

Wal-Mart managerial policy up against the determination of Chinese trade unions (A case study)

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Objective:

This case study will help users to understand the management of foreign companies in China in dealing with conflicts sparked by the culture difference and/or political system.

Keywords: Wal-Mart, trade unions, the Chinese National Union Federation

Background:

Ever since it was set up, Wal-Mart has considered the trade union to be a divisive force that may reduce the company's competitiveness. In this context, the Group has always refused the creation of trade unions within its stores based in the US and elsewhere.

The first Wal-Mart store opened in China in 1995 and from then until 2004 more than 60 followed. However, over this period, not once did it authorise the creation of trade unions in its stores, even when pressured by the Chinese National Union Federation. For setting up trade unions in Wal-Mart stores, the President of the ShenZhen Municipal Trade Union has been refused on several occasions at the Wal-Mart headquarters (China) and Changsha Municipal Trade Union has been turned down 26 times.

Conflicts:

"All employees working on Chinese territory, in companies, State organizations or establishments, are entitled to organize and take part in trade unions." (TRADE UNION LAW OF CHINA promulgated in 1992 and revised in 2001)

10/20/2004

"During an inspection round concerning the application of the "trade union laws", the group of inspectors formed by the Standing Committee of the National People's Congress and National Union Federation of China noticed that some foreign multinationals, such as Wal-Mart, Kodak (Xiamen) and Samsung (Tianjin), are ignoring Chinese law and thwarting the creation of trade unions."

"Quotidien de la Justice", 10/20/2004:

11/02/2004

"We have our own means of communicating with our 21,100 employees in China. We don't need trade unions to act as a go-between".

Lee Scott, Wal-Mart CEO

11/23/2004

"Under the pressure of the Chinese National Union Federation, Wal-Mart (China) has told the press: If employees would like to set up a trade union, then Wal-Mart will respect their opinion and fulfil its responsibilities and obligations stipulated by the trade union laws."

Beijing Chinese News (Chinese), November 24, 2004; *New York Times*, November 25, 2004

Wal-Mart intends to recruit 150,000 new employees in China. And yet, it still has not authorized the creation of trade unions in its stores. We can therefore ask ourselves this: Why are our professional organizations so weak when standing up to Wal-Mart?

02/2006

Since February 2006, the managers of the Chinese National Union Federation met with managers of the Wal-Mart headquarters (China) to discuss the creation of trade unions in all Wal-Mart stores in China. At the same time, the Federation sent representatives to hand out trade union documents and brochures around Wal-Mart stores.

<http://www.humanrights.cn/cn/zt/qita/rqzz/2006/06/>

05/2006

“If Wal-Mart continues to refuse trade unions, it won’t just be the Chinese National Union Federation that it has to deal with, but the whole of China.”

Wang Ying, Director of the Basic Organization Development Department, Chinese National Union Federation, 05/2006.

07/29/2006, 06:30 a.m.

With direct assistance from the Quanzhou General Trade Union and the Chinese National Union Federation, the first trade union has been set up in the Jin Jiang Wal-Mart store (Jinjiang, Fujian province).

“This is a historic breakthrough and will go down in history. “

XU Deming, Vice President of the Chinese National Union Federation

08/2006

“On learning that the first trade union had been created, Wal-Mart (China) warned it would not renew the work contract of those employees who had joined. Moreover, Wal-Mart would not pay the operation expenses of the trade unions, which account for 2% of total salary.”

China Business Journal, August 7th and 8th 2006

08/10/2008

After negotiating with the Chinese National Union Federation, Wal-Mart published a declaration in Beijing entitled “Wal-Mart supports China’s efforts to build a harmonious society”.

On the same day, a trade union was created in the headquarters of Wal-Mart (China) in ShenZhen.

09/29/2006

Once the trade union had been set up in the Nanguo store (city of Shantou), all 62 Wal-Mart (China) stores created trade unions.

Conclusion:

Under the pressure of the Chinese National Union Federation and the Chinese media, Wal-Mart has gone a tactical climb-down. The trade unions in China are different from those in Western countries. Wal-Mart will continue to expand and stand up for itself in China.