

Hidden Cost of Wal-Mart Jobs Response to Wal-Mart's Statements

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1. Wages.

"Wal-Mart's spokeswoman Cynthia Lin said that Wal-Mart's average wages are significantly higher than those paid by other non-union retailers and almost identical to unionized grocery workers, citing an average California wage of \$10.37 per hour at Wal-Mart and average Bay Area rate of \$11.08 per hour." (Contra Costa Times, August 3, 2004)

Based on detailed payroll data Wal-Mart provided in the course of a sex-discrimination lawsuit, we found that its average wages were \$9.70/hr in 2001, and that 54% earned under \$9/hr. Since this sort of detailed data was only available for 2001, and such wage distributions were critical to estimate public assistance take-up, we used this as the base year for our study. We compared Wal-Mart's wages to those paid by large retailers (retailers with 1000 or more workers) in California in 2001 using the Current Population Survey – a representative household dataset collected by the Department of Labor's Bureau of Labor Statistics and the Census Bureau. We found a 31% wage penalty for working at Wal-Mart.

Wal-Mart contends that in 2004, its wages in California average higher – at \$10.37. In fact, this does not signal any substantial movements in wages. To keep up with inflation alone, Wal-Mart's wages would have to rise to \$10.38/hr in 2004. As real (inflation adjusted) wages are the determinants of eligibility and take-up of public assistance, this signals that *the aggregate public assistance receipts by Wal-Mart workers have remained constant since our study period of 2001.*

In terms of relative wages and public assistance take-up the story is the same. If we compare Wal-Mart's stated California wages in 2004 (\$10.37) to large retailers in the state overall (\$14.82), we find a Wal-Mart wage penalty of 30%, virtually identical to the 31% we found in 2001. This implies that *the relatively greater utilization of public assistance by Wal-Mart workers has remained in place since our study period of 2001.*

Finally, the claim that Wal-Mart's wages are "almost identical" to unionized grocery workers is in complete contradiction with facts. Unionized grocery workers in the

Bay Area (non-managerial workers only) have an average wage of \$15.31. As a comparison, there are a few different figures. Earlier in 2004, Wal-Mart reported a Bay Area average wage of \$10.93/hr. As this likely included some managerial workers, we imputed a non-managerial average wage of \$9.40. Wal-Mart currently reports a Bay Area wage of \$11.08/hr, which again may include some managerial positions. *Taking any of these wages (i.e., \$9.40, \$10.93 or \$11.08) produces a Wal-Mart penalty between 28% and 39% - a direct refutation of Wal-Mart's claim that their wages are "almost identical" to unionized grocery workers.*

2. Health Insurance.

"[Wal-Mart spokesperson Cynthia Lin] also said that 90 percent of Wal-Mart employees are covered by health insurance, 50 percent through the company and 40 percent through a spouse, parent or retirement plan." (Contra Costa Times, August 3, 2004)

To be precise, what Wal-Mart has claimed is that 90% of workers are covered by *some* health insurance. Its own public release states the following: "More than 90 percent of our associates have medial coverage – about 50 percent through Wal-Mart and another 40 percent through other sources, such as spouse, parents, retirement, etc." This does not in any way contradict what we have found, as the "etc." in the previous sentence includes taxpayer funded health programs such as Medi-Cal and Healthy Families. Indeed, we estimate that many of the 52% of Wal-Mart workers who are not receiving health benefits from Wal-Mart are enrolling in public health programs like Medi-Cal and many of their children enrolling in Healthy Families. Note that our methodology accounts for the fact that some individuals who have spouses working at a company with more generous health insurance are opting into such plans. The public plan enrollment is the focus of our study, and we estimate this to cost around \$32 million annually. Given the greater rate of job based health coverage at large California retailers overall (61% as opposed to 48% in Wal-Mart), Wal-Mart workers and family members utilize 40% more in such public health expenditures than workers in large retailers overall in the state.

3. Number of workers in California.

"Wal-Mart said the study's job and wage estimates for California are outdated. The world's largest retailer employs 60,500 California workers ... said Wal-Mart spokeswoman Cynthia Lin." (Associated Press, August 2, 2004)

Based on the number of stores in California, and Wal-Mart's national employment, we *conservatively* estimated that in 2001, there were 44,000 workers. If today Wal-Mart employs 60,500 workers in California, the aggregate public costs of Wal-Mart's policy is then *even greater* than what we estimated for 2001.

4. Unemployment

"Wal-Mart, the world's largest retailer, maintains that it ... relieves public assistance burdens by giving jobs to many people who otherwise would not be employed." (Los Angeles Times, August 3, 2004)

The argument that Wal-Mart provides jobs and hence saves the public money through reduced unemployment insurance is fallacious. One can say with equal veracity that the store closures caused by Wal-Mart destroy many jobs and increases unemployment costs. The reality is that Wal-Mart jobs primarily *substitute* for other retail jobs – many that pay substantially higher. Studies evaluating the net impact of Wal-Mart on jobs in a region are inconclusive regarding whether it adds or subtracts from total employment – but the evidence *is that any such net losses or gains are quite small*. Given both the uncertainty in the direction of job gains or losses, and the small magnitudes involved, we abstracted from this issue in our study, which focuses on public costs. Allowing for such small net losses or gains in jobs would not meaningfully alter the estimates of public costs – which is driven primarily by the fact that Wal-Mart pays about 30% less in wages than large retailers overall, and 23% fewer Wal-Mart workers are covered by job-based health insurance.