Impact of Big-Box Stores on Existing Jobs

Despite substantial evidence that big-box stores reduce employment and lower wages, many local officials still believe these stores are job creators. The myth persists in part because job gains are very visible—the 300 people donning smocks at Wal-Mart—while the layoffs are usually scattered across numerous businesses.

Big-box stores are not a form of economic development. A newly constructed superstore cannot increase the amount of money that local residents have to spend. As a result, sales gains at these stores are invariably mirrored by an equivalent drop in revenue at existing businesses.

Fewer Retail Jobs

As these businesses are forced to downsize or close, the resulting job losses typically equal or exceed the number of new jobs created by the big-box store. This was recently shown in a large-scale study conducted by researchers at the Public Policy Institute of California. The study examined 3,094 counties across the U.S., tracking the arrival of Wal-Mart stores between 1977 and 2002.

The study found that the opening of a Wal-Mart store led to a net loss of 180 retail jobs on average, suggesting that each Wal-Mart employee replaces approximately 1.5 workers at other stores. (David Neumark, Junfu Zhang, and Stephen Ciccarella, "The Effects of Wal-Mart on Local Labor Markets," working paper, Public Policy Institute of California, April 2006)

Although similar studies have not been done of other big-box retailers, they likely also have a negative impact on employment, because the underlying dynamics (i.e., no increase in consumer spending) are the same.

Working Poverty

In their drive to cut costs, big-box chains are pushing down wages for retail workers. A national study found that, in counties that are part of Metropolitan Statistical Areas (which account for nearly 85% of the U.S. population), every additional Wal-Mart store that opens reduces total earnings for retail workers by 1.3%. (Arindrajit Dube, Barry Eidlin, and Bill Lester, "Impact of Wal-Mart Growth on Earnings throughout the Retail Sector in Urban and Rural Counties," Institute of Industrial Relations Working Paper Series, 2005)

180 Jobs Lost: Net Impact When Wal-Mart Opens

Many big-box employees, even those who work full-time, do not earn enough to meet basic living expenses. Many also lack health insurance as they are not eligible for or cannot afford the company plan. At Wal-Mart, for example, full-time employees must wait six months and part-timers one year to qualify, leaving almost 40 percent of the company's workforce ineligible. Of those who are eligible, about one-third do not enroll, in many cases because of the high out-of-pocket cost.

Instead, large numbers of big-box employees rely on Medicaid, food stamps, and other public assistance programs to get by. Several states have reported that their Medicaid rolls are now swollen with superstore workers. In 2005, for example, Massachusetts disclosed that some 9,500 Wal-Mart, Home Depot, and Target employees and dependents were receiving publicly-funded health care at an annual cost to taxpayers of over $12 million.

Perhaps most disturbing, researchers at Penn State University, after controlling for other factors that influence poverty, found that counties that gained Wal-Mart stores during the 1990s fared worse in terms of family poverty rates than those that did not. (Stephan Goetz and Hema Swaminathan, "Wal-Mart and County-Wide Poverty," Penn State University, Oct. 2004.)

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