

<http://www.californiaprogressreport.com/site/?q=blog/1&page=17>

California Progress Report

September 7, 2009

## **Down the Wal-Mart Low Road: What Are the Costs of a Supercenter?**

by Martin J. Bennett

Wal-Mart recently announced plans to convert its existing discount store in Rohnert Park to Sonoma County's first 'supercenter.' Many cash-strapped cities are tempted to hastily approve retail projects that can generate- substantial sales tax revenue given the current economic downturn. However, we should pause to consider, not only the benefits, but also the costs of the proposed supercenter for Rohnert Park and Cotati.

In late March the Rohnert Park City Council will consider Wal-Mart's application to expand the existing Wal-Mart discount store in that city to a supercenter. A supercenter is a 200,000 square foot store that sells both general merchandise and groceries. Since 1988, Wal-Mart has opened 2300 supercenters nationwide. Wal-Mart announced in 2002 that it would build more than forty of these megastores in California. By 2008 thirty-one were built, with organized grassroots opposition and environmental lawsuits blocking the others.

Wal-Mart is now the nation's largest grocer and pharmacy, with sales exceeding the combined total of major competitors, including Target, Safeway, Albertsons, Kohl's, and Kroger. How did Sam Walton develop a rural, southern discount store into the planet's largest retailer and the nation's largest employer?

According to UC Santa Barbara historian Nelson Lichtenstein in his new book, *The Retail Revolution: How Wal-Mart Created A Brave New World of Business*, the main reason for Wal-Mart's phenomenal success is containment of labor costs by a relentless downward pressure on wages and benefits, and a near-perfect record thwarting unionization.

Most Wal-Mart workers are the 'working poor' in America. According to the company's own reports, the average wage for a full-time Wal-Mart worker in 2007 was \$10.51 an hour. The average wage of a Wal-Mart employee is 26 percent less than other large merchandise stores, and 18 percent less than large grocery stores, according to the New York University Brennan Center.

Kaiser Family Foundation reports that less than 50 percent of Wal-Mart employees receive health-care benefits. Full-time workers must wait six months to receive medical benefits, and part-time workers wait two years. Half the work force turns over annually. As a result, part-time employees, who are more than one third of the work force, rarely receive benefits. For others, high deductibles, copays, and coverage limitations make the company-provided health plan unaffordable.

Wal-Mart ensures that wages and benefits remain low by a systematic, company-wide policy to suppress unions. A report by Human Rights Watch about Wal-Mart concluded, "while many American companies use weak U.S. laws to stop workers from organizing, the retail giant stands out for the sheer magnitude and aggressiveness of its anti-union apparatus."

Between 1998-2003 the National Labor Relations Board issued 94 complaints and found that Wal-Mart illegally fired workers for union activity, forced workers to attend anti-union meetings and video screenings, spied on workers who supported unionization, and claimed workers would lose pay raises and benefits or the store would shut down if the employees voted for a union.

Not one Wal-Mart store is unionized in the U.S. When Quebec workers voted for representation by the United Food and Commercial Workers in 2005, the company closed the store.

What are the costs when a Wal-Mart supercenter opens in a community?

First, good middle-class jobs are replaced by poverty-wage jobs. Grocery prices at Wal-Mart are 15 percent lower than those of competing firms, and half of these major grocery chains, like Safeway, Raley's, and Albertsons, are unionized. The 'union premium' for combined pay and benefits is 30 percent more than nonunion. In Southern Nevada, Wal-Mart opened sixteen supercenters, and by 2002 1400 union jobs were lost when Raley's closed eighteen stores. According to Nelson Lichtenstein, 13,000 traditional supermarkets were closed and twenty-five regional chains forced into bankruptcy from 1992-2003 due to Wal-Mart.

Second, the taxpayers end up providing public assistance for Wal-Mart workers. A 2004 study by the UC Berkeley Labor Center, "The Hidden Costs of Wal-Mart," concludes that uninsured Wal-Mart employees in California rely on programs like Medi-Cal and Healthy Families at a cost of \$32 million a year to the taxpayer. The report also demonstrates that Wal-Mart workers earning poverty wages rely on federal and state programs like the Earned Income Tax Credit, Food Stamps, Section 8 subsidized housing, and child-care assistance to make ends meet, at a cost of \$54 million per year.

Third, local merchants are hurt when Wal-Mart enters a community. In 1995, economist Kenneth Stone found that, a decade after the opening of a Wal-Mart in rural Iowa, 60 percent of the retail sales captured by Wal-Mart came from existing retailers. Hundreds of grocery, apparel, hardware, and drug stores closed. University of Missouri economist Emek Basker examined county-level employment impacts of Wal-Mart from 1977-1998. She demonstrated that, for every one hundred new jobs created by Wal-Mart, fifty retail jobs and twenty wholesale jobs were lost over the next five years.

Moreover, a 2007 study by UC Berkeley economists Arin Dube and T. William Lester calculated that, "every new Wal-Mart in a county reduced the combined or aggregate earnings of retail workers by around 1.5 percent" as competition from Wal-Mart decreases both average pay rates and total employment in the local retail sector.

Sonoma State students employed in grocery and retail will be directly affected by a new Wal-Mart supercenter: stores nearby such as Pacific Market will certainly close, as the draft EIR notes. Raley's and Oliver's will face stiff competition from the supercenter while employee earnings will decline across the retail sector in Rohnert Park and Cotati.

This is an appropriate moment for an informed public dialogue, and a county -wide mobilization to oppose the megastore proposed for Rohnert Park. A coalition of community organizations and concerned citizens has formed to oppose the Wal-Mart supercenter that includes: Living Wage Coalition of Sonoma County, Go Local Sonoma County, Sonoma County Conservation Action, Sierra Club Sonoma Group, Sonoma County Latino Democratic Club, Peace and Justice Center of Sonoma County, North Bay Labor Council, California Healthy Communities Network, California Faculty Association Sonoma State chapter, and the Sonoma State University Academic Senate.