

## **Substantial Evidence that the Proposed Walmart Expansion is Not in the Public Interest**

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The proposed Walmart expansion into a super center will not advance the general welfare of Milpitas and surrounding communities. The super center will likely have a negative impact on the sales of existing businesses in the market area. New jobs created by the expansion will not offset these negative impacts. This is because Walmart pay and benefits packages are among the worst in the retail industry, forcing many of its employees to seek public assistance and causing ripple effects in the economy as a whole. In addition to these threats, Walmart's proposal puts Milpitas at risk for greyfield creation and increased crime.

### **I. Negative impact on sales at existing businesses in the market area**

Although the EIR does not predict that area stores will close as a result of Walmart's proposed expansion, experience in communities across the country tells a different story. According to Fishman, between 1990 and 2000, Walmart opened 888 super centers in the United States, an average of seven stores per month (8). During the same decade, thirty-one supermarket chains sought bankruptcy protection, and twenty-seven of those chains cited competition from Walmart as a factor (9). For example, "Winn-Dixie, the venerable . . . \$11 billion grocery chain, was forced into bankruptcy in 2005 because of its inability to compete with Wal-Mart. It closed one-third of its 920 stores and laid off 22,000 employees" (10).

### **II. Employee welfare**

To keep its prices competitive enough to force conventional grocery chains out of business, Walmart engages in unscrupulous employment practices. As Fishman explains:

The mission [of low prices] is so imperative that it now sometimes comes unmoored from ordinary restraints and causes people at Wal-Mart to do things that are appalling, unethical, even illegal. The motivation – always low prices – doesn't begin to excuse the behavior, or justify it. But it does explain it.

Did Wal-Mart lock its employees inside some stores overnight? Absolutely. Lightly supervised employees have a tendency to steal stuff, and theft ultimately costs customers

money. Employees who are locked inside stores can't walk off with the merchandise.

Did some managers force store employees to punch out and keep working? Absolutely. Store level managers have a certain amount of autonomy and a lot of responsibility. One of their most urgent responsibilities is to control their labor budgets. Bonuses are tied to store performance, and store performance is really built on two big items: sales and staff costs. What better way to keep personnel costs under control than to insist that hourly associates haven't gotten their assigned jobs done in the allotted time, and then force them to finish that work off the clock.

Did Wal-Mart end up using hundreds of illegal immigrants to clean its stores overnight? Absolutely. Wal-Mart hired the least expensive cleaning contractors it could find – it turned out they were cheap for an unpleasant reason.

(12).

Compared to most major grocery chains, Walmart pays its workers very poorly and provides inadequate benefits packages. Even assuming the proposed Milpitas Walmart expansion would create seventy-five new jobs as claimed by the company, those jobs will come at a cost to the community.

Unlike most major grocery chains, Walmart stores are not unionized and Walmart actively discourages union activities.\* As a result, its employees earn significantly less than most grocery store employees.

In 1999, Boarnet (professor of urban planning and economics at the University of California at Irvine) and Crane (professor of public policy at UCLA) drafted a report predicting the potential impacts of Walmart's entry into the southern California grocery market. Their research demonstrated that southern California grocery chains paid workers an average of \$32,385 in annual wages and benefits (40). In contrast, they found that Walmart spent as little as \$17,683 per worker (*id.*). This figure took into account the fact that “as compared with current practice in the southern California grocery industry, the Wal-Mart pay scale increases less rapidly with experience, [and] Wal-Mart is a heavier user of part-time work” (39).

Boarnet and Crane's figures also take into account the inadequacy of Walmart's benefits

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\* According to Cascio, Walmart spokespersons have admitted that at the first sign of union activity, Walmart managers “are supposed to call a hotline, prompting a visit from a special team from Wal-Mart headquarters.” He also notes that “[j]udges have ruled in cases across the country that Wal-Mart has illegally influenced employees seeking to organize.” For example, “[i]n 2000, 10 butchers at a Wal-Mart Supercenter in Jacksonville, Texas, voted to join a union. Less than a month later, Wal-Mart switched to pre-packaged meats, eliminating jobs for butchers from its stores nationwide.” (33-34)

packages. As Fishman explains, a typical Walmart employee who is a single mom with two kids who opts for the company's medical insurance program will take home only \$290.00 per week, far below the federal poverty line (16). According to the Boarnet and Crane study, as of 1999:

The current major grocery chain labor contract offers full insurance coverage for all southern California grocery employees (full and part-time) and their dependents, with no co-payments or deductibles. Health plan costs are paid by the employer. Wal-Mart, in comparison, requires that employees share the cost of health insurance premiums. . . . Wal-Mart health plans have deductibles that range from \$250 to \$1,000, and employees must pay the full premium for dependents.

(40).<sup>\*</sup> According to Cascio, Walmart employees pay 33-percent of their own healthcare premiums (32-33). A 2005 CBS news report explained that these expensive premiums caused 46-percent of children of Walmart workers to be uninsured or dependent upon public benefits (33).

Such a high percentage of Walmart employees on public benefits places a large burden on taxpayers, who ultimately end up subsidizing Walmart's "always low prices." According to the documentary *Walmart: The High Cost of Low Prices*, taxpayers in this country pay \$1.557 billion each year to provide Medicaid to Walmart employees. According to the Democratic Staff of the Committee on Education and the Workforce, "one 200-person Wal-Mart store may result in a cost to federal taxpayers of \$420,750 per year – about \$2,103 per employee" (Cascio, 36). This figure includes money spent on "free and reduced lunches, housing assistance, federal tax credits and deductions for low-income families, additional federal health-care costs of moving into state children's health insurance programs, and low-income energy assistance" (*id.*). Walmart also places burdens on state budgets. According to Fishman:

[I]n Georgia, 10,261 children enrolled in the state's insurance program for poor children had a parent who worked at Wal-Mart. The employer with the next highest number of children was also a retailer, Publix Super Markets: 734 children in the Georgia program had a parent who worked at Publix. Even accounting for Wal-Mart's scale, the figure was stunning. Wal-Mart had one child in Georgia's kids' insurance program for every four Wal-Mart employees in

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<sup>\*</sup>The situation is even worse for part-time employees who cannot even buy into this meager program until they have worked for the company for a year (Fishman, 21).

Georgia. Publix had one child in the program for every 22 employees in the state. In Tennessee, 9,617 Wal-Mart employees were on the state's health insurance program for low-income people.

(22).

As these data demonstrate, if Walmart's expansion causes store closures or layoffs at Milpitas supermarkets, then the net effect will not be to create new jobs but to replace well paying jobs with low paying positions. But even if supermarket employees do not lose their jobs, research suggests that Walmart's entry into the grocery market will nonetheless negatively impact employee pay and benefits at existing grocery stores in the market area. Research further demonstrates that such impacts will eventually trickle down into other sectors. According to Neumark, Zhang, and Ciccarella – all associated with the Public Policy Institute of California – a typical Walmart store in business for about eight years ultimately reduces employment in a county by 2 to 4-percent (Fishman, 16-17). Retail wages in such a county are likely to decrease by 3.5-percent during the same time period (*id.*). In fact, in the process of creating 125,000 jobs in the United States in 2005, Walmart destroyed an estimated 127,500 jobs (*id.*).

Boarnet and Crane's study explains why Walmart's entry into the grocery market can lower wages at other stores and hurt the economy generally. According to these two experts, experience demonstrates that when discount chains enter the grocery market, conventional grocery chains cannot compete and ultimately must cut their own pay and benefits packages in order to maintain their market shares (45-46). Labor costs represent 60-percent of controllable costs, so it is inevitable that grocery stores will try to cut wages and benefits in the face of competition from big boxes like Walmart (47). The Crane and Boarnet study predicted that Walmart's entry into the southern California grocery market would cause grocery employees to lose as much as \$541 billion to \$1,368 billion in the aggregate (61). As a result of the “*multiplier* impact of a change in local wages,” the study concluded that supermarket employee income reductions would trickle over into other sectors causing a total loss

of \$1.6 billion to \$3 billion per year in wages (63). In these difficult economic times, Milpitas can hardly afford a comparable impact.

### **III. Greyfields**

Another threat posed by Walmart's proposed expansion is the creation of greyfields. According to Boarnet and Crane, big box retailers are particularly sensitive to changes in the local economy and are among the first businesses in an area to fold during economic downturns (93). Sochar notes that, “[c]urrently, thousands of abandoned big boxes litter municipalities across the United States . . . . Wal-Mart Realty listed nearly 210 abandoned Wal-Mart and Sam's Club stores on its own website” (703). Abandoned retail lots, known as greyfields, pose many problems for cities. As Sochar notes:

[R]eplacement leases are difficult to find because there are a limited number of potential renters that need 100,000 square feet or more of space. Surrounding businesses are also adversely affected because they are accustomed to, and rely upon, the traffic that the big box previously brought to the area for their own sustainability. . . . Abandoned stores and parking lots also attract vandalism and other crimes, putting additional strains on local law enforcement.

(704-05).

Expansion of big box stores into super centers poses a unique set of problems. Grocery stores, which are more recession-proof than other retailers, tend to “yield market share and in some cases become vacant” when big box stores expand to include grocery departments (Boarnet & Crane, 93). In the process, “taxable sales from grocery operations . . . shift to locations that are much more prone to the impacts of regional business cycles” (*id.*). Thus, if Walmart absorbs taxable sales from existing supermarkets and then later closes its store, the City will suffer a permanent loss of sales tax revenues.

### **III. Crime**

The City of Milpitas should also be concerned about the potential for increased crime as a result of Walmart's proposal to remain open twenty-four hours each day and to sell alcohol until 2 A.M. In 2006, the organization Wake Up Wal-Mart conducted a detailed study of crime at Walmart stores across the country (available at <http://walmartcrimereport.com/report.pdf>). This study analyzed police

incident reports for 551 Walmart stores and compared the average rate of reported crime with that of nearby Target stores. In 2004, the 551 stores included in the study generated 148,331 calls to police, an average of 269 calls per store (2).<sup>\*</sup> This figure was 400-percent higher – and 600-percent higher for “serious or violent” crimes – than for nearby Target stores in the communities examined by the study (19). These data suggest that Walmart takes inadequate steps to protect its customers as compared to similar retail chains.

Walmart could promote customer safety by providing roving security patrols at its stores, which the researchers estimate would cost only 4-cents per month per customer visit (2). However, because the company fails to take this step, Walmart costs taxpayers across the country \$77 million in police services (*id.*). This figure is based upon Bureau of Justice Statistics data regarding the cost of police services and assumes, based on conversations with police officers, that responding to a police call takes law enforcement agencies an average of one personnel hour (21-22). Given the high crime rate at Walmart stores, coupled with the low cost of security patrols, the City of Milpitas should not grant Walmart's request to remain open twenty-four hours per day unless it requires Walmart to provide night time security patrols as a condition of its use permit.

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<sup>\*</sup> This figure is consistent with the draft EIR's statement on page 4.9-2 that Milpitas police receive an average of 252 calls annually as a result of incidents at the McCarthy Ranch Walmart store. Curiously, the police chief's letter in Appendix G of the draft EIR provides no explanation for the conclusion that this figure will not increase if the store remains open all night and sells alcohol onsite until 2 A.M.

## References

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