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Opinion

Wal-Mart and healthcare

Obama's healthcare agenda turns out to be a deal that usually red-state Wal-Mart has decided to buy into.

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Is Wal-Mart turning blue -- blue enough to pull President Obama's healthcare chestnuts out of the fire?

If the nation's largest employer is signing on to the president's agenda, his efforts to pass healthcare reform will have won an important ally. The company employs 1.4 million "associates," has stores in more than 400 congressional districts and maintains a powerful lobbying operation in Washington.

For years, Wal-Mart has been a poster child for low wages, skimpy health insurance and conservative red-state values. Just a year ago, Wal-Mart managers organized meetings in hundreds of store to warn employees that if the Democrats won the White House, the company would face a disruptive unionization campaign.

But now, Wal-Mart supports a key, controversial plank in the health insurance reform plan: an employer mandate that would require big firms to "pay or play" -- either offer their workers an insurance plan or require a company to pay as much as \$750 a year per employee to the government for coverage.

This "pay or play" plan puts Wal-Mart on the side of the unions and liberals and has evoked a virtual declaration of war from the National Retail Federation, whose officers reported themselves "astonished" at what they considered Wal-Mart's "catastrophic" endorsement of a government mandate that most retailers -- once including Wal-Mart -- have long considered anathema.

So why Wal-Mart's big switch?

Critics have pounded Wal-Mart for years for its violation of the country's labor laws, for its low wages and for its failure to offer a health insurance plan that more than half of its employees would actually purchase. During the presidential campaign, Obama told a cheering union audience that "the battle to engage Wal-Mart and force them to examine their own corporate values and ... policies ... is absolutely vital."

Criticism of this sort has had a real effect on the company's fortunes. One of its own surveys found that almost 10% of those polled refused to shop there for essentially political reasons, and the company has been stymied in its effort to put a new generation of "supercenters" in coastal California, in Chicago and in liberal cities such as Boston, Washington and New York. Two years ago, Wal-Mart slashed the number of store openings in the U.S. by a third. Its stock price has been flat for almost a decade.

And then the new administration came to power, with Obama appointing Hilda Solis, a genuine labor liberal, to be secretary of Labor. Solis would soon declare that "there's a new sheriff in town" when it came to stepped-up enforcement of the nation's labor laws. Wal-Mart knew it would be a prime target, so in late December 2008 it announced that it was resolving 63 lawsuits in 42 states to settle accusations that it forced employees to skip lunch breaks, work off the clock and sidestep overtime laws. The cost: somewhere between \$352 million and \$640 million.

The company has made the same kind of calculation when it comes to health insurance, not only to forestall bad press but because an employer mandate actually saves the company money when compared with the more conservative, small-government scheme being put together by the Senate Finance Committee. Without a fixed employer mandate, individual firms would be expected to shoulder part of the cost of the federal subsidy that each of their low-income employees would need to afford the coverage they would be required to buy. Because Wal-Mart, which still has most of its stores in the South and Midwest, has a lot of workers who come from poor families, the company would have to pay hundreds of millions of dollars to offset those government payments.

The Senate Finance Committee plan is a Rube Goldberg contraption, sure to generate endless conflict and dispute over both the size of the employee subsidy and the company payment. Indeed, it makes it likely that many firms will discriminate against potential employees who happen to have a lot of kids or come from poor neighborhoods.

So Wal-Mart has put aside founder Sam Walton's disdain for any new government regulation and the ideologically motivated hostility of the rest of the retail industry. An employer mandate is a cheaper, simpler and more universal way to cover those workers who cannot now afford health insurance.

Here is an instance where we can hope that Wal-Mart throws around a bit of its legendary political and economic influence, especially with all those Blue Dog Democrats who hail from the red-state districts where its stores are clustered so thickly.

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