

Rival Pay and Benefit Strategies in Mass Market Retail: The “Costco Model” vs. the “Wal-Mart Model”

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Wal-Mart and Costco are both giants of the American retail landscape, but their employment policies are dramatically different.

Frank Lopez: I was born and raised in Puerto Rico. I moved to New York when I was 11 years old. I grew up in Brentwood on Long Island. I have an Associate's degree in business administration and accounting. I was going for my Bachelor's degree but have not yet finished.

I graduated from high school in 1986, and right after I joined the Navy. After my years of service, when I came home, I started just working jobs here and there, not staying long in any of the jobs, six months, eight months, whatever. I kept moving from job to job. So in 1996, I just happened to drive down the road, and I saw this big warehouse named Costco. It's only a mile from my house, but I never saw it before. I said, "Let me pull in. Let me get an application."

After filling out the application, I got my three interviews and within the second day of my application, I was hired as a part-timer. But I was working more than 50 hours a week. After a few months, I got my full-time status. I worked in every department, helping out as much as I could. I was also helping out the only Steward we had in the building at the time, translating for our Spanish coworkers. That's how I got stewards training.

The business agent at that time asked me to step up to the plate and become a union steward. And that's what I did. I served as a steward for almost three years. On September 10th, 2001, I joined the Teamsters Union as a business agent, but before that, like Kevin said, we were working to keep the Teamsters in Costco.

Q: So you were both shop stewards at the time of the attempted decertification.

FL: Yeah, but we didn't know each other. We had meetings at the local union hall where we saw each other, but we didn't know each other personally.

union warehouses, so you have the opportunity for postings for full-time positions as they become available, based on your seniority. If you've been there that many years and you've not gone full time, I would say generally you don't want to be full-time.

Q: What are the major issues in terms of working conditions or safety?

FL: Well, we have a clause in our contracts that forces the company to maintain clean, safe conditions for the employees. If not, there's always OSHA out there, and we can call them up and they'll come in and do what they've got to do and enforce the rules, and maintain a safe working environment in the warehouse. The things that the employees look for is like the pallets, make sure that they're all safe, make sure nothing's tipping over, ready to fall. If at any time they catch something like that, they quickly call the managers and change the situation right away.

Q: What about in the nonunion warehouses?

KM: Maybe, if we could backtrack, if you're asking, the biggest complaint that I would have about Costco is the consistency. Although Costco will tell you they try to be consistent, from one warehouse to the other it is not. The way they administer certain policies and procedures may be heavily enforced in one warehouse, in another warehouse it's not. Each warehouse, I think, is actually a reflection of the character or personality of the warehouse manager. If you have an authoritarian type of manager, very hard-nosed, you're going to find the warehouse is run that way. If you have a more relaxed, compassionate manager, you'll find the warehouse is run that way. And the employees feel that. So even though they all have the same rules corporate-wide, they're not necessarily run that way.

Q: I imagine that having the union evens out those inconsistencies.

KM: You know, here's a perfect example. Costco is very sensitive to payroll and work hours, and they monitor every hour on the hour, their sales versus hours. And they're constantly checking and monitoring. So if they're behind what their projected sales are for that day, they'll look to cut hours: "We need to send somebody home."

Now, in a union a building, you have the protections of your guaranteed hours and your seniority. In the nonunion buildings, they are covered by what they refer to as the "employee agreement," and they are guaranteed a schedule of 25 hours for part-timers and 40 hours for full-timers, very similar to what we have. However, we've heard of many instances in certain nonunion warehouses where employees were told: "You need to go home. You can use vacation time or sick time, but you need to go home." They'll look to send the highest-paid workers home to limit their payroll.

In a union building, you cannot do that. In some nonunion buildings, it doesn't occur. We've been told by many workers who have gone from a union to a nonunion building that it does occur, and they've actually look to come back to the union buildings.

Q: What issues do you think motivated Costco workers in New York and New Jersey to organize?

KM: Costco merged with Price Club back in 1993 or '94. Costco was nonunion, Price Club was union. When they merged, the warehouses that were union remained union, and the ones that were nonunion, the original Costcos are still nonunion.

Q: So no new warehouses were unionized since then?

FL: None have been organized.

Q: Why not?

FL: I guess the employees feel that they're getting probably the same pay and benefits from the company.

KM: In our union's opinion, the nonunion employees benefit from the union. Costco will pay the nonunion buildings the same as the union, to try to create a disincentive for anybody to go union. There have been occasions where we have attempted to organize a building, and we've made inroads, and we've had cards signed, but all of a sudden, they will change warehouse managers, again, from the iron-fisted warehouse manager all of a sudden to a very nice, compassionate new warehouse manager, and all those problems seem to go away. The workers become pacified in there.

We strongly believe in representation. But ultimately, any time we've made inroads to organize, Costco has just tried to squash it, for lack of a better word, but not by union busting or any kind of nasty tactics. They'll go in, and they'll say, "Why are these employees looking to go union?" "Well, because this is happening." And they'll try to rectify that situation, and they will pacify th

KM: Hourly wages may be the same. Everybody starts out at \$11 an hour.

United States. I don't necessarily think people see it un

have gone down there, sold their homes up here in the NY/NJ area and made a lot of money off of their home and gone down there and purchased similar or larger homes for dramatically less.

Q: And they'll keep you at the same pay level?

FL: Yes, but it is something we have heard they are starting to look into in the future, a geographic difference in pay.

Q: In the warehouses that are unionized, is everybody in the Teamsters?

KM: Except the opticians, hearing aid technicians, and pharmacists.

FL: But everybody else, including supervisors. In Brooklyn, which is nonunion, Local 340 the butchers' union went in and they organized the Costco butchers, but after the three years they voted out the union.

Q: What's the biggest issue that faces the membership in the future?

KM: Actually, the biggest struggle and the biggest thing that our members are looking for is a pension. With the last negotiations, we fought very hard for a pension for our members. The employees turned down what Costco had to offer because they strongly wanted the pension, the same pension that's part of the California Teamsters' Contract, the Western Conference of Teamsters' pension plan. We wanted that same pension for our employees.

Going back a few contract negotiations, the argument always was that Costco didn't want to implement the pension plan here because they didn't feel as though the Local 210 pension was sufficient, whatever the liability problems might have been. So we tried to remove that roadblock and say, we don't have to put our members into the Local 210 pension plan. Our ultimate concern was for our members. If that's a problem, put them into the West Coast Teamsters' pension. We could care less which pension fund it was, as long as it's a quality pension fund, that's our major concern.

We had negotiations and meetings with Costco Wholesale representatives to try and allow our members the opportunity to vote for a pension plan. Two stewards, Rome Aloise, the International Brotherhood of Teamsters-Costco Rep, and all three Principal Officers of Locals 210, 311 and 592 flew out to San Diego and met with Jim Sinegal to try and persuade him to allow our members to vote for the opportunity for a pension like the California Teamster enjoyed. Unfortunately, Jim Sinegal's feeling was that Costco knows best how to direct their employees' money for their retirement, by keeping it strictly in the company-sponsored 401(k).

The West Coast Teamsters have a 401(k), as well as the pension. The contributions made to California and East Coast Teamster employees by Costco are virtually the same; however, they are allocated differently. 100% doesn't go into the 401(k) on the West Coast, a percentage goes into the 401(k) and a percentage goes to fund the pension plan.

Q: How much does Costco contribute to the 401(k)?

KM: They match up to 50%, giving a maximum of \$500 per year. But the thing was, our members spoke. We did surveys, we did interviews, we did questionnaires. Almost everyone wanted a pension. And it's there already with the West Coast Pension. Well, they would

KM: Up to ten years' back-service credits. It was a fantastic opportunity. I mean, as a union, financially, we had nothing to gain other than giving our members what they wanted and we feel they deserved. They wanted a pension and we fought to put the pension in. We've agreed to maintain an open dialogue with Costco as far as implementing a pension, and we're still actively pursuing it. And that was our, as well as our members biggest disappointment in the last contract negotiations

We fought very hard for it, but ultimately was it worth