



palgrave▶pivot

**Labor Contestation  
at Walmart Brazil**  
Limits of Global Diffusion  
in Latin America

**Scott B. Martin**  
**João Paulo Cândia Veiga**  
**Katiuscia Moreno Galhera**

palgrave  
macmillan

# Governance, Development, and Social Inclusion in Latin America

## Series Editors

Rebecka Villanueva Ulfgard, International Studies, Instituto Mora,  
Mexico City, Mexico

César Villanueva Rivas, Department of International Studies,  
Universidad Iberoamericana, Mexico City, Mexico

This series seeks to go beyond a traditional focus on the virtues of intra-regional and inter-regional trade agreements, liberal economic policies, and a narrow security agenda in Latin America. Instead, titles deal with a broad range of topics related to international cooperation, global and regional governance, sustainable development and environmental cooperation, internal displacement, and social inclusion in the context of the Post-2015 Development Agenda — as well as their repercussions for public policy across the region. Moreover, the series principally focuses on new international cooperation dynamics such as South-South and triangular cooperation, knowledge sharing as a current practice, and the role of the private sector in financing international cooperation and development in Latin America. The series also includes topics that fall outside the traditional scope of studying cooperation and development, in this case, (in)security and forced internal displacement, cultural cooperation, and *Buen Vivir* among indigenous peoples and farmers in Latin America. Finally, this series welcomes titles which explore the tensions and dialogue around how to manage the imbalance between state, markets, and society with a view to re-articulating cooperation and governance dynamics in the 21st century.

More information about this series at  
<http://www.palgrave.com/gp/series/15135>

Scott B. Martin · João Paulo Cândia Veiga ·  
Katiúscia Moreno Galhera

# Labor Contestation at Walmart Brazil

Limits of Global Diffusion in Latin America

palgrave  
macmillan

Scott B. Martin  
School of International  
and Public Affairs  
Columbia University  
New York, NY, USA

João Paulo Cândia Veiga  
Universidade de São Paulo  
São Paulo, Brazil

Graduate Program in International  
Affairs  
The New School  
New York, NY, USA

Katiuscia Moreno Galhera  
Universidade Federal da Grande  
Dourados  
Dourados, Mato Grosso  
do Sul, Brazil

Governance, Development, and Social Inclusion in Latin America  
ISBN 978-3-030-74671-1 ISBN 978-3-030-74672-8 (eBook)  
<https://doi.org/10.1007/978-3-030-74672-8>

© The Editor(s) (if applicable) and The Author(s), under exclusive license to Springer  
Nature Switzerland AG 2021

This work is subject to copyright. All rights are solely and exclusively licensed by the  
Publisher, whether the whole or part of the material is concerned, specifically the rights  
of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on  
microfilms or in any other physical way, and transmission or information storage and  
retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology  
now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc.  
in this publication does not imply, even in the absence of a specific statement, that such  
names are exempt from the relevant protective laws and regulations and therefore free for  
general use.

The publisher, the authors and the editors are safe to assume that the advice and informa-  
tion in this book are believed to be true and accurate at the date of publication. Neither  
the publisher nor the authors or the editors give a warranty, expressed or implied, with  
respect to the material contained herein or for any errors or omissions that may have been  
made. The publisher remains neutral with regard to jurisdictional claims in published maps  
and institutional affiliations.

Cover illustration: © John Rawsterne/patternhead.com

This Palgrave Pivot imprint is published by the registered company Springer Nature  
Switzerland AG  
The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

*To the next generation—Pedro, Maria, Mihiret, and Sofia*

## SERIES EDITORS' PREFACE

Drawing on several years of research, this outstanding work by Scott B. Martin, João Paulo Cândia Veiga, and Katuscia M. Galhera, *Labor Contestation at Walmart Brazil: Limits of Global Diffusion in Latin America*, is a must-read for anyone interested in grasping the historical context, development, and contemporary challenges surrounding the Walmart phenomenon in Latin America. With thoughtful argumentation, the authors lay bare Walmart's "repressive familialism" and anti-unionism and examine how said practices fundamentally challenge labor standards and workers' rights in Argentina, Brazil, Chile, and Mexico. Curiously, its founder, Sam Walton, got inspired by leading French competitor Carrefour's hypermarket model in Brazil in the 1980s and decided to try it out in the United States; Walmart was born and later "brought back" to Brazil in 1995 but the saga ended in 2018 with the selling of some 80% of its Brazilian operations to the private equity firm Advent International Corp. Martin, Veiga, and Galhera's detailed investigation thus centers on Walmart in Brazil, contrasting how its "repressive familialism" and anti-unionism have played out in Argentina, Chile, and Mexico: countries faring differently under globalization, democratization, and economic restructuring predominantly under the neo-liberal paradigm.

Particularly commendable is the authors' fine analysis of nested agency within institutionalized settings drawing on gradual institutional change theory (GIC), an offshoot to historical institutionalism, in a comparative perspective. As the authors point out, GIC has been not been

applied widely to institutional analysis situated in developing countries, but rather to examine public policies in the European/European Union context.<sup>1</sup> Their research design is thus innovative as it combines comparative method with an institutional theoretical framework to frame institutionalized conflictual cooperation and its gains for workers who seek to resist a rather elusive and evasive corporate actor, a truly global employer existing under different brand names in certain countries. With careful precision, Martin, Veiga, and Galhera scrutinize government labor regulations and institutional specificities in the countries studied. In their own words: “We interpret the process of long-term, tumultuous, discontinuous gradual institutional change through *institutional layering* as creating a contradictory labor relations context laden with shifting threats and opportunities for unionists” (authors’ italics). GIC theory implies adopting a structural(ist) perspective in which specific events (in part) are historically determined and determined by the culture that has developed within a specific institution, for example. The interaction between formal institutions (overseeing regulations) and informal institutions that arise from human interaction and individuals’ interaction with the state is expressed in rules, norms, and habits. With a process tracing approach, Martin, Veiga, and Galhera examine how historical events and conditions led to the exit of Walmart from Brazil. The temporal dimension is central in their work; there is path dependence, sequences and simultaneity of different processes in institutional(ized) environments. Put differently, attention is paid to layered institutional arrangements through subsequent ideational changes and rearrangements, conducive to self-reinforcing processes within institutions.<sup>2</sup> The result is an intriguing analysis, transparent and rich in depth and originality, which should leave a mark in the academic literature on Walmart’s corporate culture and preferred strategies for countering organized contestation by workers and unions.

<sup>1</sup> See for example, Paul Pierson, “The Path to European Integration: A Historical Institutional Analysis”, *Comparative Political Studies*, Vol. 29, Issue 2 (1996), pp. 123–163.

<sup>2</sup> See for example, Guy B. Peters and Jon Pierre, 2000, *Governance, Politics and the State*, New York, Basingstoke: Macmillan; Wolfgang Streeck and Kathleen Thelen (eds.), 2005, *Beyond Continuity: Institutional Change in Advanced Political Economies*, Oxford: Oxford University Press.



Speaking with Hollingsworth and Boyer, “an institutional logic in each society leads institutions to coalesce into a complex social configuration [that] usually exhibits some degree of adaptability to new challenges, but continues to evolve within an existing style. But under new circumstances or unprecedented disturbances, these institutional configurations might be exposed to sharp historical limits as to what they may or may not do [...].”<sup>3</sup> Obviously, Walmart with its aggressive “repressive familialism” is challenging existing regulatory frameworks and undermining mobilization of workers’ resistance via unions and labor laws. However, as Martin, Veiga, and Galhera reveal, there is quite a lot of room for “creative agency within the institutional spaces and interstices of what are often contested, shifting national norms and laws.” Precisely, a fine quality with this study is that the authors seek to capture and problematize “*dynamic* relations with and actions by regulators and unions understood as lying at the intersection between—and at times in the interstices of—particular sets of national institutions.” A central claim is about “institutionally nested agency,” which the authors take to include “efforts by actors to actualize (or failure to actualize the potential of) institutional constellations containing rules and norms that can be used or repurposed to counter or engage Walmart.” This claim is essential because, to speak with the authors, “competitors, suppliers, unions, workers, and other actors react and maneuver in various ways within institutions in which they have roles and that shape their leverage and power resources.” Precisely, this occurs within institutions or institutionalized processes that are undergoing gradual change, growing “thicker” or “thinner” depending on how they respond to various endogenous and exogenous pressures.

Throughout the chapters, the authors demonstrate that Walmart is more of a reluctant “*taker*” of institutionalized employment relations but prefers being the “*maker*” or “*shaper*” of said relations. Its corporate culture or “repressive familial workplace regime” consisting of “mandated group cheers, humiliating discipline, symbolic construction of a fictitious family among ‘associates’ lacking in hierarchy, with the rhetoric of an open-door policy of strictly individualized grievance discussions, and an ethic of smiling” is coupled with outright anti-union measures. Martin,

<sup>3</sup> J. Rogers Hollingsworth and Robert Boyer, 1997, “Coordination of Economic Actors and Social Systems of Production” in J. Rogers Hollingsworth and Robert Boyer (eds.), *Contemporary Capitalism. The Embeddedness of Institutions*, Cambridge: Cambridge University Press, p. 2.

Veiga, and Galhera convincingly explain how this extreme form of socialization is aiming to “remake the subjectivities of workers.” For Walmart, ideally any issue should be dealt with by the individual worker directly, worked out through specific socialization rites. However, what Walmart along with other multinational giants is aspiring to is to get rid of any kind of intermediary mechanism between individuals and raw market forces to make the rational economic criteria the exclusive guidance for social interactions. The more unmediated and unregulated interactions with workers, the better. We reason with Streeck that “[g]overnance implies that society, through culture, politics, and policy, must retain the power to review the self-chosen objectives of rational economic actors *under other than rational economic criteria*.”<sup>4</sup> Put differently, economic rationality cannot automatically produce a viable social order. Rather, an interplay between economic rationality and social forces is needed in society, mediated and regulated by institutions and institutionalized arrangements, serving as arenas or interfaces where resistance and (new forms of) contestation can be articulated.

The question of whether Walmart’s exit from Brazil could be interpreted as a critical juncture<sup>5</sup> or a formative moment<sup>6</sup> for the interplay between institutional(ized) legal-political structures, organized workers, and corporate arrangements remains to be explored in future research. Likewise, it remains to be seen if Leviathan/Walmart will resist becoming a “Giant on its Heels” in Latin America because of the Brazil experience in which the “sticky” web of norms, standards, and regulations shaped over many years enmeshing Walmart eventually forced the company to pay the price for its overtly aggressive anti-worker and anti-rights practices.

<sup>4</sup> Wolfgang Streeck, 1997, “Beneficial Constraints: On the Economic Limits of Rational Voluntarism” in J. Rogers Hollingworth and Robert Boyer (eds.), *Contemporary Capitalism. The Embeddedness of Institutions*, Cambridge: Cambridge University Press, p. 216, italics in original.

<sup>5</sup> Often “intertwined with other processes of change”, claim Ruth Berins Collier and David Collier, 1991, “Framework: Critical Junctures and Historical Legacies”, in Ruth Berins Collier and David Collier, *Shaping the Political Arena: Critical Junctures, the Labor Movement, and Regime Dynamics in Latin America*, Princeton: Princeton University Press, p. 27.

<sup>6</sup> Bo Rothstein, 1998, *Just Institutions Matter: The Moral and Political Logic of the Universal Welfare State*, Cambridge: Cambridge University Press.

Finally, we hope that Martin, Veiga, and Galhera's remarkable study will ring loud in various research communities and that it may pave the way for cross-national studies about strategies of contestation from the perspective of institutionally nested agency centering on conflictual cooperation between workers, unionists, and regulators, and global (multinational) corporations.

Mexico City  
August 2020

Rebecka Villanueva Ulfgard  
César Villanueva Rivas

## PREFACE AND ACKNOWLEDGMENTS

This book had a long genesis, with much circling of the prey and sizing it up before it came clearly into focus. In 2000, co-author Veiga was a researcher at the labor rights Non-Governmental-Organization (NGO) *Instituto Observatório Social* (IOS), linked with the *Central Única dos Trabalhadores* (CUT) labor center. The IOS conducts monitoring of international and Brazilian labor standards compliance by multinationals investing directly in Brazil, typically with project funding from partner trade union confederations from host countries of these global corporations. In 1999–2000, amidst the spreading concern that the US-based Walmart was “exporting” its model of abusive labor practices to overseas locations as it rapidly expanded abroad, the IOS conducted an “observation” at four stores across three cities where Walmart had opened units since its 1995 arrival in Brazil. While unionists cooperated, the company refused to provide information or be interviewed for the critical report IOS would issue in 2000—as is typical of the company’s adversarial relationship to academic observers or those associated with the labor movement. Co-author Veiga sat in on some of the interviews, though he was not a co-author of the report. Later, this report (which included recommendations about how labor standards compliance could be improved at Walmart Brazil) would provide us with an invaluable window into

Walmart's early years in Brazil, when unions faced an uphill battle against the new arrival.<sup>1</sup>

Co-authors Martin and Veiga, who initially met as graduate student researchers based at or affiliated with the *Centro de Estudos da Cultura Contemporânea* (CEDEC) research center in São Paulo in the early 1990s, collaborated on research based on IOS's observation of social dialogue at the German chemical company BASF in Brazil. They presented an initial paper on that topic at a combined academic/activist conference in 2006 in New York City in 2006 organized by Cornell University called "Global Companies-Global Unions-Global Research-Global Campaigns." Walmart's threat to labor rights around the world—as buyer through its own global supply chain as well as direct employer—was the subject of panels and much discussion at that conference. This debate on the controversial company catalyzed our interest in exploring what seemed like a somewhat different new trajectory Walmart was now following in Brazil a decade or so into its sojourn there—seemingly less confrontational and more pragmatic toward unions. During follow-up fieldwork in 2008 in Brazil on the CUT and labor relations in the auto industry, Martin was able to sit in on a meeting of CUT unionists from its service and commercial workers confederation CONTRACS (*Confederação Nacional dos Trabalhadores no Comércio e no Serviço*) representing Walmart workers in São Paulo that Veiga helped arrange. This was his first direct exposure to the issues that exercised Walmart union representatives and the very different labor terrain of the supermarket sector.

Several years passed, when in 2006–2007 Martin and Veiga (the latter now faculty at the Universidade de São Paulo, USP, and the former at Columbia and the New School) collaborated on two Latin American Studies Association (LASA) papers on Walmart in Brazil presented in San Juan and Montreal, respectively. At the former, Palgrave made initial contact with the authors, seeing the paper in the program, and asked whether the work was part of a book project. A first seed was planted for a broader project. Another was planted as Martin was asked in 2006 by a Columbia University Master's graduate working for a Mexican NGO conducting research on labor rights abuses at Walmart Mexico to review the questionnaires to be administered to workers in store parking lots

<sup>1</sup> Instituto Observatório Social, "Relatório Geral da Observação Wal-Mart Brasil Ltda.," Florianópolis, Brazil, June 2000.

in and around Mexico City, a country where he had also conducted research.<sup>2</sup> Walmart began to come into broader comparative focus for us with the abusive employment of minors as unpaid grocery baggers working only for tips exposed in that report, which helped catalyzed reform.

Fast forward to 2013, as the labor studies section of LASA circulated a call for proposals for book chapters on a prospective anthology on Walmart and labor rights in the global South organized by Carolina Bank Muñoz at City University of New York.<sup>3</sup> A third seed was planted, as the project took on renewed meaning within an even larger comparative international context. Complex similarities and differences raised questions about the vagaries of the nation-by-nation “implantation” of the Walmart model and its encounters with national labor institutions and resistance from labor actors.

At this juncture, a then doctoral candidate at the Universidade de Campinas (São Paulo state in Brazil), Katiuscia Galhera, became involved in the project. She was able to examine the internal archives of Confederação Nacional dos Trabalhadores no Comércio e Serviço (CONTRACS) as well as interview unionists in 2014 on our behalf. In the resulting three-way collaboration on a book chapter for the aforementioned volume,<sup>4</sup> we would argue strongly that Walmart was constrained by national institutions in Brazil and that, against type, “conflictual cooperation” ruled the day in bilateral dealings with unions based on profit and results sharing negotiations.

As we as a trio, all political scientists but also with strong sociological and labor studies leanings, delved further into Walmart’s trajectory following upon that chapter—now with a book contract with Palgrave in hand—a richer and more complex and dynamic portrait emerged that caused us to re-problematize some of our initial findings about Walmart

<sup>2</sup> Proyecto de Derechos Económicos, Sociales y Culturales (ProDESC), *Lo barato sale caro: violaciones a los derechos humanos laborales en Walmart México*, Mexico City, 2008.

<sup>3</sup> Carolina Bank Muñoz, Bridget Kenny, and Antonio Stecher, eds., *Walmart in the Global South: Workplace Culture, Labor Politics, and Supply Chains*, Austin: University of Texas Press, 2018.

<sup>4</sup> K. M. Galhera, S. B. Martin, and J. P. C. Veiga, “Wal-Mart in Brazil: From Global Diffusion to National Institutional Embeddedness,” In *Walmart in the Global South: Workplace Culture, Labor Politics and Supply Chains*, edited by Carolina Bank Muñoz, Bridget Kenny, and Antonio Stecher, Austin: University of Texas Press, 2018, 29–63.

Brazil. Our background in the study of multinationals<sup>5</sup> (particularly in the manufacturing realm) and the tensions and variations involved in transferring or diffusing home-country practices versus adapting to local institutions and markets informed how we interrogated Walmart. Also guiding us was the newly emerging literature on gradual institutional change in comparative political economy.

As collective bargaining in addition to everyday relations in stores viewed through the prism of collective and individual legal claims came into sharper view in studying Walmart Brazil, we became more cognizant than in our original published work of the tension, if not disjuncture, between national negotiations and store-level realities as well as the unevenness of national negotiating experiences. What is more, from 2015 onward, the end of Brazil's boom as well as its impeachment crisis and subsequent rightward political lurch and adoption of a flexible labor reform posed heightened challenges to the micro- and meso-level labor relations institutions we had seen taking shape around Walmart during the boom years.

The final development that our research-in-progress had to grapple with was a competitive crisis that proved terminal for Walmart Brazil. This turn of events would require us—already advanced in writing—to try to make sense of a development we would not have anticipated a few years prior. The authors were contacted and interviewed by international reporters who had learned of our research and who were exploring the reasons for store closures announced in early 2016—asking us why labor claims were so costly, and whether it was true the company might leave Brazil. This was an eye-opening and crucial encounter that impacted upon our research trajectory. Legal claims-making through labor prosecutors and individual complaints would become as important for our research scope as collective bargaining over wages or results-sharing negotiations. Thus it was not just “labor relations” and bargaining and conflict but rather “labor *contestation*”—involving the whole panoply or organizations and institutions in the public labor sphere in Brazil touching on Walmart—that our study would seek to bring into full view and make our object of study. Moreover, grappling with the drivers of Walmart's

<sup>5</sup> See, for instance, K. M. Galhera, S. B. Martin, and J. P. C. Veiga, “Transnational Corporations,” in *The Routledge Handbook to the Political Economy and Governance of the Americas*, edited by Olaf Kaltmeier, Anne Tittor, Daniel Hawkins, and Eleanor Rohland, London and New York, 2019, Ch. 23.

departure from Brazil after 23 years led us full circle back to the original issues of relationships between multinationals and national institutions and the actors working within them who respond in distinctive ways, causing significant cross-national variations in patterns of labor contestation that beg for comparative research and explanation. All research paths, including our comparisons with Argentina, Chile, and Mexico, led us back to the distinctiveness of Walmart's model of "repressive familism" and anti-unionism. They also led us to the very different way they unfolded due to the national contingencies of actions by unions and labor regulators nested within distinctive national institutional trajectories.

\* \* \*

The authors incurred many individual and institutional debts along the way to this book. Collectively, we wish to acknowledge the helpful feedback that Carolina Bank Muñoz provided with our chapter in her co-edited volume, *Walmart in the Global South*.<sup>6</sup> Her research on Chile in that volume and in a separate book-length study<sup>7</sup> proved very insightful for us, and participating in the volume helped lead us on the path toward developing a wider comparative view of Walmart in the Americas.

For all three of us, Mark Anner has been an invaluable colleague and friend, frequent collaborator, and inspiration for a number of years, and we are grateful he has also provided an endorsement for this book. As Director of the Center for Global Worker Rights (CGWR) at Penn State University, Mark also hosted co-author Galhera as a visiting scholar.

Veiga wishes to thank the Department of Political Science, of which he is currently chair, within the *Faculdade de Filosofia, Letras e Ciências Humanas* (FFLCH), at his home institution, USP. He also has benefitted from his home at USP's Center for International Negotiations (CAENI) as researcher.

Martin expresses his gratitude to the Studley Graduate Program of International Affairs at The New School and the School of International and Public Affairs at Columbia University, his teaching homes. The New School provided a semester of academic leave for work on the book manuscript. His formative understanding of Latin American politics and

<sup>6</sup> Galhera, Martin, and Veiga, "Wal-Mart in Brazil," 2018.

<sup>7</sup> Carolina Bank Muñoz, *Building Power from Below: Chilean Workers Take on Walmart*, Ithaca, NY: Cornell, 2017.



political economy was shaped by Doug Chalmers, Bob Kaufman, and the late Al Stepan, and his exposure to comparative frameworks on the labor movement and labor relations sparked by Mark Kesselman.

In addition to the CGWR at Penn State, co-author Galhera wishes to thank the Universidade Estadual de Londrina (where she held a post-doc), the Universidade Estadual de Campinas (where she completed her Ph.D.), the Coordenação de Aperfeiçoamento de Pessoal de Nível Superior (for funding support),<sup>8</sup> and the institution where she is currently visiting faculty, the Universidade Federal da Grande Dourados. In addition, Galhera wishes to thank Uma Rani, from the International Labour Office, for helping shape her understanding of labor and employment relations within a global supply chain perspective in Brazil as well as Maria Gabriela Guillén, Angela Araújo, Simone Wolff, and Olga Sammiguel-Valderrama for the intellectual exchanges on her research.

The authors are grateful for research assistance provided by Arthur Welle and Melina Abreu, and to the unionists from CONTRACS for providing access to documents and interviews, particularly Alessandra and Lucilene (Tudi) Binsfield. We are also indebted to the IOS for opening labor vistas on Walmart Brazil. The researchers responsible for that report with their respective institutional affiliations (if from outside IOS) were: Clóvis Roberto Scherer; Márcia Miranda Soares (CEDEC); Júlio Cardoso (Escola Sul, Central Única dos Trabalhadores); Rosângela Augusta da Silva (CEDEC); Paola Capelim (consultant, UNITRABALHO); and João Carlos Nogueira (consultant, INSPIR). In addition, we are grateful to the labor research agency DIEESE,<sup>9</sup> which not only collaborated with IOS on the initial Walmart report in 2000 but also provides so much of the public data as well as insightful analysis on the demographics and collective bargaining of the commercial sector and retail segment on which this book builds.

At the two LASA conferences, colleagues Andrew Schrank (now of Brown University), Gregor Murray (Université de Montréal), and Chris Tilly (presently of University of California, Los Angeles) served as fellow panelists or discussants from whose feedback our work profited, and the latter was also a Guest Lecturer in Martin's New School seminar. In particular, we have learned a great deal, and taken as an indispensable and

<sup>8</sup> CAPES Foundation, Ministry of Education of Brazil, Brasília - DF 70.040-020, Brazil.

<sup>9</sup> Departamento Intersindical de Estatística e Estudos Sócio-Econômicos.

inescapable interlocutor for discussing all things work and labor in the supermarket and Walmart world, the inestimable *oeuvre* of Chris Tilly and his collaborators. At the ILERA Conference, commentary provided by Anil Verma (University of Toronto) on previous versions of our research helped us think about Walmart in comparative perspective.

The trio also wishes to acknowledge the very helpful insights of the anonymous reviewer who gave feedback on the book précis and initial chapter drafts leading to our contract with Palgrave. We are also very grateful to Maria Lorena Cook, emeritus faculty at Cornell and also of the University of California, San Diego, for her generous endorsement.

Last but by no means least, the authors wish to acknowledge kindly the generous and detailed feedback on our manuscript from series editors Rebecka and César, whose insightful editors' preface appears separately. Their incisive comments as well as editorial prowess have made this a better book in both style and substance, and we sincerely thank them, and Palgrave, for including us in their series.

New York City, USA  
São Paulo, Brazil  
Dourados, Brazil  
October 2020

Scott B. Martin  
João Paulo Cândia Veiga  
Katuscia Moreno Galhera

## PRAISE FOR *LABOR CONTESTATION AT WALMART BRAZIL*

“Martin, Veiga and Galhera provide an eloquent and insightful analysis of how one of the world’s most powerful corporations attempted to impose its model of ‘repressive, anti-union familialism’ on the largest economy in Latin America, and how it was met with resistance from workers, unions and the state. Their ‘nested agency within institutions’ perspective provides powerful insights on regional variations. It is a must read for practitioners and scholars of employment relations and human resource management.”

—Mark Anner, *Professor, Labor and Employment Relations, and Director, Center for Global Workers’ Rights, Penn State University, and author of Solidarity Transformed: Labor Responses to Globalization and Crisis in Latin America (Cornell, 2011)*

“Why did Walmart fail in Brazil? Thoroughly researched and convincingly argued, this is the compelling story of how one of the world’s most powerful companies struggled to impose its model in Brazil, and of why national institutions and labor unions matter. It’s a cautionary tale of global expansion and corporate parochialism.”

—Maria Lorena Cook, *Professor Emeritus, ILR School, Cornell University, and author of The Politics of Labor Reform in Latin America: Between Flexibility and Rights (Penn State, 2007)*

# CONTENTS

1	Introduction: Labor Contestation at Walmart in Latin America as Test Case of Global Diffusion by Multinationals	1
2	Mediations of Global Diffusion: Walmart Meets National Institutions and Nested Agents	11
3	Testing Distant Waters: Walmart's Early Years in Brazil, 1995–2002	39
4	Expansion, Conflictual Cooperation, and Rising Legal Scrutiny: 2003–2014	81
5	Divergent National Patterns of Labor Contestation Surrounding Walmart: Comparisons with Argentina, Chile, and Mexico	151
6	Labor Contestation Amidst Restructuring, Flexible Labor Reforms, and Walmart's Exit from Brazil, 2015–2018	205
7	Conclusion: Failed Global Diffusion, Walmart's Exit, and National Institutions	263
	Index	289

# LIST OF FIGURES

Fig. 4.1	Expansion and distribution of stores by type at Walmart Brazil, 2003–2015	88
Fig. 4.2	Walmart and chief competitors' revenues, 2003–2014	89
Fig. 6.1	Annual employee turnover in supermarkets	214

## LIST OF TABLES

Table 3.1	Walmart’s global operations and employment as of 2005 (with market exits through November 2018)	46
Table 3.2	Leading multinational supermarket retailers in 2006, ranked by share of international sales outside home market as share of total sales	47
Table 4.1	Selected gradual institutional changes in regulatory/legal sphere and impacts on key agents, 2003–2014	95
Table 4.2	Negotiated wage increases by sector vis-à-vis official Consumer Price Index (IPC), 2003–2014	111
Table 4.3	Selected main labor lawsuits with damages assessed against Walmart by Regional Labor Courts (TRTs) and Superior Labor Tribunal (TST), 2011–2014	120
Table 4.4	Comparison of labor infractions issued by government inspectors: Walmart and main competitors	128
Table 6.1	Walmart Brazil to Grupo Big: contraction, restructuring, and new ownership	211
Table 6.2	Walmart: declining key performance indicators	212
Table 6.3	Major rulings against Walmart on collective labor lawsuits in Brazil, 2015–2018	236



# Introduction: Labor Contestation at Walmart in Latin America as Test Case of Global Diffusion by Multinationals

**Abstract** This chapter introduces the encounter between an aggressive company with a distinctive corporate strategy with actors and national institutions overseas not habituated to the “Walmart way” or to the distinctive U.S. institutions within which it prospered. Main arguments anchored in gradual institutional change theory are presented, centered around an in-depth Brazil case study and a comparative examination of Argentina, Chile, and Mexico. The authors draw broader lessons in the book about (1) the competitive costs of the company’s unwillingness or failure to adapt key aspects of its “born in Bentonville” labor relations/human resource management model to distinctive national institutions and creative labor and regulatory actors operating within them and (2) the variable capacity for meaningful labor contestation of multinational corporations across different national institutional settings on the part of regulators and unions.

**Keywords** Multinational corporation (MNC) · Global diffusion · Labor contestation · Labor relations · Human resource management (LR/HRM) · Gradual institutional change theory · Union power resources

## INTRODUCTION

Since the turn of the century, perhaps no other multinational corporation (MNC) has been more at the center of political controversy and interdisciplinary scholarly debate about the social and labor impact of the spread of foreign direct investment and globalization than the U.S. supermarket giant Walmart. In no small way, this concern has to do not only just the sheer size of the company as the largest private employer in some countries and still one of the world's largest by various measures. It also has to do with its zeal in attempting to remake logistics, pricing, supplier relations, and labor relations first at home and then abroad. The global South in general, and Brazil and Latin America in particular, have been at the forefront of that U.S. corporation's global expansion beginning in the 1990s and on through the present. Yet this book shows that expansion has been rocky and uneven across space and time in terms of labor relations and treatment of workers within the region, contested in some instances by labor actors and labor regulatory and legal institutions, and enabled by enfeebled labor and regulatory actors within difficult institutional environments in others. In important ways, this mixed picture is a microcosm of the broader patterns of wide variation in labor contestation manifest around the company in Asia and Europe, as well.

Walmart is known in U.S.-centric scholarly and activist circles as an aggressive company, initially privately held after its founding in 1962 and still very attentive to the vision of founder Sam Walton who died in 1992. Walmart is heavily influenced by its roots in small-town rural Arkansas and, more generally, by a right-to-work, anti-union regulatory framework and an unusual business culture. That culture combines continuing majority or near-majority ownership by Walton's heirs together with cutting-edge information and logistics management. The company has been a lightning rod for political and academic criticism and controversy—as well as activist pressure—in the U.S. surrounding labor issues such as its resistance to unionization and reliance on low-cost labor subsidized by public social assistance, as well as in light of abusive practices around, for instance, gender equality, scheduling, and even during one period child labor. The Bentonville, Arkansas-based firm has also been criticized and examined for its downward impacts on small business competitors and suppliers whom it can strong-arm and for the company's general purported association with a “race to the bottom” capitalist template of what it calls “everyday low prices” at the expense of other



social concerns. As Walmart went global in its network of stores on the heels of globalizing its supply chain of goods, a body of critical scholarship began to emerge by the early 2000s that examined the extent to which the Walmart “model” was “exported” whole-cloth, replicated only in piecemeal fashion, or was instead altered strategically in response to distinct national institutions and challengers in the countries of expansion. Noteworthy competitive setbacks and market exits in some countries in Asia and Europe were studied in this context.

This book engages in a critical dialogue with these studies of Walmart’s global expansion, which have continued to burgeon, and situates them within more general debates about the continuum between global diffusion and national adaptation in multinationals’ strategic approach to overseas expansion. Analysis is centered around the key case of Brazil—in 1995 it became one of the first and largest economies to which the U.S. giant spread, while by 2018 it gained the distinction of the national market where the company had stayed the longest before exiting by selling off a majority stake of its operations. Given that previous country exits occurred within a decade or less of entry and two multinational rivals with French capital remained in dominant market positions in that South American country even as Walmart left, the company’s debacle suggested something particularly problematic about the company’s experience there that begs sustained examination.

The book combines, first, a detailed study of the unfolding of Walmart Brazil’s expansion, labor contestation involving unions and various state regulators and legal bodies, and its ultimate decline and exit with, second, a comparative examination of labor contestation in three other large countries in Latin America where it has operated since the 1990s (Mexico and Argentina) or late 2000s (Chile). The research in these pages thus affords both a longitudinal perspective of evolution over time in a major country (whether viewed by market size or the size of the company’s operations there) and a diachronic comparison and contrast across divergent national experiences of labor contestation in the face of what are—it is demonstrated—common, invariant pillars in corporate strategies and behavior in the labor relations and human resource management (LR/HRM) sphere. Intrinsically important for the fate of the up to 80,000 workers it employed at any given time, Walmart’s twenty-three-year sojourn in the world’s currently ninth-largest economy provides an excellent window on the larger issue in comparative and global political economy of the interplay of national institutions and contestation with a powerful global

corporation's practices and policies, in this case, driven by a diffusionist approach centered on following core home-country practices in all host countries.

### THE ARGUMENT IN BRIEF

The book advances arguments about both Walmart's strategy as manifest in its expansion into Brazil as well as Argentina, Mexico, and Chile and the nationally institutionally embedded and variant character of contestation that has ensued. Walmart was guided, the book documents, by a consistent set of integrally interrelated principles centered on anti-unionism and a workplace authority regime we characterize as "repressive familism." The former entails resisting, limiting, and contesting the power of unions—in particular, regarding work rules and workplace governance—and individualizing (where not suppressing altogether) expression and treatment of grievances by workers. However much the firm must tolerate the fact that unions it cannot simply eliminate in most national systems do by law negotiate wages (in many countries on a multiemployer basis), Walmart's anti-unionism as philosophy and practical doctrine means the company avoids institutionalized, sustained engagement with unions and in particular with workplace delegates or other workplace-level representatives of workers over the terms under which it hires, deploys, treats, and dismisses workers on an everyday basis.

The deeper analytical upshot of what the firm itself calls "Walmart culture" or the "Walmart way" is a unique pattern for the supermarket sector of socialization and treatment of workers centered on a discourse and practices that construct the workforce as a happy family and smiling provider of customer service as well as a portrayal of the workplace as lacking in hierarchical divisions, in which group-based demands are illegitimate. It is a coercive, personally intrusive system of domination that seeks to gain workers' passive or active consent and to punish deviations from accepted behavior. Key symbols and rituals originating in the company's U.S. operations and found in all these and other national settings are the daily group chanting of the "Walmart cheer" and the "ten foot rule" of greeting with a smile all customers who enter an employee's personal radius. Workers' putative loyalty and consent to the Walmart "family's" set of norms is manifest in the signing by all employees of a code of ethics. Public symbolic rewarding of compliant workers who abide by the rules, and punishments of those who transgress them, are of equal importance.

To be clear, a problematically narrow U.S.-born emphasis by scholars and activists on the company being a lowest-wage employer or being unique in its levels of turnover or other aspects of flexible work and “precarious” labor in a market segment that is broadly characterized by low skills does not travel well internationally as a consistent characterization of the company’s market positioning and labor impacts as being *unique* or distinctive. Instead, it is repressive familialism and anti-unionism in a broader sense—not simply being a low-road employer—that are, in fact, the truly distinctive aspects of the Walmart LR/HRM model that have been disseminated in its Latin American stores, and the most disconcerting aspects for those concerned about labor standards and rights. Other multinationals, including some in the broader category of retail,<sup>1</sup> are held to have a distinctive set of practices or norms (what some might label a “work culture” or broader “organizational culture”) that they seek to diffuse in worldwide operations rather than adapting significantly to national contexts. Yet what is unique at least in the supermarket space is the *content* of Walmart’s core practices and norms.

Yet—in the book’s second major argument—Walmart’s putative unilateral imposition of the repressive Walmart workplace culture evoking family metaphors and guided by anti-unionism is far from seamless, often generating conflict and what the book terms broadly “labor contestation.” Operating within nation- and sometimes sector-specific institutions, which are in many instances undergoing gradual process of change, unions as purposive agents invoke, employ, or re-interpret rules and norms in response to Walmart worker grievances as well as the reach and limits of their particular power resources. State agencies tasked with enforcing labor laws or adjudicating individual or collective labor disputes also play a crucial, and also cross-nationally and temporally variant, role in shaping when, where, and if Walmart’s labor practices are contested in the regulatory and legal realm; sometimes union actors succeed in activating them to worker’s benefit and regulators, inspectors, and judges apply and interpret legal norms to identify and punish the company’s abuses. Specifically, the book shows how labor contestation surged from the mid-2000s through the onset of Brazil’s economic and political crisis in 2014. This surge was driven by institutionally nested agency benefitting from but also pushing forward nascent, incremental changes in national and national-sectoral labor institutions. In a cross-national comparison, the authors find broadly similar patterns of significant labor contestation in Chile likewise drawing on modestly expanding institutional space for autonomous union

as well as state-regulatory action. These patterns contrast with surprisingly more modest patterns of contestation in an ostensibly labor-friendly Argentina related to a more centralized and uniform retail unionism. The patterns found in Brazil and in Chile also diverge from weak, fragmented labor enforcement institutions leading to practically non-existent contestation in Mexico; this situation exhibited a close fit between the company's LR/HRM model and the one-sided, employer-dominated system of labor regulation and of phantom union contracts (*sindicatos de protección*) that were constants for the company's initial quarter century or so in that country. Finally, despite the waning of institutional strength in Brazil under weak, sluggish growth and flexible labor reforms from the mid-2010s, labor contestation continued in the company's final years, albeit at more modest levels and, in the case of unions in particular, from a more defensive posture.

## RESEARCH STRATEGY

The co-authors' investigation of labor contestation in Brazil synthesizes and triangulates information from a variety of primary and secondary sources: interviews with union officials, public company documents, public and internal union documents, international and Brazilian press reports, government statistics, and publicly available legal documents and records. An invaluable starting point was an initial action research monitoring project on Walmart conducted in 1999–2000 by a labor rights non-governmental-organization, which co-author Veiga helped oversee and led to a final report published in 2000. The bulk of the research was conducted over 2015–2019, with the helpful assistance of Arthur Welle in compiling employment data and Melina Abreu in gathering legal records. Outside of a single confidential managerial interview in 2007, the experience of the co-authors was quite akin to that of the vast majority of researchers working on Walmart in the United States and overseas—the company is hermetically sealed to outside scrutiny, in terms of interviews (even former managers are constrained by non-disclosure agreements) and access to internal documents. Faced with that constraint, company strategy must be interpreted on the basis of public statements and documents and media reports, particularly from the business press, annual reports, and earnings calls with investors. Comparative research on Argentina, Chile, and Mexico relies primarily upon public company

data as well as secondary sources, including scholarly studies and local and international press accounts.

## STRUCTURE OF THE BOOK

Chapter 2 lays out the analytical framework, central causal arguments, and key concepts. The varying nature of contestation around Walmart's labor relations and employment practices in Brazil and Latin America is situated within the theoretical framework of gradual institutional change theory (GIC) as well in relationship to scholarship on multinational corporation strategy, competitive strategy, and work in global retail, and specifically the "cottage industry" of comparative work on Walmart social and labor impacts itself. GIC theory sheds light on the shifting constraints and opportunities within which actors such as unions and regulatory and legal authorities understood as institutionally nested agents engage with and sometimes confront Walmart and other supermarket retailers. It is applied to explain shifting dynamics and levels of contestation over time around the company's operation in Brazil as well as broad cross-national differences with and across the comparator countries of Mexico, Argentina, and Chile. The chapter argues that understanding and explaining labor contestation around Walmart involve disaggregating functional areas within competitive strategy and highlighting the distinctiveness of a workplace regime labeled repressive familism with anti-unionism as a central component, both remaining relatively constant over time and space in LR/HRM strategy. The authors introduce concepts employed in the book like structural versus associational power from the comparative study of unionism and, from the literature on MNC strategy, the notions of diffusion and adaptation, as well as distinguish among analytical dimensions of flexibility of work.

Chapters 3 and 4 describe and analyze labor contestation at Walmart over its first nineteen years. Covering Walmart's initial years in Brazil from 1995 to 2002, Chapter 3 argues that the company transferred its anti-union model and repressive familial workplace regime, along with high levels of work flexibility, with only minor adaptation to an accommodating institutional environment; this environment was generally advantageous to the firm during a period of market reforms and flexibility and with still weak institutions of legal oversight and enforcement at the state level in Brazil's young democracy. Some conflict and pushback from a progressive

union in the first city where it opened stores were evident. Yet, generally speaking, the firm met little overt resistance—from unions or regulatory and legal institutions—to its violations of legal and contractual norms and efforts to weaken unions' representational role.

Chapter 4 analyzes the 2003–2014 period of rapid expansion of Walmart's store network in Brazil amidst enlargement of the company's global footprint. Episodic “conflictual cooperation” entailing occasional high-level negotiations and consultations over profit-sharing and some workplace issues was intermingled with considerable instances and periods of protest and collective action as well as often successful legal claims-making by unions and assessment of legal fines based on suits filed by labor prosecutors. Rising labor contestation is attributed to the institutionally nested agency by union and state-regulatory actors within the context of modest, piecemeal institutional changes in Brazil's labor rules and norms. Some of these institutional changes were shaped by these actors themselves through their own creative interpretation and appropriation of ambiguous or evolving laws and regulations. Gains on wages and bilaterally negotiated profit sharing and legal actions garnering compensation, however, co-existed with continued difficulties in gaining traction on fundamentally reshaping Walmart's workplace model. Nonetheless, the firm incurred growing costs from legal challenges and fines, whose importance to the firm's profitability would only come into full view a few years later.

Following a most-similar system comparative research design, Chapter 5 tests and refines the explanatory framework by examining broad trends in labor contestation in the other three large Latin American countries in which Walmart operated from the 1990s (Argentina and Mexico) and late 2000s (Chile). After documenting similar patterns of repressive familialism and anti-unionism in these other countries that echo those of Brazil and home-country operations, the chapter describes minimal labor contestation (Mexico), modest or limited contestation (Argentina), and significant contestation similar to the levels of Brazil post-2003 (Chile). The explanation for these divergent national patterns focuses on how labor and regulatory actors (labor prosecutors, inspectors, and judges) were empowered or enfeebled, and how they maneuvered in reacting to or confronting the company, within the shifting or static institutional environments—in particular, their national and national-sectoral employment relations institutions as well as institutions of labor inspection and labor justice.