

# LARGE RETAILER ACCOUNTABILITY ACT: KNOW THE FACTS

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## WHAT IS THE LARGE RETAILER ACCOUNTABILITY ACT?

The Large Retailer Accountability Act (LRAA)<sup>1</sup> would require large businesses in Washington, D.C., to pay a living wage to employees. The LRAA would only apply to retailers with over \$1 billion in revenues, that are not covered by a collective bargaining agreement, and that operate stores over 75,000 square feet. Those businesses would have to pay a living wage of \$12.50 an hour, which could include benefits.

## WHAT COMPANIES WILL THIS BILL AFFECT?

The bill would currently impact workers employed at big-box retailers like Target, Home Depot, Costco, Best Buy, Neiman Marcus, Nordstrom Rack, and Ross, as well as retailers planning to open stores in the city, such as Walmart and Lowe's. Existing large retailers would have four years to comply with the law.

## WHY SHOULD WE SUPPORT A LIVING WAGE BILL?

### IT WILL HELP LIFT MANY D.C. FAMILIES OUT OF POVERTY.

If you work full time, you should not live in poverty. Yet many district residents with full-time jobs are struggling to get by.

**Retail wages are too low to live on.** Raising retail wages would help thousands of D.C. residents who can't afford even basic necessities. Many retail employees in Washington, D.C., support families with children. Even with full-time year-round work, that leaves a family of three dramatically below the poverty line. In fact, one out of 10 people who work for District retailers live below the federal poverty line.<sup>2</sup>

The minimum wage in Washington, D.C., is \$8.25 an hour,<sup>3</sup> which at 40 hours a week is a yearly salary of just \$17,160. The median wage for cashiers in the D.C. area is \$10 an hour and the median wage for retail sales workers is \$11 an hour.<sup>4</sup> A wage of \$12.50 an hour would boost a full-time salary to \$26,000 a year and lift a family of three to about 50 percent above the federal poverty line.<sup>5</sup>

**The District is one of the most expensive places to live in the country.**<sup>6</sup> Household incomes have not kept pace with the disproportionate rise in housing costs. The median rent in D.C. for a one-bedroom apartment has risen by 50 percent beyond inflation over the past decade, from \$735 in 2000 to \$1,100 in 2010. The typical low-income family now spends more than half its income for housing.<sup>7</sup>

### HIGHER TAKE-HOME PAY FOR LOW-WAGE WORKERS WOULD BENEFIT THE ENTIRE D.C. ECONOMY.

Economists recognize that low-wage workers are more likely to spend increases in wages on much needed goods and services than other income groups. A raise for District retail workers would therefore pump more money back into local businesses – lifting the economy for all of us.

### TAXPAYERS WON'T HAVE TO FOOT THE BILL FOR HIGHLY PROFITABLE COMPANIES PAYING POVERTY WAGES.

Studies consistently show that taxpayers end up paying the price for companies that provide their workforce with poor wages and benefits. **Unable to subsist on meager wages, many low-income workers rely on food stamps, housing, health care, and other public subsidies for which taxpayers end up footing the bill.** In fact, the U.S. House Committee on Education and the Workforce estimates that a single 300-person Walmart Supercenter store in Wisconsin likely costs taxpayers at least \$904,542 per year and could cost taxpayers up to \$1,744,590 per year – about \$5,815 per employee, all because one of the world's most profitable retailers is paying substandard wages and benefits.<sup>8</sup>

Higher wages means families won't rely on as much on public assistance. In Washington, 23.4 percent of the population and 35 percent of children rely on food stamps as their only source of nutrition.<sup>9</sup> A key solution to getting these households out of poverty is guaranteeing living wages.

### LIVING WAGES ARE NOTHING NEW.

**We've done this before.** In 2006, Washington, D.C., passed the Living Wage Act, which requires D.C. government contractors with contracts of \$100,000 to pay a living wage, currently set at \$12.50 per hour.<sup>10</sup>

**Some large D.C. retailers pay a living wage now – and succeed.** Costco, which recently opened a store in the Fort Lincoln neighborhood of Ward 5, has said that it pays its workers an average wage of \$20.89 an hour and 88 percent of its employees have company-sponsored health insurance.<sup>11</sup> According to Council Member Vincent Orange, 84 percent of Costco's employees are D.C. residents.<sup>12</sup> Clearly, businesses can pay workers a decent wage and succeed in the District.

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# TOP FIVE MYTHS ABOUT THE LARGE RETAILER ACCOUNTABILITY ACT

## 1 WON'T THIS BILL SCARE OFF POTENTIAL RETAILERS AND COST THE CITY JOBS IT NEEDS?

**Retailers need to be in the District to be close to customers.** Washington, D.C., is an attractive location for retailers and boasts a thriving business economy as the city's population continues to increase. Companies can't move their stores away from their customers.

**Living wage laws benefit working families with few or no negative effects.** In Baltimore and Boston, where living wage legislation was enacted, empirical studies have found no evidence of diminished employment after those cities passed living wage ordinances. Most of available studies have concluded that there have been either no or only small employment losses as a result of adopting living wages.<sup>13</sup>

## 2 BUT WALMART HAS THREATENED TO LEAVE D.C., RIGHT? AREN'T NEW JOBS AT WALMART BETTER THAN NO JOBS AT ALL?

Yes, Walmart continues to threaten to halt further expansion into D.C. if the legislation goes into effect. **But Walmart consistently issues empty threats to ensure it can keep its wages as low as possible.** In fact, according to several local ministers, when the company first explored bringing the stores to D.C., Walmart courted them by promising to pay \$13 an hour. Now \$12.50 is too high according to the company.

And Walmart stores around the country show the long-term impact of a "Walmart job." As referenced on the reverse side, Walmart's low wages and poor benefits force employees to rely heavily on taxpayer-funded programs that serve the working poor who don't earn enough to get by on their own.<sup>14</sup>

## 3 DOESN'T THIS BILL DISCRIMINATE AGAINST WALMART AND OTHER LARGE RETAILERS?

**Profitable national retailers are best able to pay a living wage.** Unlike small local businesses, this bill only applies to large retailers with \$1 billion in revenues that can easily afford living wages. Large retailers have greater ability than small businesses to reduce prices charged by suppliers, and large retailers have substantial marketing budgets, both of which make these companies more able to absorb pay increases. Beyond that, large retailers are also large employers, and the wages they pay heavily influence the industry standard as well as the economy as a whole.<sup>15</sup>

## 4 AREN'T MINIMUM WAGE JOBS JUST FOR TEENAGERS WORKING AFTER SCHOOL?

**Most retail workers are adults working full-time.** The median age for a retail worker in the District is 34 years of age. Nearly 75 percent of retail workers work full-time hours.<sup>16</sup> Living wages guaranteed by this bill are necessary for adults supporting families.

## 5 WON'T A LIVING WAGE BILL KILL SMALL BUSINESS?

**This bill does not apply to small businesses. Conversely, the presence of large retailers like Walmart often steals business from small local companies.** A 2009 study from the Center for Economic Studies at the U.S. Census Bureau found a "substantial negative impact of Big-Box entry and growth on the employment growth at both single unit and especially smaller chain stores" selling the same types of goods nearby.<sup>17</sup>

**When Walmart came to a Chicago neighborhood, nearby businesses went under.** A 2009 study by the Center for Urban Research and Learning showed that within one mile of a Walmart supercenter, businesses had a 25 percent chance of shuttering in the first year, and a 40 percent chance of shuttering by the second year when compared to businesses farther from the Walmart.<sup>18</sup>

**Local businesses keep more money in the community.** A 2009 study of the differential impact of locally owned businesses and big-box stores in New Orleans shows that while big-box stores only recirculate 16 percent of revenues into the community, locally owned businesses recirculate twice as much.<sup>19</sup>

<sup>13</sup> "Large Retailer Accountability Act of 2013." DC Council. DC Council, 25 Jan. 2013. Web. 26 Aug. 2013.

<sup>14</sup> Cooper, David. Economic Policy Institute analysis of American Community Survey data, 6/10

<sup>15</sup> "Minimum Wage Laws in the States." Minimum Wage Laws in the States - Wage and Hour Division (WHD) - U.S. Department of Labor. U.S. Department of Labor, 1 Jan. 2013. Web. 26 Aug. 2013.

<sup>16</sup> Lazere, Ed. "We All Pay the Costs of Low-Wage Jobs: The DC Council Considers a Bill to Raise Retail Wages." DC Fiscal Policy Institute. DC Fiscal Policy Institute, 20 Mar. 2013. Web. 26 Aug. 2013.

<sup>17</sup> Silverman, Elissa. "Mayor Gray Should Embrace Economic Development That Brings Living Wages." DC Fiscal Policy Institute. DC Fiscal Policy Institute, 15 July 2013. Web. 26 Aug. 2013.

<sup>18</sup> Ruberry, Erin. "Least Affordable City In United States Is Washington, D.C." The Huffington Post. The Huffington Post, 28 Mar. 2013. Web. 26 Aug. 2013.

<sup>19</sup> Reed, Jenny. "Disappearing Act: Affordable Housing in DC Is Vanishing Amid Sharply Rising Housing Costs." DC Fiscal Policy Institute. DC Fiscal Policy Institute, 7 May 2012. Web. 26 Aug. 2013.

<sup>20</sup> "The Low-Wage Drag on Our Economy, Wal-Mart's Low Wages and Their Effect on Taxpayers and Economic Growth." Democrats - Committee on Education and the Workforce, U.S. House of Representatives. Democrats - Committee on Education and the Workforce, U.S. House of Representatives, May 2013. Web. 26 Aug. 2013.

<sup>21</sup> "Homelessness and Poverty." Homelessness and Poverty. Washington Legal Clinic for the Homeless, Inc., June 2013. Web. 26 Aug. 2013.

<sup>22</sup> "The Living Wage Act of 2006" Title I, D.C. Law No. 16-118, (D.C. Official Code §§ 2-220.01-.11)

<sup>23</sup> Stone, Brad. "Costco CEO Craig Jelinek Leads the Cheapest, Happiest Company in the World." Bloomberg Business Week. Bloomberg Business Week, 6 June 2013. Web. 26 Aug. 2013.

<sup>24</sup> "DC's Living Wage Bill (good News and Bad news)." Green America Blog. Green America Blog, 23 July 2013. Web. 26 Aug. 2013.

<sup>25</sup> Chapman, Jeff, and Jeff Thompson. "The Economic Impact of Local Living Wages." Economic Policy Institute. Economic Policy Institute, 15 Feb. 2006. Web. 26 Aug. 2013.

<sup>26</sup> "The Low-Wage Drag on Our Economy, Wal-Mart's Low Wages and Their Effect on Taxpayers and Economic Growth." Democrats - Committee on Education and the Workforce, U.S. House of Representatives. Democrats - Committee on Education and the Workforce, U.S. House of Representatives, May 2013. Web. 26 Aug. 2013.

<sup>27</sup> Lazere, Ed. "We All Pay the Costs of Low-Wage Jobs: The DC Council Considers a Bill to Raise Retail Wages." DC Fiscal Policy Institute. DC Fiscal Policy Institute, 20 Mar. 2013. Web. 26 Aug. 2013.

<sup>28</sup> Silverman, Elissa. "Living Wages for Large Retail Workers." Capital Community News. HillRag.com, 29 June 2013. Web. 26 Aug. 2013.

<sup>29</sup> Haltiwanger, John C., Jarmin, Ron S. and Krizan, C. J., Mom-and-Pop Meet Big Box: Complements or Substitutes? (September 1, 2009). US Census Bureau Center for Economic Studies Paper No. CES-WP-09-34. Available at SSRN: <http://ssrn.com/abstract=1491529>

<sup>30</sup> Center for Urban Research and Learning; Davis, Julie; Merriman, David; Samayoa, Lucia; Flanagan, Brian; Baiman, Ron; and Persky, Joseph. "The Impact of an Urban Wal-Mart Store on Area Businesses: An Evaluation of One Chicago Neighborhood's Experience" (2009). Center for Urban Research and Learning: Publications and Other Works. Paper 3.

<sup>31</sup> Thinking Outside the Box: A report on independent merchants and the New Orleans economy, September, 2009. The Urban Conservancy in partnership with Civic Economics.

