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## **Wal-Mart: Low Prices, but at What Cost?**

by Stacy Mitchell

Katherine Kersten tries to represent Wal-Mart as a hero of working families. But what Wal-Mart has saved poor and middle-income Americans — and there's reason to doubt the depth and durability of the discounts Kersten cites — it has taken that and more from them in diminished job opportunities and reduced income.

It's not just Wal-Mart. Rather, it's the economic model that Wal-Mart perfected and that others, including Home Depot and Target, also follow.

The rise of these powerful retailers over the past 20 years has decimated two long-standing pillars of the American middle class.

One consists of small business owners, tens of thousands of whom, along with their employees, have lost their livelihoods as the big boxes have taken over.

Manufacturing workers are the other. Since 1990, the United States has lost some 3 million manufacturing jobs. Many of these losses can be traced to big-box retailers and the relentless pressure they have placed on companies to cut costs by moving to countries with low wages and lax labor laws.

Starting a small business or getting a union-wage production job provided a path out of poverty for generations of American families. No other company has done more to close these avenues to a middle-class life than Wal-Mart.

Indeed, U.S. Census data show that the middle class has lost substantial ground over the past 20 years. The share of the nation's income flowing to families in the middle 60 percent of the income distribution fell nearly 12 percent.

The share flowing to the bottom 20 percent fell even faster, while the ranks of the working poor — people who work full time but cannot afford the basics — swelled.

Kersten points out that new Wal-Mart and Target stores often attract legions of job applicants. But this is less a sign of the desirability of these jobs than it is of widespread economic desperation.

Lacking better options, more people are applying for retail work, giving the big chains a larger, and more easily exploited, labor pool.

Opportunities for this segment of the workforce have actually declined as the big boxes expanded. That's because the chains stretch their workers, achieving the same sales with fewer people than the businesses they replace.

David Neumark, an economist at the University of California, analyzed the impact of more than 2,000 Wal-Mart stores that opened between 1977 and 2002 and found that, for every

new retail job created by Wal-Mart, 1.4 were lost as existing businesses downsized or closed.

Consolidation has also given these chains enough market power to hold down growth in retail wages, according to many economists.

Nor do big-box jobs offer much hope for advancement. Although a majority of store managers start as hourly workers, as Kersten notes, the ratio of store managers to hourly employees in a typical big-box store — roughly 1 to 350 — makes the odds of landing on the management track incredibly slim.

Wal-Mart's vaunted logistical innovations only partly explain how it got to the top. It also got there by squeezing its employees and forcing the rest of us to pick up the tab.

Minnesota is not the only state where Wal-Mart has systematically violated labor laws by requiring employees to miss breaks and work off the clock. The retailer has lost similar suits in California, Oregon and Pennsylvania.

Stealing from your own employees, especially when they make so little, is about as low as it gets.

Not surprisingly, large numbers of Wal-Mart, Home Depot and Target employees and their families, unable to make ends meet, have enrolled in Medicaid and other public assistance programs.

Do cheap DVD players make up for all this?

Given the toll these companies have taken on earnings for both low- and middle-income families and the fact that prices for the things that matter most - housing, health care and education - have skyrocketed, it's hard to conclude that we are anything but worse off.

There's also reason to doubt the depth and durability of those frequently touted big-box discounts.

Declining product lifespans and the appalling number of products found tainted with lead and other toxins suggests that manufacturers, many of which make special lines solely for big-box retailers, may have achieved those low prices by cutting corners. We're paying less because we're getting less.

Being left with only a handful of retailers competing for our dollars is also bound to be bad for consumers in the long run. Already there's evidence that prices at Wal-Mart and other chains are higher in areas with little local competition.

Instead of shopping ourselves deeper into this economic hole, we would do well to invest more of our spending in businesses that build community wealth, rather than extract it. What characterizes such a business? Key traits to look for are local ownership, products made responsibly and even locally, and fair wages.

*Stacy Mitchell is a senior researcher with the Institute for Local Self-Reliance and author of "Big-Box Swindle: The True Cost of Mega-Retailers and the Fight for America's Independent Businesses."*

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