINCE 1877 - FRIDAY, MAY 13, 2005

Wal-Mart apologizing for ad using image of Nazi-era book burning

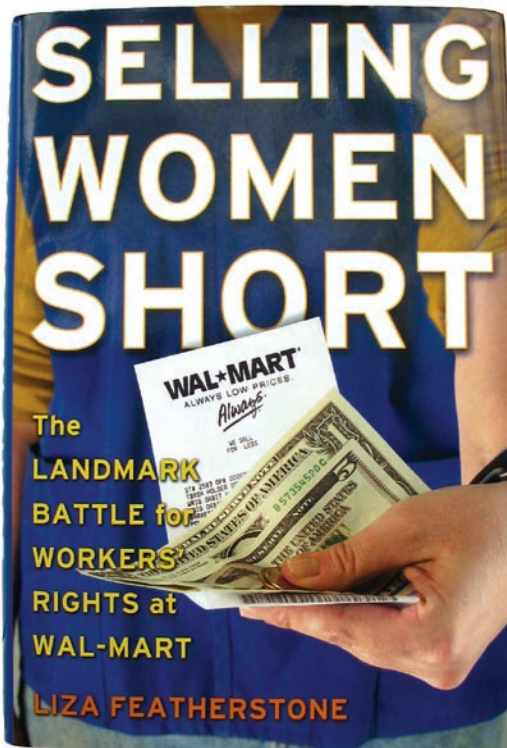


SEX DISCRIMINATION: WHY DOESN'T WAL-MART TREAT WOMEN FAIRLY?

Wal-Mart is facing the largest class-action lawsuit in US history. It began with a lawsuit filed in 2001 by six women in California who claimed that Wal-Mart discriminated against them by denying promotions and paying them less than men doing equal work. Courts have affirmed the expansion of that suit to a class action that covers about 1.6 million current and former women workers at Wal-Mart.⁷⁹

Wal-Mart's recent TV and print advertising campaign features happy female workers, some of whom praise the company for promoting them to store manager positions and higher. But allegations coming out of the new legal investigations tell a very different story:

- Women are severely under-represented as managers. Payroll records show that despite making up 72 percent of the hourly workforce, women account for only 33 percent of Wal-Mart's in-store management and only 15 percent of head store managers.⁸⁰
- On average, women earn 5 to 15 percent less than men at Wal-Mart.⁸¹
- Women confront promotion barriers and harassment. Women workers at Wal-Mart are demoted if they complain about unequal treatment and are pushed into so-called "female" jobs. Women remain stuck in the lowest-paying jobs, making up 92 percent of cashiers and 76 percent of sales associates.⁸²



Women who do make it into management jobs report difficulties with Wal-Mart's "male culture." Melinda Howard, a store manager in Decatur, Indiana, testified that her Wal-Mart bosses would stop regularly at strip clubs while she was forced to either wait in the car or join them.⁸³

Wal-Mart's Vice President for Human Resources defended executives holding meetings at Hooters restaurants, which feature scantily clad waitresses. He said Hooters could be viewed as "one of the most elegant and really one of the best places to meet and eat."⁸⁴

FACTS ON WOMEN AND WAL-MART

- ★ Women make up 72 percent of the hourly workforce, yet account for only 33 percent of Wal-Mart's associate managers and 15 percent of senior store managers.
- ★ On average, women earn from 5 to 15 percent less than men at Wal-Mart.
- ★ Women workers at Wal-Mart remain stuck without promotion in the lowest paying jobs, making up 92 percent of cashiers.



TIME THEFT: WHY HAVE SO MANY WAL-MART STORE MANAGERS KEPT EMPLOYEES WORKING OFF-THE-CLOCK AND UNPAID?

When Maria Gamble of Suffolk County, New York worked at Wal-Mart, she was frequently forced by her managers to work without pay after her shift had ended. Here's how she described Wal-Mart's illegal "off the clock" policy:

*"When the store closed at the end of my shift, the manager would lock the exterior doors, but the hourly employees like me would have to remain in the store and restock merchandise and count out the cash registers, even though we had already clocked off and were not getting paid. The tasks we had to do after the store closed always took at least an hour-and-a-half, often two hours."*⁸⁵

Wal-Mart is accused of under-staffing its stores and refusing to permit workers to stay on-the-clock for the full time it takes to complete the necessary work. As a retailer, the company provides incentives for managers to lower overhead costs—the largest component of which is employee payroll—by offering financial bonuses.

In 2000, Wal-Mart reportedly had to pay \$50 million to settle a lawsuit that involved 69,000 workers in Colorado who had allegedly been forced to work off the clock.⁸⁶ In recent years, Wal-Mart has faced legal actions in over 30 states for overtime violations.⁸⁷

The amount of "time theft" inflicted on Wal-Mart employees is huge. An internal Wal-Mart audit in 2000 found that of 128 stores, 127 of them were "not in compliance" with company policies providing for work breaks.⁸⁸

FACTS ON WAL-MART'S ILLEGAL OVERTIME

- ★ Wal-Mart has forced employees to continue working after they have clocked out.
- ★ Such "off-the-clock" work resulted in Wal-Mart reportedly paying \$50 million to settle a lawsuit in Colorado involving 69,000 workers.
- ★ 38 federal and state lawsuits had been filed by early 2003 seeking redress for Wal-Mart's forced, unpaid overtime worked by employees who feared loss of their jobs.



Photo: Wal-Mart Annual Report, 1988.



THE RIGHT TO ORGANIZE: HAS WAL-MART'S ANTI-WORKER ACTIVITY CROSSED LEGAL AND ETHICAL LINES?

With all of the reported abuses of its workers, Wal-Mart is a prime example of a company that needs a union to stand up for employees who have been underpaid, forced to work overtime without pay, discriminated against, and denied decent health care and pensions.

But whenever and wherever workers seek to unionize, Wal-Mart mobilizes its incredible power, sometimes in blatant violation of federal labor law, to block organizing efforts. The only U.S. Wal-Mart workers who voted successfully to unionize were 10 butchers at a store in Jacksonville, Texas. Two weeks later Wal-Mart announced immediate plans to eliminate butchers at 180 stores in the region and ultimately at all Supercenters across the nation.⁸⁹

Less than a year after Canadian workers at a Wal-Mart in Jonquiere, Quebec chose union representation in 2004, the company claimed the store was unprofitable and shut it down throwing hundreds of employees out of work.⁹⁰

The message to employees is clear: exercise your legal right to unionize and you'll end up in the unemployment line.

Wal-Mart's opposition to unions is so great it assigns a "Union Probability Index" to each store based on anonymous surveys of workers. The company officially says the index is for "Unresolved People Issues," but when it gets too high, management sends in a special team of managers to gear up an effort to root out pro-union activity.⁹¹

New hires are often shown two videos. The first is general information about the company and the second is about why Wal-Mart should be union-free.⁹² Jon Lehman, a former store manager, told *Bloomberg News* that two dozen people with headsets at Wal-Mart headquarters tap into calls and e-mails from stores around the country to see whether anyone is talking about unionizing.⁹³ Executives provide store officials with "A Manager's Toolbox to Remaining Union Free." The first page provides a hot-line number and, when called, the anti-union task force is quickly dispatched.⁹⁴

Wal-Mart and the Walton Family Foundation has given large grants to the anti-union National Right to Work Legal Defense Foundation.⁹⁵



FACTS ON WAL-MART UNIONBUSTING

- ★ Wal-Mart is fiercely anti-worker and has an elaborate anti-union "hit squad" ready to dispatch at the first sign of worker discontent.
- ★ The only successful organizing effort in a U.S. Wal-Mart was in the butcher department of a store in Jacksonville, Texas. Within two weeks, Wal-Mart made a "strategic decision" to close the butcher departments. In Canada, workers formed a union in 2004 at a store in Quebec, which Wal-Mart closed down citing "low profitability".
- ★ Wal-Mart and the Walton Family Foundation have given large grants to the anti-union National Right to Work Legal Defense Foundation.



SWEATSHOP SAVINGS: WITH SO MANY PRODUCTS COMING FROM CHINA, BANGLADESH, HONDURAS AND ELSEWHERE, WHAT IS WAL-MART DOING ABOUT SWEATSHOPS?

The nation and the world expressed outrage back in 1992 when NBC-TV's *Dateline* exposed factories in Bangladesh using 11-year-old workers to produce shirts for Wal-Mart stores in the U.S.⁹⁶ As usual, the company promised to do better.

Then, a few years later, came the shocking revelations about TV host Kathie Lee Gifford's Wal-Mart clothing line being produced by 12-year-old girls in abysmal Honduran sweatshops.⁹⁷ Again, Wal-Mart promised to monitor better its suppliers for human rights violations. Again, it didn't.

In 2000, the National Labor Committee found workers at the Qin Shi Handbag Factory in Zhongshan, China earning 3 cents an hour working 14-hour shifts, 7 days a week, 30 days a month. Forty-six percent of the workers earned nothing at all and were actually in debt to the company. They were housed 16 to a room and subjected to physical and verbal abuse.⁹⁸ In 2004, the International Labor Rights Fund documented additional cases of violations of overtime pay rules at Wal-Mart garment supply factories in Nicaragua, Indonesia, Bangladesh, and Swaziland.⁹⁹

Wal-Mart has its own corporate "code of conduct" for suppliers and claims that it routinely conducts factory inspections to ensure that they are run "legally and ethically."¹⁰⁰ "Wal-Mart's audits are a farce, and one can only conclude that Wal-Mart does not care and really does not know what its contractors are doing," the National Labor Committee said.¹⁰¹

Wal-Mart's toleration of sweatshop abuses and its importing of illegal goods from the military regime in Burma led to Wal-Mart's removal from the Domini 400 Social Index, the recognized benchmark for institutional clients that integrate social responsibility criteria into their investment decisions.¹⁰²

Wal-Mart doesn't want the U.S. buying public to know that its famous "always low prices" are the product of human misery. While it loudly proclaims that its global suppliers must comply with a corporate "code of conduct" to treat workers decently, it strictly prohibits the disclosure of any factory names and addresses, hoping to keep independent sources from witnessing the "code" in operation.¹⁰³



Photo Illustration

FACTS ON WAL-MART SWEATSHOPS

- ★ Exposés of labor abuses in Wal-Mart's supplier factories reveal child labor abuses, pay as low as 3 cents an hour, long hours without overtime, health and safety hazards, and physical and verbal assaults on workers.
- ★ Wal-Mart's corporate code of conduct has done little to rein in such abuses.
- ★ Wal-Mart was ousted from investor benchmark The Domini 400 Social index.



CENSORSHIP: JON STEWART, SHERYL CROW AND REDBOOK MAGAZINE ...? HOW WAL-MART LIMITS CHOICE AND IMPOSES ARBITRARY STANDARDS.

Over the past decade or longer, Wal-Mart has taken steps to “protect” its customers from a long list of products including Snoop Doggy Dog¹⁰⁵ CDs to the annual *Sports Illustrated* Swimsuit Issue.¹⁰⁶ These company-wide bans are issued without a clear set of standards and has serious impact on sales and distribution of albums, books, magazines, and other products across America.

Wal-Mart’s huge market clout allows it to play a pivotal role as the definer of what is culturally acceptable in today’s America. It is Hollywood’s biggest outlet, accounting for up to 30 percent of all sales of CDs, videos, and DVDs. It’s a huge bookseller and now has 15 percent of all single-copy magazine sales.¹⁰⁷

Wal-Mart, which in some rural areas is the only place in town to purchase music, bans any CD carrying a parental guidance sticker.¹⁰⁸ It won’t carry CDs with cover art or lyrics failing to meet the Wal-Mart definition of family values. As a result, many music industry companies and artists now produce CDs with lyrics “bleeped” out and cover art sanitized.

Wal-Mart’s market power allows it to dictate the terms of a substantial portion of popular culture. It dictates to artists, writers and musicians just as firmly as it squeezes a supplier of lawnmowers or pickles for another penny off. While most Americans don’t want to confront “smut” when they shop, Wal-Mart faces a growing backlash because customers are waking up to the fact that Wal-Mart is, essentially, dictating what they read, watch, or listen to.

FACTS ON WAL-MART CENSORSHIP

- ★ Wal-Mart refused to carry Sheryl Crow’s self-titled album because it objected to lyrics about violence with guns bought at Wal-Mart stores.
- ★ Most Americans don’t want Wal-Mart executives telling them what books, CDs, and magazines they can buy.
- ★ Music, book, and magazine companies are now forced to regularly alter their creative products after submitting them to Wal-Mart for pre-approval.



Photo Illustration

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The Center for Community & Corporate Ethics was established to study the impact of large corporations on society and develop a set of standards for responsible corporate behavior.

In April 2005, Wal-Mart Watch launched a nationwide campaign to challenge Wal-Mart, Inc. to become a leader in corporate responsibility toward its workers and host communities. By supporting the many reform efforts already underway across the country, Wal-Mart Watch will serve as a catalyst for coordinated action and a unifying voice to counter Wal-Mart's multi-million dollar media and public relations assault.

The Center for Community & Corporate Ethics is registered as a 501(c)(3) organization under federal Internal Revenue Service regulations.

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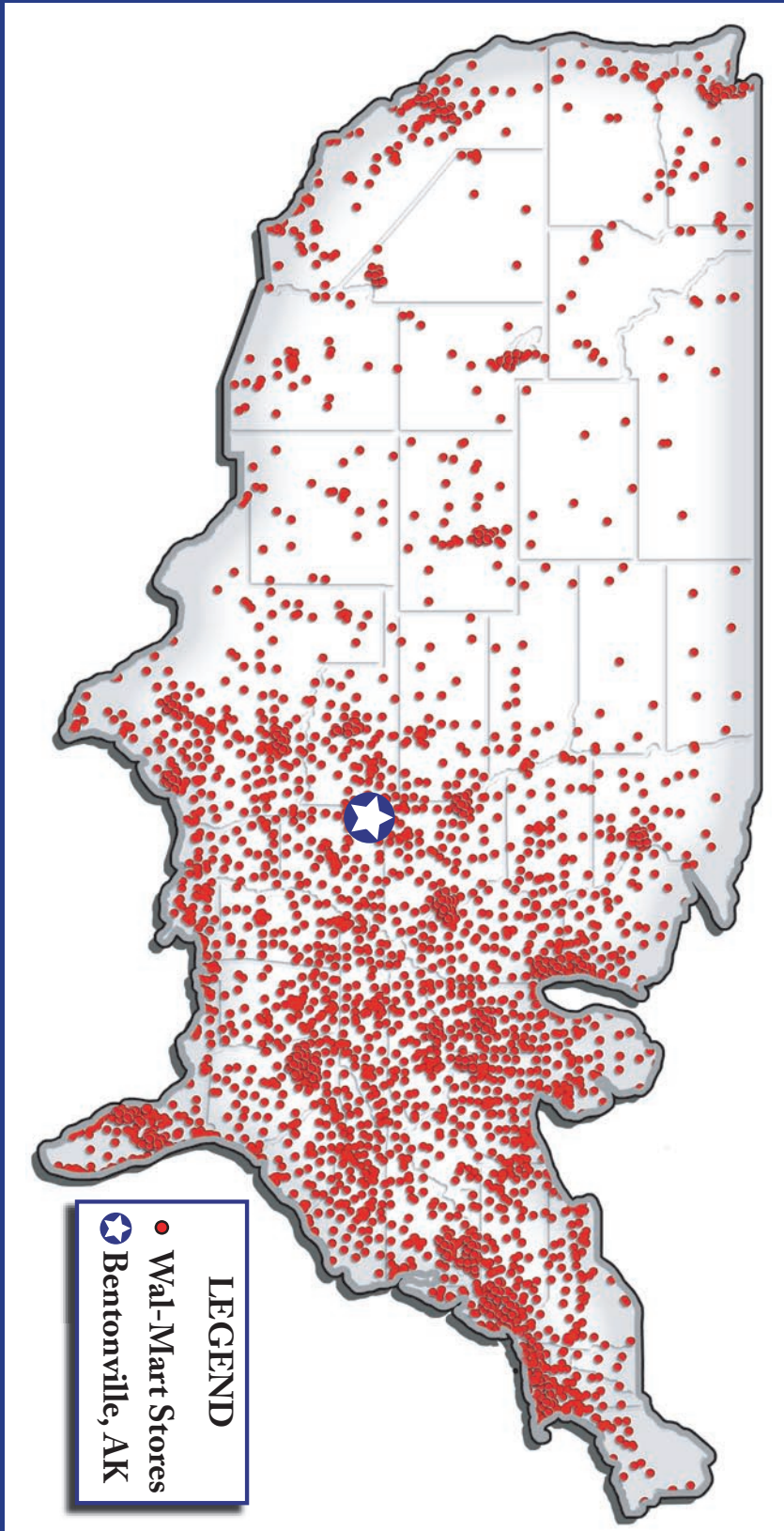
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