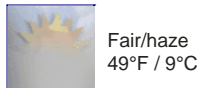


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Nine economists tell Wal-Mart it's not a very good employer

Retailer hired advisers to improve its image

By LAUREN COLEMAN-LOCHNER
Bloomberg News
11/5/2005

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Bloomberg News
Michael Hicks found that a gain in Wal-Mart's market share in a state is accompanied by more Medicaid spending.



Ray Bracy said the company is trying to be more transparent

WASHINGTON - Wal-Mart Stores, the world's largest employer, asked nine economists to assess its effect on the economy. Friday, at a conference organized by the company, they told Wal-Mart that it's far from an exemplary employer.

Wal-Mart causes wages to fall for workers in towns where it operates, depresses pay for unskilled laborers and increases Medicaid costs, according to economists who presented their findings at Friday's meeting in Washington.

"Residents of a local labor market do indeed earn less following the opening of Wal-Mart stores," said David Neumark, an economist with the Public Policy Institute of California, who spoke at the forum.

The conference, billed as "An In-Depth Look at Wal-Mart and Society," is part of the company's campaign to address criticism of the wages, health care benefits, and workplace policies for its 1.2 million employees. The event signified "the change we are undergoing as a corporation, trying to be more transparent as a company," Wal-Mart spokesman Ray Bracy said in opening remarks.

The meeting was run by Global Insight, an independent economic and financial services firm based in Lexington, Mass. The event was held as the holiday shopping season gets under way and a week after Wal-Mart Chief Executive H. Lee Scott unveiled a new low-cost health plan, urged Congress to raise the minimum wage and revealed in an internal memo that the company should consider benefits cuts to save money.

Wal-Mart hired Global Insight to solicit papers and conduct its own study of the retailer's impact, using internal company data, including wage and supplier information. The study did not include wages or benefits for Wal-Mart workers at the company's Sam's Club stores or distribution centers.

"We have more jobs and higher real income as a result of Wal-Mart," said Chris Holling, a Global Insight executive managing director. Global Insight's analysis found that "Wal-Mart saved each American household on average \$2,329 in 2004. Wal-Mart also had a net positive economic impact in the form of a 0.9 percent increase in real wages and the creation

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of 210,000 jobs nationwide."

The Bentonville, Ark.-based retailer is the subject of a critical documentary, "Wal-Mart: The High Cost of Low Price," which premiered on Nov. 1. To counter any negative publicity the film generates, the company is promoting a second documentary, "Why Wal-Mart Works & Why That Makes Some People Crazy."

"We have to bring as much moral suasion to Wal-Mart as we can so they don't take pride in being the lowest wage payer, the lowest benefits provider," said Leo Hindery, managing partner at Intermedia Partners who is a critic of the company. Wal-Mart, which recently hired several former U.S. presidential advisers to help the company improve its image, heard some unflattering remarks at the conference.

Neumark's study, "The Effects of Wal-Mart on Local Labor Markets," co-authored with Junfu Zhang and Stephen Ciccarella, concludes that total payroll wages per person declined by almost 5 percent where Wal-Mart stores are located due to the company's low wages. The San Francisco-based institute conducts research on economic, population and governance issues.

Another conference participant, Michael Hicks, an economist at the Air Force Institute of Technology at Wright-Patterson Air Force Base in Dayton, Ohio, studied Wal-Mart's effect on government anti-poverty programs and found that Wal-Mart increased Medicaid costs an average of \$898 per worker. Hicks found that a 1 percent increase in Wal-Mart's market share in a state is accompanied by a 1.5 percent increase in Medicaid spending. Wal-Mart insures fewer than half its employees, many of whom cannot afford to pay for their own health insurance.

Some of the economists presented findings more agreeable to Wal-Mart.

In a paper examining the company's impact on prices, Jerry Hausman, a professor at the Massachusetts Institute of Technology, and Ephraim Leibtag, an economist with the Agriculture Department's Economic Research Service, found that Wal-Mart's entrance into a market lowers food prices about 25 percent, including savings from rivals' price cuts.

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