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Wal-Mart Imports From China, Exports Ohio Jobs

Abstract
[Excerpt] This report tells the stories of four Ohio companies that sell to Wal-Mart. The loss of jobs at the Huffy Corp., Rubbermaid, Mr. Coffee and Thomson factories in Ohio demonstrates how Wal-Mart pressures suppliers to send Ohio jobs overseas. These jobs exported by Wal-Mart suppliers represent just a handful of the hundreds of thousands of good jobs Ohio has lost in the new Wal-Mart economy. Other such Wal-Mart suppliers as Hasbro, Ohio Art, Texas Instruments Inc., Hoover, World Kitchen Inc. and Philips also have closed plants in Ohio.

Keywords
Wal-Mart, China, outsourcing, Ohio, labor market, labor laws

Comments

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Wal-Mart Imports from China, Exports Ohio Jobs

AFL-CIO Wal-Mart Campaign

September 2005

Ohio's manufacturing sector suffered significant losses between January 2001 and July 2004. Nearly one of every six manufacturing jobs—about 17 percent of all manufacturing jobs—was lost.[1] The U.S. Bureau of Labor Statistics reported an estimated net loss of 170,000 manufacturing jobs in Ohio over this period.[2] Cleveland alone lost more than 40,000 manufacturing jobs.[3]

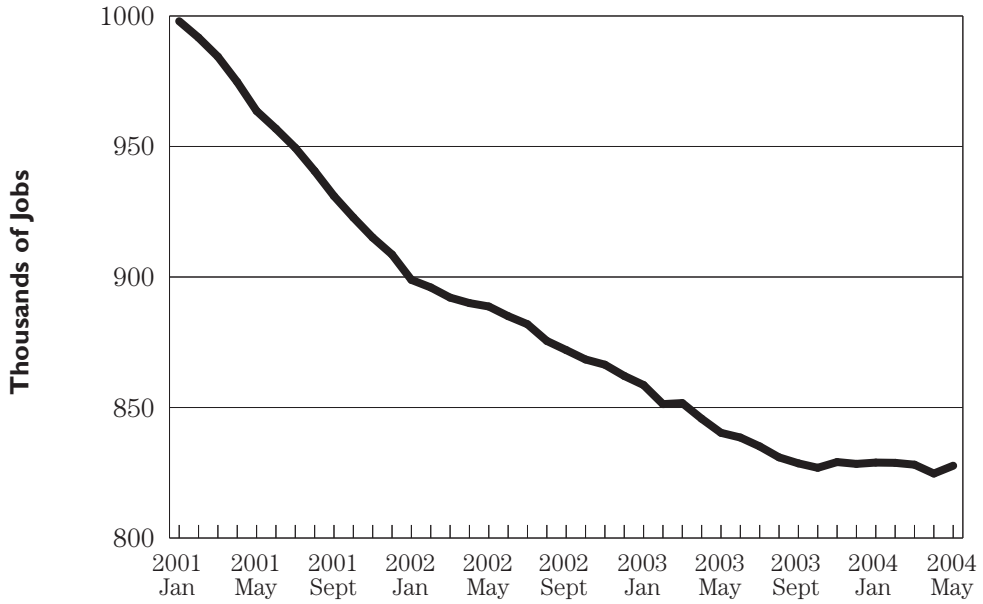
More than half of the jobs lost from Ohio's manufacturing sector were shipped overseas.[4] Not surprisingly, as Ohio lost significant numbers of manufacturing jobs, imports from China surged. Wal-Mart—the world's largest retailer with more than 140 stores and 45,000 workers in Ohio—sourced at least $18 billion worth of goods from China alone last year.[5]

Wal-Mart continuously squeezes its U.S. suppliers to cut their prices, leaving companies little choice but to close shop in states like Ohio and source goods from countries with lower production costs and lax enforcement of labor laws.[6] Today, 60 percent of Wal-Mart's merchandise is imported, compared with just 6 percent in 1995.[7]

This report tells the stories of four Ohio companies that sell to Wal-Mart. The loss of jobs at the Huffy Corp., Rubbermaid, Mr. Coffee and Thomson factories in Ohio demonstrates how Wal-Mart pressures suppliers to send Ohio jobs overseas. These jobs exported by Wal-Mart suppliers represent just a handful of the hundreds of thousands of good jobs Ohio has lost in the new Wal-Mart economy. Other such Wal-Mart suppliers as Hasbro, Ohio Art, Texas Instruments Inc., Hoover, World Kitchen Inc. and Philips also have closed plants in Ohio.[8]

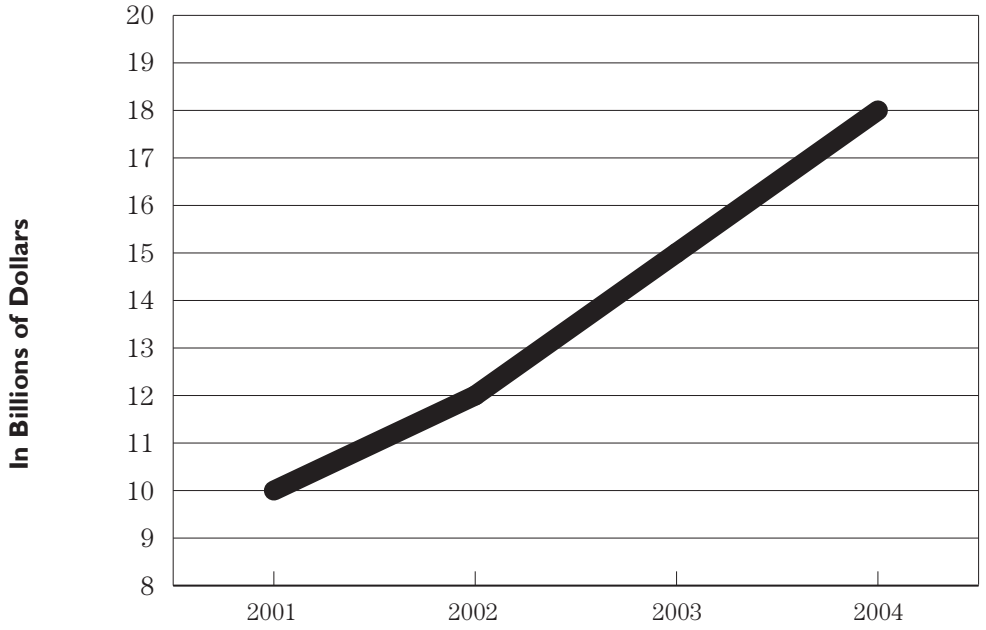
[1] Job Export Database Project, Industrial Union Council (IUC), AFL-CIO, 9/22/04
[2] Ibid.
[3] Ibid.
[4] Ibid.
[5] *Financial Times,* 11/29/04; Wal-Mart 10-k report, 1/31/05
[6] "The Wal-Mart You Don't Know," *Fast Company,* 12/03
[7] *Is Wal-Mart Good for America?,* PBS "Frontline," 11/16/04
[8] Public Citizen, Global Trade Watch, www.citizen.org

Manufacturing Employment in Ohio, 2001–2004



Source: Job Export Database Project, IUC, AFL-CIO, 9/22/04

Wal-Mart Imports from China, 2001–2004



Sources: *Forbes,* 4/2/04; *Fast Company,* 12/03; Bloomberg.com, 7/12/05

Wal-Mart is one of the major companies that's been promoting a global race to the bottom. It's like we're on a bus with an accelerator pedal with no brakes. We're going in this global sourcing, global efficiency direction, and it's pushing everybody's costs down to the floor, but suppliers are complaining about this model because they can't make profits. They can't pass higher costs on to Wal-Mart; because Wal-Mart is so big, it holds the fate of any one of its suppliers in its hand. And workers are concerned that, even if you work for Wal-Mart or you work for one of Wal-Mart's suppliers, this efficiency, low-cost model drives your wages to a point where you feel you can't even consume the goods that you're selling or the goods that you're making.

—Gary Gereffi, Duke University professor, on PBS's "Frontline"

Huffy Bikes

Sad thing is that I can remember when we used to put a label on the boxes and on the bikes that said something like, 'Made Proudly in America'….Now it has just been thrown out the window.[9]

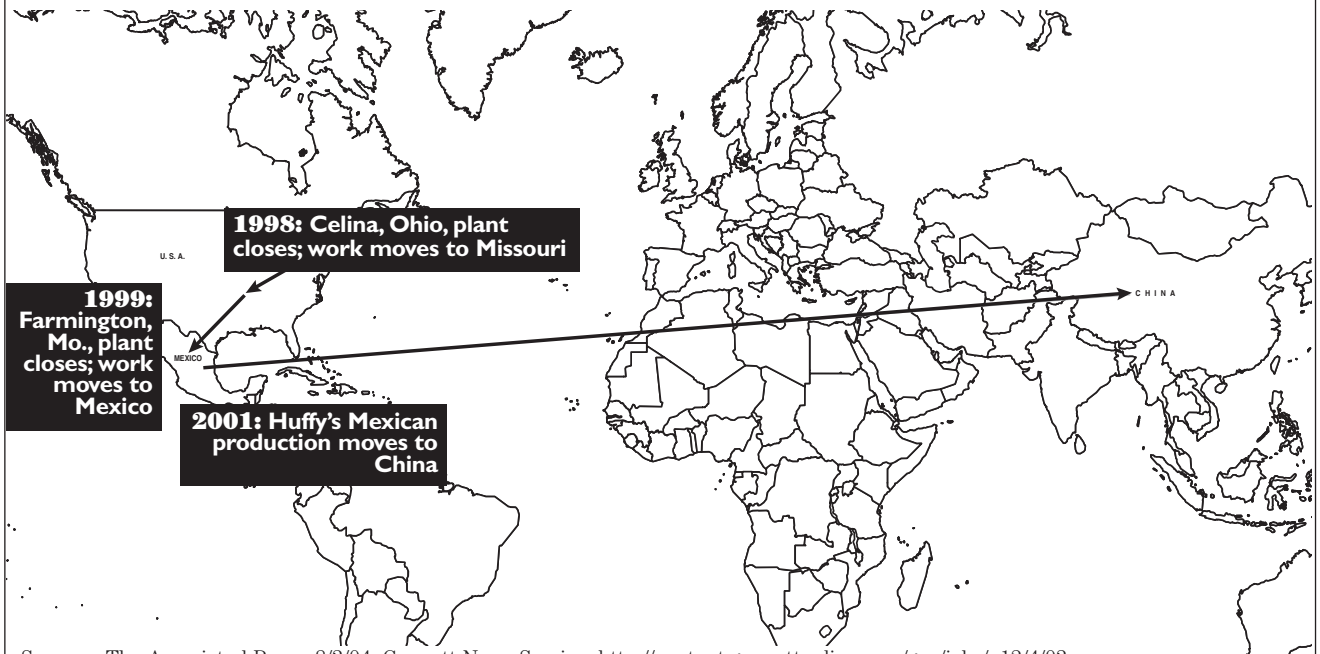
—Larry Stelzer, former Huffy accountant

Huffy sells its bicycles through high-volume retailers that account for about 85 percent of all wheeled products sold in the United States. Pressure from Wal-Mart—the largest seller of bicycles in the United States—to lower the cost of its bikes forced Huffy to close its plant in Celina, Ohio, and move the work overseas.[10]

John Mariotti, former president of Huffy, said Wal-Mart "is tough as nails. But they give you a

[9] *The Idaho Statesman,* 12/17/03, http://matr.net/article-9143.html
[10] The Associated Press, 8/3/04; *Fast Company,* 12/03

Huffy Moves Production Under Pressure from Wal-Mart



Sources: The Associated Press, 8/3/04; Gannett News Service, http://content.gannettonline.com/gns/jobs/, 12/4/03

chance to compete. If you can't compete, that's your problem." In the end, Huffy could not compete and U.S. workers suffered. In June 2005, Huffy announced plans to have the federal government take over paying its retirement benefits and reached an agreement on reorganization that would give Huffy's Chinese suppliers controlling interest in the company.[11] The former mayor of Celina, Paul Arnold, explained that Wal-Mart's demand for cheaper bicycles drove Huffy out of Celina and into such sweatshops as the Baoan Bicycle Factory in southern China.

[11] The Associated Press, 6/28/05

Wal-Mart Pushes Huffy Downhill

1954: Huffy opens the Celina, Ohio, plant. At its peak, the plant produced 1 million bikes a year.

1998: Pressure from Wal-Mart forces Huffy to close the bicycle plant in Celina, putting 1,100 employees out of work. The jobs were moved to a nonunion factory in Missouri.

1999: Huffy, pressured to continue lowering costs, closes its last two U.S. bicycle plants—in Farmington, Mo., and Southaven, Miss. The move eliminates 600 jobs. The company contracts with factories in Mexico and China.

2001: Huffy ends its manufacturing contracts with Mexico and begins relying almost entirely on factories in China, where Chinese workers earn only 33 cents an hour and frequently work seven days a week.

(The Associated Press, 8/3/04; Gannett News Service, http://content.gannettonline.com/gns/jobs/, 12/4/03)

Workers Around the World Pay for Wal-Mart's Low Prices

Working conditions in a Huffy plant in China that manufactures bikes for Wal-Mart reveal the real cost of Wal-Mart's low prices.

At the Baoan Bicycle Factory in Shenzhen, southern China, workers are:

- Forced to work up to 15 hours a day, from 7 a.m. to 11 p.m., seven days a week;
- Earning wages between 25 and 41 cents an hour—about $17 for a 66-hour workweek for the lowest-earning workers;
- Punished with a fine of two days' wages if they refuse overtime;
- Exposed to strong chemical odors in the painting department and excessively high temperatures in the welding section;
- Not covered by health insurance or pensions;
- Subjected to strict factory rules that, for example, prohibit talking during working hours;
- Housed 12 workers to a room in dark, bare dorm rooms;
- Limited to two meals a day, usually of poor-quality food;
- Fired if they complain or attempt to raise a grievance about the harsh working conditions, excessive and forced overtime hours or low wages. In late 1999, all the workers in the delivery section who had gone on strike to protest conditions were fired.[12]

[12] National Labor Committee, as cited in U.S-China Economic and Security Review Commission hearing in Akron, Ohio, 9/23/04

Despite Wal-Mart's pressure forcing Huffy to shut its plant in Celina, local residents continue to shop at Wal-Mart. In May 2005, the Celina Wal-Mart store expanded into a Supercenter located on 50 acres once owned by Huffy. Once home to good manufacturing jobs, the site now offers low-wage Wal-Mart jobs. The Celina Huffy workers made about $13.20 an hour in today's dollars, but the average full-time hourly Wal-Mart worker in Ohio earns less than $9.50 an hour.[13]

The former mayor said Wal-Mart's low prices took business away from Celina's mom-and-pop stores. Yet when Wal-Mart was looking to expand, the city made zoning concessions, agreed to bankroll water and sewer upgrades and widened the road leading to the Supercenter. Arnold said, "We simply couldn't afford to lose Wal-Mart."[14]

Rubbermaid

> Wal-Mart keeps going down the pecking order and they could care less who they take out. As long as they have somebody they can purchase from and survive, that's what they want.
>
> —*Plastics industry source in northeast Ohio*

Rubbermaid was born in Wooster, Ohio, 85 years ago.[15] In 1993 and 1994, the Rubbermaid company and its products were so highly regarded Rubbermaid was voted the nation's most admired company. At about the same time, Rubbermaid went from selling nothing to Wal-Mart one year to having Wal-Mart as one of its largest customers the next. But when the price of raw products used to make plastics increased by about 80 percent and Rubbermaid tried to get a price increase for its products, Wal-Mart refused.

A former Rubbermaid executive explained that Wal-Mart's answer was, "Yes, you may be Rubbermaid and you're big Rubbermaid and you got the great name and all that, but you're not going to tell us what to do. We're not going to take your price increase, and we don't care what it does to you."

Wal-Mart promptly dropped a number of Rubbermaid products and replaced them with goods molded by such competitors as Sterilite.[16]
An industry source in northeastern Ohio said, "You can't say that Sterilite on a head-to-head basis went in and took away market share. What happened is, very simply, Wal-Mart keeps going down the pecking order and they could care less who they take out. As long as they have somebody they can purchase from and survive, that's what they want."[17]

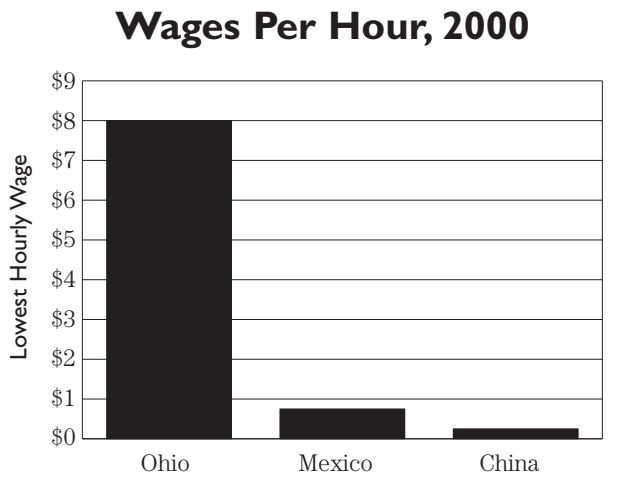
Rubbermaid's earnings plummeted 30 percent in 1995, and Newell, a major competitor based in Atlanta, scooped up struggling Rubbermaid in 1999. In 2003, Newell announced the closing of the flagship Wooster factory, eliminating 850 jobs and moving out another 400 administrative jobs.[18] The company had played an integral role in the city of Wooster and the shock was profound, creating tumult and uncertainty for the entire town.[19]

"I am shocked and stunned. Our members are just numb," said Chuck Shaffer, president of United Steelworkers of America Local 302, upon learning of the factory closure. Ev Shamp, who worked in distribution, shipping and maintenance for 16 years, said he and his fellow workers felt betrayed. "There were lots of moans and groans and lots of

[13] The Associated Press, 8/3/04; "Wal-Mart Facts," http://www.walmartfacts.com/community/article.aspx?id=187
[14] Gannett News Service, http://content.gannettonline.com/gns/jobs/, 12/4/03
[15] *Akron Beacon Journal,* 12/10/03
[16] *Is Wal-Mart Good for America?,* PBS "Frontline," 11/16/04
[17] *Plastics News,* 12/15/03
[18] *Akron Beacon Journal,* 12/10/03
[19] *Akron Beacon Journal,* 12/11/03

tears shed," he said. "All along, they've said that Wooster was the jewel in the Newell operation….I'm 53 years old; who wants me?"[20]

Rubbermaid's contributions to the city far exceeded the jobs it created. The company and its workers were among the biggest taxpayers in the city—the Wooster City finance director said Rubbermaid's employees accounted for about 7 percent of the city's annual tax receipts.[21] The school district was hard hit and lost $1 million a year in taxes once the plant closed.[22] Ninety of the 600 employees in the Wooster City School District were laid off and Layton Elementary School has shut its doors because of lost tax revenues.[23]



Source: "Sunbeam Chainsaw Massacre," International Brotherhood of Teamsters, 2000; National Labor Committee, 1999–2000 as cited in U.S.–China Economic and Security Review Commission hearing in Akron, Ohio, 9/23/04

Mr. Coffee

> Wal-Mart has created the push for lower prices at all cost.
>
> —*Jeff Blackwell, former senior vice president of Mr. Coffee*

In 1985, Mr. Coffee began exploring production in China after Wal-Mart demanded a $1 reduction in the wholesale price of a brisk-selling four-cup coffeemaker.[24] Jeff Blackwell, former senior vice president of Mr. Coffee, scouted Chinese factories and arranged the deals. He said Wal-Mart encouraged offshore production even as it promoted a "Buy American" campaign.

This was just the beginning of the exporting of Mr. Coffee manufacturing jobs overseas. By 1997, 40 percent of Mr. Coffee coffeemakers were produced in China. In 2000, two years after purchasing Mr. Coffee, Sunbeam Corp. eliminated 339 jobs by shutting Mr. Coffee's Glenwillow, Ohio, factory and shifting production to other plants it owned in Mexico and Mississippi.[25]

In 2003, Sunbeam closed its Mississippi and Mexico plants and moved its production to China.[26] In Glenwillow, Ohio, workers averaged $8 to $10 per hour. Workers in Mexico who made Mr. Coffee products were paid between $5.93 to $7.78 per day—not a living wage for Mexican families. In China, workers make between 25 and 41 cents an hour, and there are several instances of working conditions that violate human and worker rights.[27]

[20] *Akron Beacon Journal,* 12/10/03
[21] *Akron Beacon Journal,* 12/10/03, 4X Edition
[22] Ibid.
[23] *Chicago Tribune,* 6/1/04; *Akron Beacon Journal,* 2/04/05
[24] The Associated Press, 11/20/04
[25] *The Plain Dealer* (Cleveland), 11/14/05
[26] Ibid.
[27] Ibid.; "Sunbeam Chainsaw Massacre," International Brotherhood of Teamsters, 2000; National Labor Committee, 1999–2000 as cited in U.S-China Economic and Security Review Commission hearing in Akron, Ohio, 9/23/04

According to Sunbeam's consultants, the Mr. Coffee relocation process in 2000 was projected to save the company approximately $7 million a year. The savings that would result from hundreds of workers in Ohio losing their jobs and the exploitation of workers in Mexico is almost the exact amount the company paid CEO Jerry Levin in 2000.[28]

Today, there are 15 Wal-Mart stores within a 25-mile radius of Glenwillow.[29]

Thomson Electronics

> If you want these low prices, then you go buy your products from Wal-Mart. But what does that actually do for this country? It's putting people out of work. And it's lowering our standard of living. That's the bottom line.[30]
> —*Steve Ratcliff, former Thomson worker*

In late 2003, Thomson Consumer Electronics closed its RCA television-manufacturing plant in Circleville, Ohio, after losing orders from Sanyo. Sanyo was under enormous pressure from Wal-Mart to bring down its prices.[31] Nearly 1,000 workers in Circleville lost their jobs at a plant that recently had posted big profits for French-owned Thomson.[32]

Thomson's imports of its big-screen TVs made in Asia grew about 38 percent to 4 million units in 2003.[33] While it was shutting its plant in Ohio, Thomson was planning strategic partnerships and developing a plan to spin off its business to a Chinese television manufacturer, TCL.[34]

Steve Ratcliff, a longtime worker at the Thomson plant, explained, "If you want these low prices, then you go buy your products from Wal-Mart. But what does that actually do for this country? It's putting people out of work. And it's lowering our standard of living. That's the bottom line."

Ironically, new jobs are being created in Circleville. Wal-Mart is building a Supercenter on a patch of land close to the now-vacant Thomson plant. But the new Wal-Mart jobs pale in comparison with the jobs at Thomson, where workers earned salaries of $15 to $16 an hour plus such benefits as health care, pensions and job security.[35]

Conclusion

In 2002, Wal-Mart backed a Chinese company guilty of dumping TVs in the U.S. market over American workers and the last American TV maker.[36] In 2003, World Kitchen shut its bakeware manufacturing plant in Massillon, Ohio.[37] This year, as World Kitchen continues to cut jobs in America and move them overseas, Wal-Mart rewarded a World Kitchen subsidiary with its Supplier of the Year Award.[38]

Time and again, Wal-Mart is on the wrong side of issues that America's workers care most about. Time and again, Wal-Mart insists its low prices more than make up for the destruction of Ohio's manufacturing jobs.

Wal-Mart is using its power to force Americans to make a false choice between good jobs and low

[28] "Sunbeam Chainsaw Massacre," International Brotherhood of Teamsters, 2000
[29] www.walmart.com, store locator, 8/22/05
[30] *Is Wal-Mart Good for America?,* PBS "Frontline," 11/16/04
[31] Ibid.
[32] Ibid.
[33] *Consumer Electronics Daily,* 3/17/04
[34] Ibid.
[35] *Is Wal-Mart Good for America?,* PBS "Frontline," 11/16/04
[36] United States International Trade Commission, 6/03; International Brotherhood of Electrical Workers, http://www.ibew.org/stories/04journal/0406/p16.htm
[37] The Associated Press, 5/27/04
[38] http://www.worldkitchen.com/news.asp?pageID=2&storyID=4852

prices to keep from having to make choices that might jeopardize the $11 billion profit Wal-Mart took in 2004. Wal-Mart's 2004 profits were bigger than those of McDonald's, Boeing Co., United Parcel Service of America Inc., The Gap, Nike Inc., Apple Computer Inc., Circuit City Stores Inc., Best Buy, Heinz, Office Depot Inc. and Halliburton Co. *combined.* Wal-Mart's size has allowed it to remake the American economy, substituting its narrow interests for honored American values, including good jobs, family-supporting wages and affordable health care.

Further Reading

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