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"Freedom of the Press belongs to those who own one."

A. J. Liebling of the New Yorker

October 25, 2003



Commentary

Whistling Past the Graveyard

I have a daughter who, to be charitable, can be in your face on the slightest provocation – she says she is her Daddy's daughter and indeed she is.

Still she assures me that she was calm and measured when braced by an Albertsons picket in Tehachapi. The picket insisted that if the union could just hold the line on wages and benefits they could force Wal-Mart to increase Wal-Mart wages and benefits.

The numbers say otherwise. Albertsons, Vons and Ralphs have a large California employment, some 70,000 we are told. That is impressive but tiny compared to Wal-Mart.

Wal-Mart supercenters, some 1,300 of them currently, sell 19% of all groceries nationally. Wal-Mart, nationally, has 1.2 million employees, sells 32% of all diapers sold, is the largest seller of Proctor and Gamble, and its annual national sales are more than \$280 billion dollars – that is 2.5% of the Gross National Product!! (Remember that debate in Congress over a mere \$87 billion for Iraq!)

Wal-Mart is going to come into California with many of their superstores over the next decade, and when they arrive they will eat Albertsons, Vons and Ralphs for lunch. The average Wal-Mart wage package is 30% less than that paid by union grocers – and Wal-Mart has put a lot of grocery chains

permanently out of business over the past decade. More than two dozen grocery chains. The prices Wal-Mart charges for groceries are characteristically 14% under local competition.

The grocers union is marching their workers over the cliff...the managers of the chains know they must get control of their payrolls or they will have no rolls to pay. For some reason, the unions have filled their workers with dreams that they can continue to get high wages for unskilled work – and hold off Wal-Mart. The union has the workers believing they can not only hold off Wal-Mart but actually force Wal-Mart to raise their wages! Today, wages average \$8.50 an hour at Wal-Mart, and local unionized grocery workers average \$13.50. Wages AND benefits taken together show that Wal-Mart workers earn less than 50% of the total package of striking workers.

Well, Wal-Mart is going to open 40 supercenters in California over the next five years, and they are expected to have \$3.2 billion in sales by the end of those five years. Grocery sales are a zero sum business, so every dime Wal-Mart makes is a dime the local competitors won't get. Those 40 supercenters are just the start of the Wal-Mart invasion.

While there are no supercenters for San Diego County in the first wave, eventually we can expect four or five supercenters in this County alone. The unionized strikers are working very hard to dig themselves a hole into which they will bury their jobs. Wal-Mart is a 900-pound gorilla and I cannot imagine how the unionized strikers believe they will compete.

My daughter says she quietly asked the striker who accosted her what the striker had been smoking? It must have been some powerful stuff if she really thought the strikers were going to force Wal-Mart to raise the wages and benefits for 1.2 million workers.

Sure they will!

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