

Carved Out: Pro-Union Butchers At Wal-Mart Win A Battle, Lose War  
--- Soon After Vote, Firm Says It Will Cut Meat No More, Letting the  
Packer Do It ---

// WALL STREET JOURNAL //  
// 11 APRIL 2000 //

JACKSONVILLE, Texas -- Most disenchanted workers don't get much attention. But Maurice Miller's beef with Wal-Mart Stores Inc. is having quite an impact.

A burly butcher with 24 years' experience, Mr. Miller last year took a pay cut to join the Wal-Mart Supercenter in this East Texas town because he was promised a crack at becoming a manager. He bought a new Ford Ranger pickup so he could make the long drives to management-training classes.

But the promotion never came, and meat cutters with less experience were hired at higher pay. As the months dragged on, Mr. Miller fell behind on his truck payments. Angry, the ponytailed butcher searched the Internet for a union.

A call he made to the United Food and Commercial Workers Union last fall was the start of an unusual chain of events. The Jacksonville meat employees in February became the first U.S. Wal-Mart workers to vote to join a union, handing Wal-Mart, the nation's largest nongovernment employer, the biggest labor challenge in its 38-year history.

Emboldened, meat cutters at three other Wal-Mart stores -- two in Texas and one in Florida -- have sought National Labor Relations Board permission to hold union votes. A union vote will take place tomorrow in nearby Palestine, Texas. "Wal-Mart is the big enchilada," says Fred Firestone, a former NLRB general counsel, now at the University of Maryland. "The psychological dimension of the win was very significant."

What Wal-Mart did next will have ramifications far beyond East Texas. Just a week after the handful of meat cutters voted to organize, Wal-Mart announced that it would cease cutting meat in its stores altogether. Instead, it will adopt a new system, recently perfected, of buying "case-ready" beef and pork prepackaged by the meatpacker. It is the first big grocery chain to adopt the system.

For Wal-Mart's shoppers, the switch will mean no more custom orders. For Wal-Mart, it will hold down costs, push responsibility for safety and quality to the meatpacker and allow meat-cutting space to be converted to selling space. And for packers, it will make possible branded beef and pork sold at premium prices, such as the branded chicken sold by Perdue Farms and Tyson Foods Inc.

Wal-Mart will begin its changeover with 180 stores in six states this spring, buying the meat from IBP Inc. Later, Farmland Industries Inc. will supply case-ready pork to another group of stores. Industry analysts say that once Wal-Mart, the second-largest U.S. grocer, fully adopts case-ready beef, others will follow. Cattle Buyers Weekly calls Wal-

Mart's move "the single biggest change in the history of meat retailing." The largest U.S. grocer, Kroger Co., is testing case-ready beef but won't comment on its plans.

Wal-Mart says its move was planned before the union vote in Jacksonville and had nothing to do with it. "This is the way the whole industry is going," says a company spokeswoman, Jessica Moser. Meat workers at Wal-Mart -- who number about 8,600 -- will keep their jobs and be allowed to stay in stores' meat departments if they wish, though there won't be much for them to do there but stock shelves.

Wal-Mart long succeeded in keeping unions at bay, but its push into fresh foods, through giant stores called Supercenters, brought it a different kind of worker. Butchers have special skills and command an industry-average wage of \$11 an hour, compared with \$7 for stock clerks.

Maurice Miller was looking for opportunity when he became a Wal-Mart meat cutter in Jacksonville in February 1999. He agreed to a wage of \$9 an hour -- less than he was making at a competitor -- but says he was told he could quickly move to management if his skills passed muster. Two management employees in the department confirm that. Mr. Miller, who is 45 years old, would earn about \$13 once he started management training; as a manager, he could expect around \$16 an hour.

Beginning at 5 a.m. most days, he and other meat cutters would spend the first hour or two unloading 50-pound boxes from delivery trucks, then much of the rest of their time trimming fat from the large slabs of boxed beef and carefully carving out roasts, tenderloins and T-bones. Because there was so much meat to cut, the shift rarely ended at 2 p.m., Mr. Miller says. But the store didn't pay overtime for the 10- to 12-hour days. Instead, supervisors sent workers home once they hit 40 hours for the week.

A month after Mr. Miller started, he says, his supervisor told him he would soon begin management training in Gun Barrel City, 70 miles away. Worried that his aging car wasn't dependable enough, he bought a new pickup. But unexpectedly, his management training was delayed. Then in May, Mr. Miller hurt his back lifting a box and missed five weeks of work. After he returned, he says, his supervisor never mentioned management again.

Although he got a few small raises, Mr. Miller says he was still earning less than two new, less-experienced meat cutters. Because of his truck payments, he couldn't afford to take part in Wal-Mart's stock-purchase plan and had trouble with his health-coverage cost of \$140 a month under the company plan. "I told my supervisor I bought that truck on faith and it was ruining my credit," Mr. Miller says.

Wal-Mart managers decline to discuss Mr. Miller's situation. The company's spokeswoman, Ms. Moser, says, "When our associates have concerns, we listen to them and make sure those concerns are addressed."

Feeling cheated, Mr. Miller got on his computer and found his way to the UFCW, which had been trying to organize Wal-Mart grocery workers for a

decade. It ran a Web site called Walmartyrs, featuring worker tales of woe, and sent out organizers. Though Wal-Mart tends to pay less than other retailers and even than some discounters, it has a strong culture, and the union rarely got in the door.

It made some headway in Illinois when meat cutters petitioned the NLRB in 1998 to organize. Wal-Mart contended the cutters shouldn't be separated from the other employees, but last summer, the union won on that issue. By then, however, some pro-union cutters at the store were gone, and no union vote was held.

Still, the case energized the UFCW, and it handed out literature inside hundreds of Supercenters last summer, until barred from doing so by an Arkansas judge. (The judge later recused himself when the union learned he owned Wal-Mart stock, but his order stood.)

UFCW field organizer Brad Edwards, 34, had put 58,000 miles on his van in the previous year and a half trying to organize Wal-Mart workers in seven states. But he didn't know Mr. Miller until the union matched them up. Mr. Edwards showed him a contract for unionized Kroger workers in Palestine, where cutters made almost \$5 more an hour than Mr. Miller and had a retirement plan and comprehensive medical insurance at no cost.

Mr. Miller quickly signed a union card and started recruiting colleagues such as Joe Hendricks, 60, who spent 23 years at a Dallas Safeway and made \$15.54 an hour in 1987 before Safeway left the market. He joined Wal-Mart in 1995 at \$10 an hour.

The union knew it would have a fight. Founder Sam Walton had believed unions were divisive and unnecessary, especially in light of the company's generous benefits and open-door policy about hearing complaints. In the early 1970s, a Teamsters effort to organize a company warehouse in Searcy, Ark., failed when Wal-Mart erected a 90-foot-long bulletin board covered with 40 years of newspaper clippings on Teamster strikes and alleged illegal activities. Mr. Walton also visited and apologized for the working conditions.

Besides inspiring corporate spirit through pep rallies, Mr. Walton offered a profit-sharing plan and the chance to buy Wal-Mart stock at a discount. Even at Wal-Mart wages, longtime employees could look forward to a respectable retirement, and some got rich on the stock. "We're not saying unions aren't good for some companies, we're saying they have no place in Wal-Mart," says Ms. Moser.

In Jacksonville, the battle began in December after 11 meat employees filed a petition with the NLRB to hold a union election. The store, which traditionally held pizza parties when workers remained accident-free for 30 days, then began throwing parties every week in the meat department -- one week grilling steaks, the next week offering shrimp cocktail.

Mandatory half-hour meetings were held throughout the day for 10 or so employees at a time, from different departments. Supervisors reading from scripts explained that a union contract could mean lower wages and fewer benefits. A video told workers that U.S. union membership was steadily

declining. (Actually, members as a percentage of the work force remained the same last year, reversing a 20-year decline, according to the AFLCIO.)

To counter that, Mr. Edwards met the meat cutters at a Pizza Hut nearly every afternoon. He also lobbied the less-enthusiastic, calling a recent Wal-Mart hire, Paul Stewart, at home, although Mr. Stewart says he asked not to be bothered.

Wal-Mart challenged the meat cutters' petition, saying the election should include all 360 store employees. When the NLRB held a hearing in Jacksonville, Mr. Miller took two days off to testify. Afterward, he and the UFCW's Mr. Edwards visited a topless club to discuss the day's events -- prompting Wal-Mart, in a later appeal, to claim the union used "food, alcohol, cash and sexual titillation" in its organizing.

The NLRB gave the go-ahead for a union vote by just the meat cutters. On Feb. 17, a box was set up behind the meat department. Twelve people cast votes, two of which were contested. At 4:01 p.m., the NLRB announced that the union had won, 7 to 3.

Wal-Mart ushered employees into the layaway department, where four executives from headquarters in Bentonville, Ark., told them the news. "I cried like a baby," says Marla Garber, manager of the furniture department. She says that "the associates were upset with the meat department for bringing this into our store, and the managers were upset because we felt like there was something more we could have done for our employees." Mr. Stewart, who voted against organizing, used his home computer to make 200 buttons for co-workers that said, "I support the nonunion meat cutters."

A week later, Wal-Mart challenged a union-vote petition by Palestine's meat cutters. And it announced it would move completely to prepackaged meat.

That move reflects a mixture of technology and economics. Past efforts flopped because meat in airtight packages didn't take on the red color, or "bloom," that consumers associate with freshness. But food scientists have since learned how to flush the packages with a mixture of oxygen and carbon dioxide that lets the meat bloom slowly. The mixture reduces microbial growth and extends shelf life without affecting taste, says Keith Belk, assistant professor of animal science at Colorado State University.

Wal-Mart says it has seen higher beef sales with a pilot program in prepackaged beef, largely because it has a more predictable supply. It says customers like the leakproof packaging.

Meatpackers will initially have to build plants, add technology and hire more workers. They'll charge more, but the retailers are expected to offset the increases with other savings. Where packers stand to really cash in is with branding. Fresh pork, for instance, earns about two cents of profit for every dollar of sales; but Hormel's Always Tender brand of marinated pork products produces seven cents of profit for each dollar.

The industry isn't yet ready to sell branded fresh beef, and currently, only about 5% of the beef sold in the country is case-ready. But in time it will become standard to do meat cutting at the packer rather than the supermarket, says Farmland Industries' chief executive, H.D. "Harry" Cleberg. "Wal-Mart is going to change the world as it relates to fresh meat," he says.

While Wal-Mart works on switching over its 720 Supercenters to the system, it awaits tomorrow's union vote in Palestine, as well as results of its appeal of the Jacksonville vote. The union, meanwhile, is arguing that the company must bargain with the Jacksonville meat cutters before making any drastic changes in meat practices.

To Mr. Miller, all the battles swirling around him boil down to the cost of a broken promise. "If I was promoted and got that \$2-an-hour raise, I would have never thought union," he said recently from his doublewide mobile home, where he is recovering from back surgery. "We little people do have rights."