

Data on Chicago's Retail Industry

1. Unmet retail demand in Chicago

- a. Joint study by the Initiative for a Competitive Inner City (run by Harvard Business School professor Michael Porter) and the Boston Consulting Group:
 - i. Chicago's inner-city area has \$5 billion in annual buying power, a significant chunk of which is not being met. In some neighborhoods, unmet consumer demand for retail is as high as 45 to 60 percent.
 - ii. Researchers identified four key industries that will drive the city's future economic growth: retail, manufacturing/wholesaling, transportation, and commercial services.
 - iii. Source: "Strategies for Business Growth in Chicago's Neighborhoods", at www.icic.org (search under publications).
- b. The Brennan Center examined more recent data (2002) for Chicago's South and West Side neighborhoods:
 - i. We estimate that potential retail consumer demand is \$2.3 billion annually
 - ii. \$1.3 billion of that is currently not being met (or 56%)
 - iii. Source: University of Wisconsin estimate using data from U.S. Census and Bureau of Labor Statistics' Expenditure Survey.
<http://www3.uwm.edu/Dept/ETI/workforce/retail.cfm>
- c. Department of Housing and Urban Development (HUD) study (1999)
 - i. The "Little Village" area of inner-city Chicago offers retailers \$85,000 in spending power per acre compared with the \$38,000 per acre in Kenilworth
 - ii. This is despite the fact that the average household income in Kenilworth – the wealthiest Chicago neighborhood – is \$166,536 per year, compared with just \$48,656 in West Chicago.
 - iii. Source: <http://www.huduser.org/publications/newsmarkets/contents.html>
- d. What's going on here is (a) higher population density in inner-city areas and (b) inner-city households often have higher total average spending on basic items such as apparel and food.
- e. In fact, inner-city stores can often be more profitable than suburban stores – because of concentrated buying power and high volume.
 - i. Example: Target remade a store located in East Los Angeles to better serve the large Hispanic community living in that area. Through merchandising and marketing initiatives, Target achieved an annual sales growth of 17%, compared to a 7.2% increase for all the chain's stores. Based on this success, Target is converting

additional urban stores in Texas, Florida, and California. Source:
http://www.winwinpartner.com/_downloads/RetailFactSheet.pdf

- f. The business press, trade magazines and industry analysts (Business Week, Forbes, Nation's Restaurant News, etc.) all agree that urban areas are considered the "final frontier of American retailing." Having saturated rural and suburban areas, retailers need to move into inner-city markets in order to continue to grow.
 - i. The U.S. Department of Commerce says minority consumers will account for 40 percent to 70 percent of the total increase of U.S. purchasing power between 2000 and 2045. Source: http://www.mbd.gov/documents/purchasing_power.pdf
 - ii. Inner-city populations have spending power of more than \$85 billion annually. On average, about 25% of that is unmet demand. Source: "The Business Case for Pursuing Retail Opportunities in the Inner City," www.icic.org.

2. What Wal-Mart can afford

A new analysis by the Economic Policy Institute found that if Wal-Mart were to go back to its 1997 net profit margin of 2.9%, that would give the company \$2.3 billion to plough into improved worker compensation without needing to raise prices. This would translate into just under \$2,100 per non-managerial employee, or a 13% pay increase – while still maintaining a higher profit margin than one of its main competitors, Costco. Source:
<http://www.epi.org/content.cfm/ib223>.

3. Summary of national trends in retail industry (all based on public datasets)

- a. Nationally, retail employed 13.4 percent of the private workforce in 2005.
- b. Retail workers are nearly three times as likely as the average worker to earn the minimum wage or less.
- c. Retail workers have experienced wage loss since the 1970s, both in absolute terms and relative to other private sector workers.
 - i. In 2004, retail wages in real terms were 17% lower than in 1975.
 - ii. Retail wages as a percentage of the private nonfarm average dropped from 90% in 1972 to 77% in 2004.
- d. Industry concentration: The top four firms in the warehouse and supercenter segment accounted for 92% of sales and 89% of employment in 2002.
- e. Wal-Mart's expansion has driven down earnings for workers in competing retailers. Sources: Dube, Arindrajit, Barry Eidlin and Bill Lester. 2005. *Impact of Wal-Mart Growth on Earnings Throughout the Retail Sector in Urban and Rural Counties*. Unpublished manuscript; Neumark, David, Junfu Zhang, and Stephen Ciccarella. 2005. *The Effects of Wal-Mart on Local Labor Markets*. Cambridge, Mass.: National Bureau of Economic Research (NBER) Working Paper # 11782.

4. Key Chicago statistics:

- a. Total number of workers in Chicago: 1,061,748
- b. Size of the retail industry in Chicago: 83,292 workers, 14,173 employers
- c. Average earnings of retail salespersons in Chicago: \$9.43 median wage, \$19,611 annual earnings
- d. Wal-Mart in Chicago: wages start at about \$7.25 an hour, average pay is about \$11 per hour (Chicago Tribune, 6/13/06).
- e. Target: we don't have information on what it pays in Chicago, but nationally:
 - i. Target pays between \$6.25 an hour to \$8 an hour for entry-level, hourly positions in its Twin Cities stores, according to a recent survey of local Target workers. That's in line with what Wal-Mart pays in the Twin Cities, though some starting-level Wal-Mart workers can earn \$9 to \$10 an hour. Source: Star Tribune (Minneapolis, MN); 5/22/2005.
 - ii. Target in 2003 started workers at \$6.25-7.75 (Team Member), \$8 (Team Specialist), or \$10 (Team Leader), with some progression (for example, a California worker who started at \$7.25 reported making \$10.05 after four years)
- f. In Chicago, a single mom with one child needs to earn \$34,351 just to meet her family's most basic needs. Even working full-time, an entry-level job at Wal-Mart would bring in approximately \$15,000. Source: Economic Policy Institute's *Basic Family Budget Calculator*, http://www.epinet.org/content.cfm/datazone_fambud_budget.

Facts from Other Cities with Private Sector Living Wage Laws

1. Santa Fe

- a. Enacted wage law in 2003, took effect in 2004
- b. Currently \$9.50/hr.; expected to increase to \$10.50 in 2008
- c. Coverage:
 - i. Large employers with 25+ employees
 - ii. Industries chiefly affected: retail, restaurants & hotels
- d. Large retailers currently paying the living wage:
 - i. Wal-Mart, Target & Sam's Club (owned by Wal-Mart)
 - ii. Sam's Club voluntarily started paying the living wage even before the law took effect
 - iii. Wal-Mart is now building an additional store, this time a supercenter
- e. Geography:
 - i. Santa Fe is a geographically small city located in a larger county with twice the population of the city; businesses can relocate into the county and remain within a short driving distance of city consumers
- f. Economic Impact & Research:
 - i. After Santa Fe's living wage took effect, gross receipts in the retail sector increased by 5.7%, significantly outpacing inflation, while 200 new jobs were added in the retail sector and another 400 in the restaurant industry. Source: Dr. John Talberth & Rev. Barbara E. Dua, "Living Wage Earns Its Way," *Albuquerque Journal* (Feb. 9, 2005).
 - ii. A University of New Mexico study found that the ordinance had not resulted in job losses and that Santa Fe's private sector employment growth outpaced that for New Mexico as a whole. Source: Lee A. Reynis, Myra Segal, & Molly J. Bleecker, *Preliminary Analysis of the Impacts of the \$8.50 Minimum wage on Santa Fe Businesses, Workers, and the Santa Fe Economy* (Univ. of New Mexico, Bureau of Business and Economic Research, Dec. 2005), p. 9.
- g. Contacts:
 - i. Morty Simon & Carol Oppenheimer, Santa Fe Living Wage Network (505) 660-0255, simon@santafe-newmexico.com
 - ii. Mayor David Coss c/o Carla Lopez 505-955-6045, cblopez@santafenm.gov

2. San Francisco

- a. Wage law enacted in 2003, took effect in 2004
 - b. Currently \$8.82/hr.; will increase to more than \$9.00/hr. in 2007 with annual inflation adjustment
 - c. Coverage:
 - i. All employers
 - ii. Industries chiefly affected: big retail, restaurants & hotels
 - d. Large retailers currently paying the living wage:
 - i. Costco, Best Buy, Toys R Us, Circuit City, Marshall's Macy's, Nordstrom's, Old Navy, etc.
 - ii. Home Depot is applying to open its first store and has voluntarily agreed to pay an even higher wage of at least \$10.77
 - e. Economic Impact & Research:
 - i. A University of California study focusing on the impact of the wage law on restaurants – a cost sensitive, low-wage industry – found that the ordinance had raised pay for tens of thousands of low-income workers without causing job losses. The study found no reduction in staffing levels or hours worked at affected restaurants, nor any increase in the rate at which restaurants in the city closed. *See Arindrajit Dube, Suresh Naidu, & Michael Reich, The Economic Effects of Citywide Wage Mandates: Evidence from the 2004 San Francisco Minimum Wage Increase* (Berkeley, CA: Working Paper, Univ. of Calif. at Berkeley, Institute of Indus. Relations, 2005), pp. 21-22.
 - f. Contacts:
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