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“Big Box Living Wage Ordinance” would benefit low-wage Wal-Mart workers, minimally impact shoppers, says new study

Berkeley – Wal-Mart could increase its minimum wage to \$10 per hour and greatly boost the well-being of its low-income workers with little financial impact on most shoppers, says a study released today by the University of California at Berkeley’s Center for Labor Research and Education.

Campus labor center researchers report that a “big box living wage” ordinance would provide significant and concentrated benefits to workers, mostly members of low-income families, while consumers across the income spectrum would share the costs in small increments.

In 2006, the Chicago City Council passed an ordinance that would have required retailers such as Wal-Mart to pay a \$10 per hour minimum wage, but the ordinance was vetoed. Researchers estimate that starting wages for most Wal-Mart positions range from \$7 to \$8 an hour.

The labor center study, “Living Wage Policies and Wal-Mart: How a Higher Wage Standard Would Impact Wal-Mart Workers and Shoppers,” concludes that if Wal-Mart hiked its minimum wage to \$10 per hour and in the extreme case, passed on costs fully to consumers, the average impact on a Wal-Mart shopper would be higher product prices of 0.9 percent.

The study finds that close to half of the wage income gain, some 46.3 percent, would accrue to workers living below 200 percent of the federal poverty level. Less than one-third, or 29.3 percent, of the impact of the price increase would be borne by shoppers with incomes below 200 percent of the federal poverty level.

“Big box living wage laws can serve to mitigate the negative impacts on workers of the Wal-Mart model, at only a small cost to consumers,” said Ken Jacobs, chair of the labor center.

Other key findings include:

*Increasing Wal-Mart’s minimum wage wages to \$10 per hour would contribute to a payroll of \$2.38 billion a year, a 9.3 percent increase over the retailers’ current payroll.

*Poor and low-income Wal-Mart workers could expect to earn an additional \$1,020 to \$4,640 a year in pre-tax income, depending on what they earn now and whether they work part-time or full-time.

*If Wal-Mart shoppers were asked to absorb all of the wage increase, the average impact would be a price increase equivalent to 36 cents per

shopping trip or \$9.70 per year, for the store's average consumer, who spends \$1,088 per year at Wal-Mart.

*High-spending Wal-Mart shoppers, (the 12.5 percent of store customers who account for 54 percent of all Wal-Mart sales and average expenditures of \$9,775 per year) would see an additional cost of \$1.47 per shopping trip, or up to \$87.98 a year. The study estimates that 3.4 percent of Wal-Mart shoppers are both high-spending and low-income.

The study uses data from statistician Richard Drogin's analysis of Wal-Mart payroll data, the March 2005 U.S. Current Population Survey, ACNielsen's U.S. Homescan Consumer Panel data about consumer attitudes and loyalty, and Wal-Mart's own data on U.S. sales and customers.

The report's authors include Jacobs, researchers Arindrajit Dube and Dave Graham-Squire of the UC Berkeley Labor Center, and Stephanie Luce, an associate professor and research director at the University of Massachusetts, Amherst Labor Center.

The UC Berkeley Labor Center today also released a second study, in which researchers Dube and Bill Lester found that Wal-Mart store openings lead to the replacement of better paying jobs with jobs that pay less and are less likely to provide health benefits. Wal-Mart's entry also drives wages and benefits down for workers in competing industry segments, such as grocery stores, their report says.

To download the reports, go to <http://laborcenter.berkeley.edu>.

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