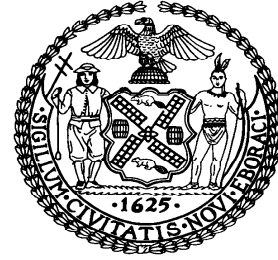


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THE PUBLIC ADVOCATE FOR THE  
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**Wal-Mart's Economic Footprint:**  
**A literature review prepared by Hunter College Center for**  
**Community Planning & Development and New York City**  
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## Executive Summary

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Wal-Mart is the world's largest retailer with more than 4,300 stores in the United States and over 8,000 worldwide, with global sales topping \$400 billion in 2009.<sup>1</sup> It is the largest retailer in the U.S., where more than half its revenue comes from grocery sales.<sup>2</sup> Wal-Mart's formula for financial success includes: low-wage labor, limited health benefits, and leveraging of government subsidies

Hundreds of studies, reports, and articles have been written about the negative impacts of Wal-Mart. This document represents a thorough review of key literature between 2002 and 2010, and points to many of the retail giant's negative impacts. It examines over fifty studies conducted over the past seven years on Wal-Mart's impact on both local and national economies. It represents research encompassing all fifty states, including the first research conducted regarding Wal-Mart in a major U.S. City: Chicago.

Since opening its first store in Bentonville, Arkansas in 1962, Wal-Mart has steadily spread from its base in the South and Midwest to dominate the suburban and rural retail market across the U.S. Having effectively saturated these markets, Wal-Mart's most lucrative opportunities for growth are now outside the U.S.. However, the company has also begun to move aggressively into those more densely populated central cities that have so far been off limits, either for lack of space in which to shoe-horn the mall-size Wal-Mart outlets or due to local antipathy to the company because of its negative impact on small businesses and the local economy.

Wal-Mart is addressing the first obstacle – store size – by changing its standard big box model to a more flexible one involving stores of widely varying sizes, perhaps even as small as a few thousand square feet, the size of many local grocery stores. According to Garrick Brown, Vice President of Research at Colliers International, “Smaller designs, in the twenty thousand square-foot range, and mostly groceries – that's where the money is.”<sup>3</sup> For example, four stores are planned for the Washington, DC area, including multi-story buildings in both central city and suburban settings.<sup>4</sup> Twenty-four new stores are planned for the San Francisco Bay Area. Several years ago the company opened its first store in Chicago and is planning a dozen more.<sup>5</sup>

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<sup>1</sup> Wal-Mart. “Corporate Facts: Wal-Mart by the Numbers.” March, 2010. <http://Wal-Martstores.com/download/2230.pdf>

<sup>2</sup> ABMN Staff. “BusinessNews: Wal-Mart Hopes to Expand to San Francisco.” September 22, 2010. [www.americanbankingnews.com/2010/09/22/wal-mart-nyse-wmt-hopes-to-expand-to-san-francisco/](http://www.americanbankingnews.com/2010/09/22/wal-mart-nyse-wmt-hopes-to-expand-to-san-francisco/)

<sup>3</sup> ibid

<sup>4</sup> Dan Malouf. “Will Wal-Mart be Urban? Part 1: Brightwood.” Greater Greater Washington. November 21, 2010. <http://greatergreaterwashington.org/post/8208/will-Wal-Mart-be-urban-part-1-brightwood/>

<sup>5</sup> ibid; Stephanie Clifford. “Wal-Mart Gains in its Wooing of Chicago.” The New York Times. June 24, 2010. <http://www.nytimes.com/2010/06/25/business/25Wal-Mart.html>

Although Wal-Mart has overcome the challenge of fitting its stores into urban environments, these smaller stores continue to bring negative overall economic impacts on the communities where they are located. The retail giant is undertaking a major public relations campaign; however, the corporation has made only minor concessions and their promises about job creation and tax revenues are not realized.

The overwhelming weight of the independent research on the impact of Wal-Mart stores on local and national economies – including jobs, taxes, wages, benefits, manufacturing and existing retail businesses – shows that Wal-Mart depresses area wages and labor benefits contributing to the current decline of good middle class jobs, pushes out more retail jobs than it creates, and results in more retail vacancies. There is no indication that smaller “urban” Wal-Mart stores scattered throughout a dense city in any way diminish these negative trends. Rather, such developments may actually result in more widespread economic disruption.

### **1. Wal-Mart’s Economic Impacts: Net Loss of Jobs, Fewer Small Businesses**

- Wal-Mart store openings kill three local jobs for every two they create by reducing retail employment by an average of 2.7 percent in every county they enter.<sup>6</sup>
- Wal-Mart’s entry into a new market does not increase overall retail activity or employment opportunities.<sup>7</sup> Research from Chicago shows retail employment did not increase in Wal-Mart’s zip code, and fell significantly in those adjacent.
- Wal-Mart’s entry into a new market has a strongly negative effect on existing retailers.<sup>8</sup> Supermarkets and discount variety stores are the most adversely affected sectors, suffering sales declines of 10 to 40% after Wal-Mart moves in.<sup>9</sup>

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<sup>6</sup> Neumark, David, Junfu Zhang, and Stephen Ciccarella, January 2007. “The Effects of Wal-Mart on Local Labor Markets.” Institute for the Study of Labor Discussion Paper #2545, University of Bonn. [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=958704](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=958704).

<sup>7</sup> Julie Davis, David Merriman, Lucia Samyoa, Brian Flanagan, Ron Baiman, and Joe Persky. “The Impact of an Urban Wal-Mart Store on Area Businesses: An Evaluation of One Chicago Neighborhood’s Experience.” Center for Urban Research and Learning, Loyola University Chicago. December 2009. [http://luc.edu/curl/pdfs/Media/Wal-MartReport21010\\_01\\_11.pdf](http://luc.edu/curl/pdfs/Media/Wal-MartReport21010_01_11.pdf); David Neumark, Junfu Zhang, and Stephen Ciccarella. “The Effect of Wal-Mart on Local Labor Markets.” IZA Discussion Paper No. 2545 (January 2007). <http://ftp.iza.org/dp2545.pdf>

<sup>8</sup> Srikanth Parachuri, Joel A.C. Baum, and David Potere. “The Wal-Mart Effect: Wave of Destruction or Creative Destruction?” *Economic Geography* 85.2 (2009): 209-236.

<sup>9</sup> Kenneth E. Stone, Georgeanne Artz, and Albery Myles. “The Economic Impact of Wal-Mart Supercenters on Existing Businesses in Mississippi.” Mississippi University Extension Service. 2002. [http://Wal-Mart.3cdn.net/6e5ad841f247a909d7\\_bcm6b9fdo.pdf](http://Wal-Mart.3cdn.net/6e5ad841f247a909d7_bcm6b9fdo.pdf); O. Capps, and J.M, Griffin. “Effect of a Mass Merchandiser on Traditional Food Retailers.” *Journal of Food Distribution* 29 (February 1998): 1-7;

- Stores near a new Wal-Mart are at increased risk of going out of business. After a single Wal-Mart opened in Chicago in September 2006, 82 of the 306 small businesses in the surrounding neighborhood had gone out of business by March 2008.<sup>10</sup>
- The value of Wal-Mart to the economy will likely be less than the value of the jobs and businesses it replaces. A study estimating the future impact of Wal-Mart on the grocery industry in California found that, “the full economic impact of those lost wages and benefits throughout southern California could approach \$2.8 billion per year.”<sup>11</sup>
- Chain stores, like Wal-Mart send most of their revenues out of the community, while local businesses keep more consumer dollars in the local economy: for every \$100 spent in locally owned businesses, \$68 stayed in the local economy while chain stores only left \$43 to re-circulate locally.<sup>12</sup>

## 2. Wal-Mart’s Costs to Taxpayers

- Wal-Mart has thousands of associates who qualify for Medicaid and other publicly subsidized care, leaving taxpayers to foot the bill.<sup>13</sup> For instance in Ohio Wal-Mart has more associates and associate dependents on Medicaid than any other employer, costing taxpayers \$44.8 million in 2009.<sup>14</sup>
- According to estimates, Wal-Mart likely avoided paying \$245 million in taxes 2008 by paying rent to itself and then deducting that rent from its taxable income.<sup>15</sup>

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Vishal P. Singh, Karsten T. Hansen, and Robert C. Blattberg. “Impact of a Wal-Mart Supercenter on a Traditional Supermarket: An Empirical Investigation.” February 2004.

<http://chicagobooth.edu/research/workshops/marketing/archive/WorkshopPapers/hansen.pdf>; Kusum L.

Ailawadi, Jie Zhang, Aradhna Krishna, and Michael W. Kruger. “When Wal-Mart Enters: How Incumbent Retailers React and How This Affects Their Sales Outcomes.” *Journal of Marketing Research* 47.4 (August 2010).

<sup>10</sup> Davis et al, id

<sup>11</sup> Martin Boarnet, and Randall Crane. “The Impact of Big Box Grocers on Southern California: Jobs, Wages, and Municipal Finances.” Orange County Business Council. September 2009.

[http://www.coalition4lc.org/big\\_box\\_study.pdf](http://www.coalition4lc.org/big_box_study.pdf)

<sup>12</sup> Civic Economics. “The Andersonville Study of Retail Economics.” October 2004.

<http://www.andersonvillestudy.com/AndersonvilleSummary.pdf>

<sup>13</sup> “Good Jobs First” reports that in 21 of 23 states which have disclosed information, Wal-Mart has the largest number of employees on the Medicaid rolls of any employer.

[http://www.goodjobsfirst.org/corporate\\_subsidy/hidden\\_taxpayer\\_costs.cfm](http://www.goodjobsfirst.org/corporate_subsidy/hidden_taxpayer_costs.cfm)

<sup>14</sup> Ohio Department of Jobs and Family Services. “Ohio Medicaid Recipients by Employer.” September 2009.

[http://pnohio.3cdn.net/5ddd17f44b6d3a8a58\\_sim6bx1ew.pdf](http://pnohio.3cdn.net/5ddd17f44b6d3a8a58_sim6bx1ew.pdf)

<sup>15</sup> United Food and Commercial Workers International Union. “Outline of Data and Methodology for Estimating Amount of Tax Avoided By Wal-Mart.” <http://wakeupal-Mart.com/facts/statebudgetsappendix.html>.

- Wal-Mart has admitted a failure to pay \$2.95 billion in taxes for fiscal year 2009.<sup>16</sup>

### 3. Wal-Mart's low paying jobs contribute to the decline of the middle class

- Median household income declined by 1.8% nationally and 4.1% in New York City in 2009.<sup>17</sup> This decline will be exacerbated by low paying Wal-Mart jobs.
- Wal-Mart's average annual pay of \$20,774 is below the Federal Poverty Level for a family of four.<sup>18</sup>
- A Wal-Mart spokesperson publicly acknowledged in 2004 that, "More than two thirds of our people... are not trying to support a family. That's who our jobs are designed for."<sup>19</sup>
- Wal-Mart's 2010 health care offerings have a high annual deductible of \$4,400 which means a family would have to spend \$5,102 of their own money on health care before Wal-Mart's insurance pays anything. Based on the average salary of a Wal-Mart employee this payment represents almost 25% of their annual income.<sup>20</sup>

For these reasons, we conclude that the entry of even a single Wal-Mart store in New York City could have a snowball effect and result in a negative long-term cumulative impact on the city's economy and continued decline of the middle class. A single small Wal-Mart, or a single superstore, could mean the demise of existing food retailers, end local retail, and hurt working families. Considering Wal-Mart's aggressive plans for expansion into urban markets all across the country, there is no reason to believe the company would be satisfied with only one store in the nation's largest city.

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<sup>16</sup> Tom English, and Mark J. Cowan. "The Challenges of Transparency in Corporate Tax Departments," The CPA Journal, October 2007; Wal-Mart Stores Inc. Form 10-K for fiscal year ended January 31, 2010. Consolidated Financial Statements, Note 8, pg. 36

<sup>17</sup> <http://www.craigslist.com/article/20100809/FREE/100809838>

<sup>18</sup> The calculation assumes that a full-time Wal-Mart worker works an average of 34 hours a week, 52 weeks a year. The average of 34 hours a week is obtained from an internal Wal-Mart memo <http://www.nytimes.com/packages/pdf/business/26Wal-Mart.pdf>

<sup>19</sup> Transcript of PBS Newshour, 23 August 2004

<sup>20</sup> The calculation was performed for a family with one earning member who earns the Wal-Mart average wage of \$11.24/hour, and works an average of 34 hours a week for 52 weeks a year.

<sup>21</sup> This information is taken from the guide to annual enrollment that Wal-Mart distributed to its associates in September-October 2009 for benefit year 2010.

## **The Negative Socio-Economic Impacts of Wal-Mart**

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### **Net Loss of Jobs, Fewer Small Businesses**

While City representatives may have engaged in discussions with Wal-Mart or its agents, there has been no public review of Wal-Mart's plans or assessment of potential impacts. However, the case of the new Wal-Mart store in Chicago strongly suggests negative impacts that New York City could expect to experience with the introduction of Wal-Mart stores. A 2009 study by the Center for Research & Urban Learning at Loyola University surveyed a four-mile radius before and after the opening of Chicago's first Wal-Mart in September 2006.<sup>22</sup> The survey found that Wal-Mart's entry led to local business failures, no measurable increase in retail employment or sales in the immediate area of the new store, and a noticeable drop in jobs and sales in surrounding areas. To be more precise, 25% of retail businesses within a mile of the Wal-Mart closed within a year.

The Loyola study confirmed a basic principle of retailing in urban areas: total sales are for the most part based on a finite pool of disposable consumer income, and new retailers cannot simply create new sales without taking them away from others. "For Wal-Mart's own zip code, 60639, there is no evidence of an overall upturn in sales," concluded the researchers. Retail employment also declined overall: "Retail employment levels in Wal-Mart's own zip code show no significant change, presumably because of the addition of Wal-Mart's own employees. But retail employment trends in neighboring zip codes show a negative effect after Wal-Mart's opening. This effect is significant in the period 2003-2008."<sup>23</sup> The researchers found that the hardest-hit businesses were selling electronics, toys, office supplies, general merchandise, hardware, home furnishings and drugs. A University of Illinois analysis of a proposed Wal-Mart in Chicago in 2004 had accurately predicted that the megastore's arrival would lead to a net job loss and only a minimal increase in net tax revenues.<sup>24</sup>

Other research shows that Wal-Mart's arrival in a new market has a particularly damaging effect on ethnic retailers including supermarkets, bodegas, electronics and furniture stores.<sup>25</sup> A recent study in Florida found that drugstores and stores specializing in apparel, sporting goods, home furnishings, cards and gifts, and other essential consumer household goods are likely to suffer the

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<sup>22</sup> Davis et al, id

<sup>23</sup> *ibid.*

<sup>24</sup> UIC Center for Urban Economic Development. "The Economic Impact of Wal-Mart: An Assessment of the Wal-Mart Store Proposed for Chicago's West Side. March 2004. <http://www.uic.edu/cuppa/uicued>

<sup>25</sup> Center for Research & Urban Learning & Loyola University, 2009.

most.<sup>26</sup> Take a stroll down neighborhood retail strips in Washington Heights, Flushing, or East New York and it's clear that these are the products most commonly sold by locally-owned retail shops in New York City.

Another study that examined the impact of new Wal-Mart stores in seven markets around the country found that Wal-Mart's entry had substantial negative impacts on sales of mass-produced consumer staples by local vendors: "In the year following entry, mass stores suffer a median sales decline of 40% and supermarkets suffer a median sales decline of 17%, while drug stores experience a much smaller median decline of 6%. This magnitude of sales impact is broadly consistent with prior research"<sup>27</sup>

Small locally-owned businesses are not the only Wal-Mart victims. Other chain stores and discount retailers also suffer from Wal-Mart's manipulation of prices. One study of a nationwide dataset of Wal-Mart's effect on previously existing discount retailers found that roughly half of small discount stores closed after Wal-Mart's arrival.<sup>28</sup> The unfortunate result is a reduction of competition and many empty storefronts.

Independently owned local businesses are an essential part of New York City's vibrant residential neighborhoods. Chain stores are concentrated in a few outer-borough malls and in heavily-trafficked parts of Midtown and Lower Manhattan, while independent retailers predominate in most of the rest of the city. Independent retailers flourish, for example, in the dense commercial districts serving immigrant communities, in Flushing and Corona (Queens), Sunset Park (Brooklyn), Melrose (The Bronx) and Washington Heights (Manhattan).

As Jane Jacobs observed in her classic work *The Death and Life of Great American Cities*:

"Commercial diversity is, in itself, immensely important for cities, socially as well as economically... wherever we find a city district with an exuberant variety and plenty in its commerce, we are apt to find that it contains a good many other kinds of diversity also, including variety of cultural opportunities, variety of scenes, and a great variety in its population and other users. This is more than a coincidence." (p. 148)

The benefits of the small business economy are clear to see in districts like Downtown Flushing where small business has served as the engine of neighborhood growth and has led to the emergence of a uniquely diverse urban center that attracts residents and visitors from throughout the city and region. Linkages among small businesses strengthen them and help sustain them in hard times. Linkages between small businesses and civic and social organizations in

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<sup>26</sup> Parachuri et al, id

<sup>27</sup> Ailawadi et al, id

<sup>28</sup> Panle Jia. "What Happens When Wal-Mart Comes to Town: An Empirical Analysis of the Discount Retailing Industry." *Econometrica* 76.6 (November 2008): 1263-1316.



communities' help neighborhoods thrive and develop. Innumerable personal ties between local merchants and residents are enormous assets to a thriving urban environment.

Locally owned businesses are crucial to the vitality of our economy because they keep a higher percentage of their resources in the local economy by procuring their goods and services from the local area. Locally-owned businesses recirculate dollars in the neighborhood while chain stores send revenues to corporate headquarters. A 2004 study found that for every \$100 spent in locally owned businesses, \$68 stayed in the local economy while chain stores only left \$43 to recirculate locally. The local owners tend to live in the community, spend more on labor, are twice as likely to use local supply networks, and contribute more to local charities.<sup>29</sup>

Small businesses are the engines of local economic development, leaders in innovation and change, and are more productive than large chains.<sup>30</sup> In New York City, small retail businesses are a particularly important means of economic and social advancement for immigrant families.

Even if Wal-Mart imitates the appearance of our small business retailers by subdividing into small outlets, it will still operate as a global monopoly with the same giant supply chain, and the same low wages and substandard labor policies.

Our observations about the critical importance of locally-owned businesses are widely shared among those who have studied urban economies in depth. According to economists at Winthrop University, States with a higher percentage of very small businesses, those with 20 employees or less, have a more productive workforce and higher levels of GDP growth than states with lower levels of very small businesses. Furthermore, states that are rich in very small businesses have lower rates of unemployment.<sup>31</sup>

Wal-Mart is trying to take advantage of the current economic downturn by promising an immediate infusion of jobs and investment dollars in city neighborhoods that have been hit hard by the recession. Considering the body of independent research that clearly demonstrates Wal-Mart's negative long-term impacts on local economies, it would be shortsighted to allow this destructive retail monopolist to enter the New York City market via the Trojan Horse of "job creation."

Lastly, Wal-Mart typically sells promotable products below their cost as a loss leader to draw in customers.<sup>32</sup> Wal-Mart has the ability to lower these prices, even if it means losing money for up to ten years, something small businesses cannot afford.<sup>33</sup> After driving out competition, the

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<sup>29</sup> Civic Economics, id

<sup>30</sup> Parachuri et al, id

<sup>31</sup> D.K. Robbins, L.J. Pantuosco, D.F Parker, and B.K. Fuller. "An Empirical Assessment of the Contribution of Small Business Employment to U.S. State Economic Performance". *Small Business Economics* 15 (2000): 293–302.

<sup>32</sup> B. Lund. "Predatory Pricing Practices and the Toy Industry." Global Toy News. August 27, 2010 <http://www.globaltoynews.com/2010/08/Wal-Mart-predatory-pricing-and-the-toy-industry.html>

<sup>33</sup> MacPherson; Lintereur, id

company increases prices on those products. Artificially lowering prices impacts not only small local businesses, but has major ramifications on manufacturing and the global economy.

Predatory pricing forces competing retailers to sell at a loss, or cancel orders for promotable products because they cannot compete with the artificially low prices. This hurts those small businesses and has major implications for manufacturers. Consumer products will ultimately sell fewer units because Wal-Mart will be the only store left selling these products. This causes losses for manufacturers by devaluating goods and impacting quantities.<sup>34</sup>

According to Bloomberg News, this was done on a massive scale this holiday season. Wal-Mart managers in the U.S. received instructions to mark up an average of 1,800 types of toys per store this holiday season, according to a company e-mail sent the month before Christmas.<sup>35</sup>

Wal-Mart's power to sell products below their typical market value has led to the laying off of employees and the closure of U.S. plants in favor of outsourcing products from overseas.<sup>36</sup> Eighty-five percent of Wal-Mart's items are made overseas. The mega-retailer has faced numerous accusations of unacceptable conditions in the factories of their suppliers. Reported abuses include: "forced overtime, locked bathrooms, starvation wages, pregnancy tests, denial of access to health care, and workers fired and blacklisted if they try to defend their rights."<sup>37</sup>

## **Costs to Taxpayers**

Because many of Wal-Mart's employees do not earn enough to make ends meet they often turn to public assistance. Each Wal-Mart store, averaging 200 employees, costs taxpayers approximately \$420,750 annually in public social services used by store employees.<sup>38</sup> Wal-Mart has thousands of associates who qualify for Medicaid and other publicly subsidized care, leaving taxpayers to foot the bill.<sup>39</sup> For instance, Wal-Mart has the greatest number of associates and associate dependents on Medicaid in Ohio, costing taxpayers \$44.8 million in 2009.<sup>40</sup>

According to the group Wal-Mart Subsidy Watch, a non-profit watchdog group, Wal-Mart has already received subsidies worth about \$52 million in New York State. At least eight Wal-Mart locations in New York have challenged their property tax assessment, recouping about \$766,000.<sup>41</sup> Wal-Mart has already cost New Yorkers millions of dollars, even before entering the state's largest marketplace.

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34 D. Moberg. "The Wal-Mart Effect: The How's and Whys of Beating the Bentonville Behemoth." June 10, 2004

<sup>35</sup>M. Boyle. "Wal-Mart Raising Prices on Toys, Squeezing More Out of Holidays." Bloomberg News. December 15, 2010

<sup>36</sup> Fishman, id

<sup>37</sup> United Food and Commercial Workers International Union. "Wal-Mart and Sweatshops."

[http://www.ufcw.org/take\\_action/Wal-Mart\\_workers\\_campaign\\_info/facts\\_and\\_figures/Wal-Martsweatshops.cfm](http://www.ufcw.org/take_action/Wal-Mart_workers_campaign_info/facts_and_figures/Wal-Martsweatshops.cfm)

38 Congressman G. Miller. "Everyday Low Wages: The Hidden Price We All Pay For Wal-Mart" February 16, 2004.

<sup>39</sup> Good Jobs First, id

<sup>40</sup> Ohio Department of Jobs and Family Services., id.

<sup>41</sup> [www.Wal-Martsubsidywatch.org/index.html](http://www.Wal-Martsubsidywatch.org/index.html)

Wal-Mart also uses controversial methods to reduce the taxes it pays. They use a Capital Real Estate Investment Trust (REIT) where the corporation pays rent to itself and then deducts that rent from its taxable income.<sup>42</sup> It is estimated that Wal-Mart likely avoided paying \$245 million in 2008 using this strategy nationwide.<sup>43</sup> By its own admission, Wal-Mart likely owes billions in taxes.

Wal-Mart's entry into the New York City market may also negatively affect the tax base by displacing the better compensated employees of the existing retail sector. This is especially relevant for the unionized workers of the grocery sector. A study of Wal-Mart's potential entry into the San Francisco market estimated that if Wal-Mart were to take ten to twenty percent of the grocery markets and replace thousands of union supermarket employees with Wal-Mart workers, the region would lose \$300 to \$576 million dollars in employee wages and benefits.<sup>44</sup>

### **Wal-Mart's low paying jobs contribute to the decline of the Middle Class**

According to the 2009 Census Bureau's survey of income and poverty in the United States, Median household income is falling in the vast majority of U.S. states and in virtually every single major U.S. city, representing a shocking decline of the middle class. Unemployment has also skyrocketed in recent years and it has become much harder to get a good middle class job.<sup>45</sup>

According to the Census Bureau, median household income declined in thirty four U.S. states in 2009 and almost all U.S. Cities.

- In New York City, median household declined 4.1% to \$55,980.
- In Detroit, median household income declined 10% to \$48,535.
- In Orlando, median household income dropped almost 10% to \$46,856.
- In Cleveland, median household income fell 8.5% to \$45,395.
- In Miami, median household income declined 8.2% to \$45,946.
- In Indianapolis, median household income dropped 7.1% to \$50,140.

With an average annual pay of \$20,774, significantly below the Federal Poverty Level for a family of four, Wal-Mart's workforce can largely be classified as working poor.<sup>46,47</sup> Wal-Mart's 1.3 million employees being forced to accept poverty level wages and bare bones health benefits

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<sup>42</sup> Drucker, id

<sup>43</sup> Good Jobs First. "Wal-Mart Subsidy Watch." <http://wakeupWal-Mart.com/facts/statebudgetsappendix.html>

<sup>44</sup> Marlon Boarnet, Randall Crane, Daniel G. Chatman, and Michael Manville. "Emerging Planning Challenges in Retail: The Case of Wal-Mart." *Journal of the American Planning Association* 71.4 (2005): 433-449.

<sup>45</sup> U.S. Census Bureau "Income, Poverty, and Health Insurance Coverage in the United States: 2009" September, 2010.

<sup>46</sup> The calculation assumes that a full-time Wal-Mart worker works an average of 34 hours a week, 52 weeks a year. The average of 34 hours a week is obtained from an internal Wal-Mart memo.

<http://www.nytimes.com/packages/pdf/business/26Wal-Mart.pdf>

<sup>47</sup> U.S. Department of Labor Bureau of Labor Statistics "A Profile of the Working Poor, 2000" March 2002

will only exacerbate the continuing decline of the middle class, including in New York City.<sup>48</sup> A Wal-Mart spokesperson was quoted in 2004 saying, "More than two thirds of our people...are not trying to support a family, that's who our jobs are designed for."<sup>49</sup>

A study done by the UC Berkeley Institute of Industrial Relations compared Wal-Mart's wages to other large retailers, as well as other industry segments. Wal-Mart employees constitute of 55% of all general merchandise workers, and 71% of large general merchandise workers. The study found a significant gap in pay for Wal-Mart employees. Looking at comparable retailers and adjusting wages for local labor markets, Wal-Mart employees earned less than their counterparts at other retailers. On average, general merchandise workers made 17.4% more and large general merchandise workers made 25.6% more than the Wal-Mart average for similar employees<sup>50</sup>.

Not only are employees being paid less than fair wages, only half of Wal-Mart employees are receiving healthcare. And those who do receive benefits are enrolled in plans that provide inadequate coverage.

Wal-Mart's 2010 health care offerings include low premiums of \$27 per pay period for family coverage, or \$702 per year; however this plan has a high annual deductible of \$4,400.<sup>51</sup> With a \$4,400 annual deductible, a family would have to pay \$5,102 of their own money before Wal-Mart's insurance pays for anything. For a family whose only income comes from a Wal-Mart associate, making Wal-Mart average wages of \$11.75 an hour, this equals almost 25% of their annual income.<sup>52</sup> New Yorkers cannot afford to devote one fourth of their incomes to healthcare before their insurance kicks in.

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<sup>48</sup> Arindrajit Dube, and Steve Wertheim. "Wal-Mart and Job Quality – What Do We Know and Why Should We Care?" UC Berkeley Center for Labor Research and Education. October 16, 2005.

[http://laborcenter.berkeley.edu/retail/Wal-Mart\\_jobquality.pdf](http://laborcenter.berkeley.edu/retail/Wal-Mart_jobquality.pdf)

<sup>49</sup> Transcript of PBS Newshour, 23 August 2004

<sup>50</sup> *ibid*

<sup>51</sup> This information is taken from the guide to annual enrollment that Wal-Mart distributed to its associates in September-October 2009 for benefit year 2010.

<sup>52</sup> The calculation was performed for a family with one earning member who earns the Wal-Mart average wage of \$11.24/hour, and works an average of 34 hours a week for 52 weeks a year.