

Key Studies on Big-Box Retail

This fact sheet provides summaries of the findings of the best available studies on the economic impacts of large retail chains. To access the studies themselves, follow the web links listed with each summary. The studies are organized under the following categories of impact:

1. Retail Employment
2. Wages & Benefits
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1. RETAIL EMPLOYMENT

These studies examine whether a superstore increases or decreases the number of retail jobs in the region.

The Effects of Wal-Mart on Local Labor Markets

www.newrules.org/retail/neumarkstudy.pdf

by David Neumark (University of California-Irvine), Junfu Zhang (Clark University), and Stephen Ciccarella (Cornell University), IZA Discussion Paper No. 2545, Jan. 2007

This study presents the most sophisticated analysis to date of Wal-Mart's impact on retail employment and wages. Analyzing national data, the study found that the opening of a Wal-Mart store reduces county-level retail employment by 150 jobs. Because Wal-Mart stores employ an average of 360 workers, this suggests that for every new retail job created by Wal-Mart, 1.4 jobs are lost as existing businesses downsize or close. The study also found that the arrival of a Wal-Mart store reduces total county-wide retail payroll by an average of about \$1.2 million. This study improves substantially on previous studies by convincingly accounting for the en-

dogeneity of the location and timing of Wal-Mart's entry into a particular local market. That is, Wal-Mart presumably does not locate stores randomly. When expanding into a particular region, it may, for example, opt to build in towns experiencing greater job growth. Unless this location selection bias is accounted for, one might compare job growth in towns that gained Wal-Mart stores versus those that did not and erroneously conclude that Wal-Mart caused an expansion in employment. The authors of this study have devised a persuasive method of accounting for this bias. They also argue that the method developed by Basker (see next item below) to account for this bias is flawed and therefore her conclusion that Wal-Mart has a small positive impact on retail employment is not reliable.



Job Creation or Destruction? Labor-Market Effects of Wal-Mart Expansion

www.missouri.edu/~baskere/papers/

By Emek Basker, University of Missouri, Review of Economics & Statistics, February 2005

Often cited and typically misrepresented by Wal-Mart supporters, this study examines the impact of the arrival of a Wal-Mart store on retail and wholesale employment. It looks at 1,749 counties that added a Wal-Mart between 1977 and 1998. It finds that Wal-Mart's arrival boosts retail employment by 100 jobs in the first year—far less than the 200-400 jobs the company says its stores create, because its arrival causes existing retailers to downsize and lay-off employees. Over the next four years, there is a loss of 40-60 additional retail jobs as more competing retailers downsize and close. The



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study also finds that Wal-Mart's arrival leads to a decline of approximately 20 local wholesale jobs in the first five years, and an additional 10 wholesale jobs over the long run (six or more years after Wal-Mart's arrival). (Wal-Mart handles its own distribution and does not rely on wholesalers). This works out to a net gain of just 10-30 retail and wholesale jobs, and the study does not examine whether these jobs are part-time or whether they pay more or less than the jobs eliminated by Wal-Mart. The study also found that, within five years of Wal-Mart's arrival, the counties had lost an average of four small retail businesses, one mid-sized store, and one large store. It does not estimate declines in revenue to retailers that survive. Basker looked at the effect of Wal-Mart on retail employment in neighboring communities, but found that the confidence intervals were too large (meaning the results showed wide variation) to draw any conclusion about Wal-Mart's impact.

2. WAGES & BENEFITS

These studies examine the effect of chains, particularly Wal-Mart, on wages and benefits for retail employees.

A Downward Push: The Impact of Wal-Mart Stores on Retail Wages and Benefits

laborcenter.berkeley.edu/retail/walmart_downward_push_07.pdf

By Arindrajit Dube, T. William Lester, and Barry Eidlin, UC Berkeley Center for Labor Research and Education, 2007

This study analyzes the impact of the opening of Wal-Mart stores on the earnings of retail workers. (It uses a similar technique to account for possible biases in Wal-Mart's store location decisions as the study described in the RETAIL EMPLOYMENT section above, "The Effects of Wal-Mart on Local Labor Markets.") This study focuses on stores that opened between 1992 and 2000 and concludes, "Opening a single Wal-Mart store lowers the average retail wage in the surrounding county between 0.5 and 0.9 percent." Not only did Wal-Mart lower average wage rates, but "every new Wal-Mart in a county reduced the combined or aggregate earnings of retail workers by around 1.5 percent." Because this

number is higher than the reduction in average wages, it indicates that Wal-Mart not only lowered pay rates, but also reduced the total number of retail jobs. The study goes on to look at the cumulative impact of Wal-Mart store openings on retail earnings at the state level and nationwide. "At the national level, our study concludes that in 2000, total earnings of retail workers nationwide were reduced by \$4.5 billion due to Wal-Mart's presence," the researchers find. Most of these losses were concentrated in metropolitan areas. Although Wal-Mart is often associated with rural areas, three-quarters of the stores it built in the 1990s were in metropolitan counties.



What Do We Know About Wal-Mart?

walmartwatch.com/img/documents/brennan_center.pdf
By Annette Bernhardt, Anmol Chaddha, and Siobhán McGrath, Brennan Center for Justice, August 2005

This scrupulously fact-checked and footnoted report outlines what we know about Wal-Mart, in terms of its wages, health insurance benefits, compliance with labor laws, and cost to states. It details average starting wages for various job classifications. It reports that Wal-Mart employees earn 20 percent less than retail workers on average. It outlines the out-of-pocket costs, coverage limitations, and eligibility requirements for the retailer's health insurance plan, and compiles information on what various states are spending to provide Medicaid to uninsured Wal-Mart employees and their children. The report also summarizes Wal-Mart's record of labor law violations.



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Reviewing and Revising Wal-Mart's Benefits Strategy

www.newrules.org/retail/walmarthealthmemo.pdf

Memo to the Wal-Mart Board of Directors from Susan Chambers, Wal-Mart's executive vice president for benefits, Oct. 2005

This internal memo leaked to Wal-Mart Watch assesses Wal-Mart's current health care benefits and offers strategies to both reduce the company's health insurance costs and neutralize criticism of its employment practices. The memo reports that only 48 percent of the company's employees are enrolled in its insurance plan, compared to an average of 68 percent for national employers. Excessive out-of-pocket costs, including expensive premiums and high deductibles, are to blame. "Our coverage is expensive for low-income families, and Wal-Mart has a significant percentage of Associates and their children on public assistance," the memo notes. Employees enrolled in Wal-Mart's insurance plan spend an average of 8 percent of their income on health care, nearly twice the national average. Almost 40 percent spend more than 16 percent of their income, a crippling cost for workers who earn less than \$20,000 a year on average. The memo also reports that Wal-Mart has a larger share of its employees and their children enrolled in Medicaid compared to other companies. "In total, 46 percent of Associates' children are either on Medicaid or are uninsured," it notes. The memo offers strategies for reducing Wal-Mart's health care costs, including increasing the percentage of part-time employees and "design[ing] all jobs to include some physical activity (e.g., all cashiers do some cart gathering)." The latter recommendation aims to "dissuade unhealthy people from coming to work at Wal-Mart."

The Impact of Big Box Grocers on Southern California: Jobs, Wages, and Municipal Finances

www.coalition4lc.org/big_box_study.pdf

Prepared for the Orange County Business Council by Dr. Marlon Boarnet of the University of California at Irvine and Dr. Randall Crane of the University of California at Los Angeles, 1999.

The most useful parts of this study deal with Wal-Mart's impact on wages. The study concluded that, as Wal-Mart builds supercenters in southern California, the company

will absorb up to 20 percent of the region's grocery market and cut grocery workers' income by up to \$1.4 billion annually. Unionized supermarket workers in southern California make the equivalent of \$18.25 an hour in wages and benefits, according to the study, while Wal-Mart employees earn just \$9.63 per hour. As Wal-Mart expands in the region, it will replace high-wage jobs with low-wage jobs. It will probably also force unionized supermarket workers to accept substantial wage and benefit cuts to keep their employers competitive. The combined losses are estimated in the range of \$500 million to \$1.4 billion. The study also compares health insurance benefits at unionized supermarkets and Wal-Mart, and examines the tax and revenue implications of supercenter development.



3. EXISTING BUSINESSES

These studies look at how the arrival of a big-box retailer displaces sales at existing businesses, which must then downsize or close, resulting in job losses and declining tax revenue.

The Impact of an Urban Wal-Mart Store on Area Businesses: An interim-evaluation of one Chicago neighborhood's experience

www.luc.edu/curl/pdfs/Wal-Mart_Final_Report.pdf

By Julie L. Davis, David F. Merriman, Lucia Samayoa, Brian Flanagan, Ron Baiman, and Joe Persky; Loyola University at Chicago and University of Illinois at Chicago; 2008

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These researchers used surveys and sales data to show that a new Wal-Mart in Chicago, one of the chain's first urban locations, caused business closures and reduced retail activity in the surrounding area. In 2006, when Wal-Mart opened in the West Side neighborhood of Chicago, the researchers surveyed 191 retail businesses in the surrounding area. Just one year later they found that 23 of the businesses had closed. Examining retail sales data compiled by the state, the researchers found that Wal-Mart displaced a significant amount of sales from businesses in the immediate area and that the store even reduced overall retail sales in some nearby districts. These findings directly refute Wal-Mart's claims that its stores bring more customers, sales, and business traffic to the area. The study still has a remaining phase, where survey and sales data from 2008 will be analyzed. In addition, the study discusses Wal-Mart's Job and Opportunity Zones initiative, a program that provided grants to local chambers of commerce and marketing for five selected local businesses in each of ten Wal-Mart sites. In West Side Chicago, the study found, the program was ineffective.

Major Flaws Uncovered in Study Claiming Wal-Mart Has Not Harmed Small Businesses

<http://www.newrules.org/retail/wm-smallbusiness.pdf>
by Stacy Mitchell; Institute for Local Self-Reliance, December 2008

A new and widely publicized study, "Has Wal-Mart Buried Mom and Pop?", claims that there is no evidence that Wal-Mart has had an overall negative impact on the small business sector. A close inspection of the study by the Institute for Local Self-Reliance, however, found major flaws. The authors failed to use the correct U.S. Census data when attempting to show that "mom and pop" businesses have not experienced a net decline over the past two decades. When the correct data set is used, it is clear that the small business sector is much less robust now than it once was, with the number of retail businesses with fewer than 10 employees declining by one-fifth from 1982-2002. This decrease is even more drastic when measured relative to the population. During the 20-year period, the number of retail firms with 1-4 employees per 1 million people fell by 38% and retail firms with 5-9 employees per 1 million people declined by 30%.

BIGBOXTOOLKIT
A project of the Institute for Local Self-Reliance
www.bigboxtoolkit.com



The Impact of 'Big-Box' Building Materials Stores on Host Towns and Surrounding Counties in a Midwestern State

<http://www.newrules.org/sites/newrules.org/files/stone-study.pdf>
by Kenneth E. Stone and Georgeanne M. Artz, Iowa State University, 2001.

This study examines several Iowa communities where big box building supply stores, such as Menards and Home Depot, have opened in the last decade. Sales of hardware and building supplies in the host community and surrounding counties are tracked over several years to test what the authors call the "zero-sum-game theory," namely that the retail sales gains generated by big box stores are offset by sales losses at existing, often locally owned, retail stores. The results confirm the theory, finding that sales of hardware and building supplies grow in the host communities, but at the expense of sales in smaller towns nearby. Moreover, after a few years, many of the host communities experienced a reversal of fortune: sales of hardware and building supplies declined sharply, often dropping below their initial levels, as more big box stores opened in the surrounding region and saturated the market.

What Happened When Wal-Mart Came to Town? A Report on Three Iowa Communities with a Statistical Analysis of Seven Iowa Counties

by Thomas Muller and Elizabeth Humstone, National Trust For Historic Preservation, 1996.

This study examined the impact of Wal-Mart on several Iowa communities. It found that 84 percent of all sales



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at the new Wal-Mart stores came at the expense of existing businesses within the same county. Only 16 percent of sales came from outside the county---a finding which refutes the notion that Wal-Mart can act as a magnet drawing customers from a wide area and benefiting other businesses in town. "Although some suggest that the presence of Wal-Mart outside of, but near to, the downtown area results in additional activity downtown, both sales data and traffic data do not show this gain," the study concludes. "None of the nine case studies was experiencing a high enough level of population and income growth to absorb the Wal-Mart store without losses to other businesses." The study documents losses in downtown stores after Wal-Mart opened. "General merchandise stores were most affected," the study notes. "Other types of stores that closed include: automotive stores, hardware stores, drug stores, apparel stores, and sporting goods stores." The supposed tax benefits of Wal-Mart did not materialize either: "Although the local tax base added about \$2 million with each Wal-Mart, the decline in retail stores following the opening had a depressing effect on property values in downtowns and on shopping strips, offsetting gains from the Wal-Mart property."

Competing with the Discount Mass Merchandisers

www.econ.iastate.edu/faculty/stone/1995_IA_WM_Study.pdf
By Dr. Kenneth Stone, Iowa State University, 1995

The basic premise of this study and others by Ken Stone is that the retail "pie" is relatively fixed in size (it grows only incrementally as population and incomes grow). Consequently, when a company like Wal-Mart opens a giant store, it invariably captures a substantial slice of the retail pie, leaving smaller portions for existing businesses, which are then forced to downsize or close. This study of Wal-Mart's impact on Iowa towns found that the average superstore cost other merchants in the host town about \$12 million a year in sales (as of 1995), while stores in smaller towns nearby also suffered substantial revenue losses. These sales losses resulted in the closure of 7,326 Iowa businesses between 1983 and 1993, including 555 grocery stores, 291 apparel stores, and 298 hardware stores. While towns that gained a Wal-Mart store initially experienced a rise in overall retail sales, after the first two or three years, retail sales began to decline. About one in four towns ending up with

a lower level of retail activity than they had prior to Wal-Mart's arrival. Stone attributes this to Wal-Mart's strategy of saturating regions with multiple stores.

St. Albans, Vermont State Environmental Board Act 250 Decision, 1994

A cost/benefit analysis of a proposed Wal-Mart store in St. Albans, Vermont, found that the store would cause dozens of existing businesses to close, leading to a net loss of 110,000 square feet of retail space. The 214 jobs created by the new superstore would be offset by the loss of 381 jobs at other businesses. The analysis also found that the overall tax losses expected from the small business failures would be greater than the tax revenue generated by the new Wal-Mart. Moreover, the city would incur a variety of new costs to provide roads, sewers, police, and fire protection to service the sprawling new development. The analysis concluded that for every dollar in tax benefit created by the superstore, there would be 2.5 dollars in tax losses and public costs.

4. ECONOMIC IMPACT OF LOCAL BUSINESSES VS. CHAINS

The following studies have found that locally owned stores generate much greater benefits for the local economy than national chains.

Thinking Outside the Box: A Report on Independent Merchants and the Local Economy

www.staylocal.org/pdf/info/ThinkingOutsidetheBox_1.pdf
by Civic Economics, September 2009

This study examined financial data from 15 locally owned businesses in New Orleans and compared their impact on the local economy to that of an average SuperTarget store. The study found that only 16% of the money spent at a SuperTarget stays in the local economy. In contrast, the local retailers returned more than 32% of their revenue to the local economy. The primary difference was that the local stores purchase many goods and services from other local businesses, while Target does not. The study concludes that even modest

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shifts in spending patterns can make a big difference to the local economy. If residents and visitors were to shift 10% of their spending from chains to local businesses, it would generate an additional \$235 million a year in local economic activity, creating many new opportunities and jobs. Likewise, a 10% shift in the opposite direction - less spending at local stores and more at chains - would lead to an economic contraction of the same magnitude. Another noteworthy finding of the study is that locally owned businesses require far less land to produce an equivalent amount of economic activity. The study found that a four-block stretch of Magazine Street, a traditional business district, provides 179,000 square feet of retail space, hosts about 100 individual businesses, and generates \$105 million in sales, with \$34 million remaining in the local economy. In contrast, a 179,000-square-foot SuperTarget generates \$50 million in annual sales, with just \$8 million remaining in the local economy, and requires an additional 300,000 square feet of space for its parking lot.

Local Works: Examining the Impact of Local Business on the West Michigan Economy

www.civiceconomics.com/localworks/
by Civic Economics, September 2008

This study concludes that if residents of Grand Rapids and surrounding Kent County, Michigan, were to redirect 10 percent of their total spending from chains to locally owned businesses, the result would be \$140 million in new economic activity for the region, including 1,600 new jobs and \$53 million in additional payroll. The study calculates the market share of independent businesses

in four categories: pharmacy (41%), grocery (52%), restaurants (50%), and banks (6%). It analyzes how much of the money spent at these businesses stays in the area compared to national chains. Local restaurants, for example, return more than 56% of their revenue to the local economy in the form of wages, goods and services purchased locally, profits, and donations. Chain restaurants return only 37%. Measuring the total economic impact of this difference, including indirect and induced activity, the study estimates that \$1 million spent at chain restaurants produces about \$600,000 in additional local economic activity and supports 10 jobs. Spending \$1 million at local restaurants, meanwhile, generates over \$900,000 in added local economic activity and supports 15 jobs. The study also analyzes the economic impact of independent vs. chain businesses on a square footage basis, noting, "In a largely built-out city like Grand Rapids, policy dictates seeking the highest and best use of available properties, and this analysis strongly supports the idea that local firms should be the preferred tenants for city sites."

The San Francisco Retail Diversity Study

www.civiceconomics.com/SF/
By Civic Economics, May 2007

This study finds that San Francisco remains a stronghold for locally owned businesses, which generate sizeable benefits for the city's economy. The study has three parts. The first calculates market shares for independents and chains in several categories: bookstores, sporting goods stores, toy stores, and casual dining restaurants. In all four categories, independent businesses capture more than half of sales within the city of San Francisco, a much larger share than they have nationally. The second part examines the economic impact of locally owned businesses versus chains. It finds that local businesses buy more goods and services locally and employ more people locally per unit of sales (because they have no headquarters staff elsewhere). Every \$1 million spent at local bookstores, for example, creates \$321,000 in additional economic activity in the area, including \$119,000 in wages paid to local employees. That same \$1 million spent at chain bookstores generates only \$188,000 in local economic activity, including \$71,000 in local wages. The same was true in the other categories. For every \$1 million in sales, inde-



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pendent toy stores create 2.22 local jobs, while chains create just 1.31. The final part of the study analyzes the impact of a modest shift in consumer spending. If residents were to redirect just 10 percent of their spending from chains to local businesses, that would generate \$192 million in additional economic activity in San Francisco and almost 1,300 new jobs.

The Andersonville Study of Retail Economics

www.civiceconomics.com/Andersonville

By Civic Economics, October 2004

This compelling study, commissioned by the Andersonville Development Corporation, finds that locally owned businesses generate 70 percent more local economic impact per square foot than chain stores. The study's authors, Dan Houston and Matt Cunningham of Civic Economics, analyzed ten locally owned restaurants, retail stores, and service providers in the Andersonville neighborhood on Chicago's north side and compared them with ten national chains competing in the same categories. They found that spending \$100 at one of the neighborhood's independent businesses creates \$68 in additional local economic activity, while spending \$100 at a chain produces only \$43 worth of local impact. They also found that the local businesses generated slightly more sales per square foot compared to the chains (\$263 versus \$243). Because chains funnel more of this revenue out of the local economy, the study concluded that, for every square foot of space occupied by a chain, the local economic impact is \$105, compared to \$179 for every square foot occupied by an independent business.



The Economic Impact of Locally Owned Businesses vs. Chains: A Case Study in Midcoast Maine

www.newrules.org/retail/midcoaststudy.pdf

by the Institute for Local Self-Reliance and Friends of Midcoast Maine, September 2003.

Three times as much money stays in the local economy when you buy goods and services from locally owned businesses instead of large chain stores, according to this analysis, which tracked the revenue and expenditures of eight locally owned businesses in Midcoast Maine. The survey found that the businesses, with had combined sales of \$5.7 million in 2002, spent 44.6 percent of their revenue within the surrounding two counties. Another 8.7 percent was spent elsewhere in the state of Maine. The four largest components of this local spending were: wages and benefits paid to local employees; goods and services purchased from other local businesses; profits that accrued to local owners; and taxes paid to local and state government. Using a variety of sources, the analysis estimates that a national big box retailer operating in Midcoast Maine returns just 14.1 percent of its revenue to the local economy, mostly in the form of payroll. The rest leaves the state, flowing to out-of-state suppliers or back to corporate headquarters. The survey also found that the local businesses contributed more to charity than national chains.

Economic Impact Analysis: A Case Study

www.liveablecity.org/lcfullreport.pdf

by Civic Economics , December 2002.

This study examines the local economic impact of two locally owned businesses in Austin, Texas---Waterloo Records and Book People---and compares this with the economic return the community would receive from a Borders Books store. The study finds that spending \$100 at Borders creates \$13 worth of local economic activity, while spending \$100 at the local stores generates \$45 in local economic activity. The difference is attributed to three factors: a higher local payroll at the independent stores (because, unlike Borders, none of their operations are carried out a an out-of-town headquarters office); the local stores purchased more goods and services locally; and the local stores retained a much larger share of their profits within the local economy.

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5. POVERTY RATES

Counties that gained Wal-Mart stores in the 1990s fared worse in terms of family poverty rates, this study finds.

Wal-Mart and County-Wide Poverty

www.blackwell-synergy.com/doi/abs/10.1111/j.1540-6237.2006.00377.x

by Stephan Goetz and Hema Swaminathan, *Social Science Quarterly*, June 2006

The presence of a Wal-Mart store hinders a community's ability to move families out of poverty, according to this study. After controlling for other factors that influence poverty rates, the study found that U.S. counties that had more Wal-Mart stores in 1987 had a higher poverty rate in 1999 than did counties that started the period with fewer or no Wal-Mart stores. The study also found that counties that added Wal-Mart stores between 1987 and 1998 experienced higher poverty rates and greater usage of food stamps than counties where Wal-Mart did not build, all other things being equal. Although the study does not attempt to draw a conclusion about why Wal-Mart expands poverty, the study's authors suggest several possible factors, including a loss of social capital that occurs when locally owned businesses close and the shift from comparatively better paying jobs at independent retailers to lower paying jobs at Wal-Mart. (An earlier, unpublished draft can be downloaded for free here: cecd.aers.psu.edu/policy_research.htm Many university libraries also carry *Social Science Quarterly*.)



6. SOCIAL AND CIVIC WELL-BEING

This study found that Wal-Mart reduces a community's level of social capital, as measured by voter turnout and the number of active community organizations.

Wal-Mart and Social Capital

www.nercrd.psu.edu/BigBoxes/WalMartandSocialCapital2.pdf

by Stephan J. Goetz and Anil Rupasingha, *American Journal of Agricultural Economics*, Dec. 2006.

The presence of a Wal-Mart store reduces a community's level of social capital, this study found. The study examined communities that had or gained Wal-Mart stores in the 1990s and controlled for other variables known to affect social capital stocks in a community, such as educational attainment. "Both the initial number of [Wal-Mart] stores and each store added per 10,000 persons during the decade reduced the overall social capital measure," Goetz and Rupasingha found. Communities that gained a Wal-Mart had fewer non-profit groups and social capital-generating associations (such as churches, political organizations, and business groups) per capita than those that did not. Wal-Mart's presence also depressed civic participation and is associated with lower voter turnout in the 2000 presidential election. Goetz and Rupasingha hypothesize that the drop in social capital is owned to the disappearance of local businesses and the decline of the downtown following Wal-Mart's arrival.

7. CITY COSTS

These studies compare the municipal tax benefits of big-box development with the cost of providing these stores with city services, such as road maintenance, police and fire—finding that cities do not always come out ahead.

Understanding the Fiscal Impacts of Land Use in Ohio

www.newrules.org/retail/concordtaxstudy.pdf

by Randall Gross, *Development Economics*, August 2004

This report reviews and summarizes the findings of fiscal impact studies conducted in eight central Ohio communities between 1997 and 2003. In seven of the eight

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communities, retail development created a drain on municipal budgets (i.e., it required more in public services, such as road maintenance and police, than it generated in tax revenue). On average, retail buildings produced a net annual loss of \$0.44 per square foot. "The concept that growth is always good for a community does not seem to correlate with the findings from various fiscal analyses conducted throughout central Ohio," the report concludes. It cautions cities not to be taken in by the promise of high tax revenue from a new development without also considering the additional costs of providing services. Unlike retail, office and industrial development, as well as some types of residential, produced a net tax benefit.

Fiscal Impact Analysis of Residential and Nonresidential Land Use Prototypes

www.newrules.org/sites/newrules.org/files/barnstable-study.pdf
by Tischler & Associates, July 2002.

Big box retail, shopping centers, and fast-food restaurants cost taxpayers in Barnstable, Massachusetts, more than they produce in revenue, according to this analysis. The study compares the tax revenue generated by different kinds of residential and commercial development with the actual cost of providing public services for each land use. The study found that big box retail generates a net annual deficit of \$468 per 1,000 square feet. Shopping centers likewise produce an annual drain of \$314 per 1,000 square feet. By far the most costly are fast-food restaurants, which have a net annual cost of \$5,168 per 1,000 square feet. In contrast, the study

found that specialty retail, a category that includes small-scale Main Street businesses, has a positive impact on public revenue (i.e., it generates more tax revenue than it costs to service). Specialty retail produces a net annual return of \$326 per 1,000 square feet. Other commercial land uses that are revenue winners include business parks, offices, and hotels. The two main factors behind the higher costs for big box stores, shopping centers, and fast-food outlets, compared to specialty retail shops, are higher road maintenance costs (due to a much greater number of car trips per 1,000 square feet) and greater demand for public safety services.

Understanding the Tax Base Consequences of Local Economic Development Programs

www.rkg1.com/pdfs/taxbasemgmt.pdf
by RKG Associates, 2001

The city of Concord, New Hampshire provides an example of what can happen when a community allows massive commercial growth while failing to protect its existing economic assets. Over the last 12 years, Concord added 2.8 million square feet of new commercial and industrial development. Yet tax revenue has actually declined by 19 percent. To make up for lost revenue, the town now has one of the highest property tax rates in the state. This study by RKG Associates, an independent economic consulting firm, found that there were several reasons for the declining tax base. One was that new retail development, primarily big box stores, had harmed local businesses. Property values, and subsequently tax revenue, in the older shopping areas had declined sharply. Another factor was that the new development had eroded the value of residential property, probably due in part to increased traffic and noise. The end result was that the city actually experienced a declining tax base despite all of the new growth.

Impacts of Development on DuPage County Property Taxes

Prepared by DuPage County Development Dept. for the County Regional Planning Commission, Illinois, Oct. 1991.

This study demonstrated that the costs of encouraging new commercial development--- extending highways and utilities, expanding municipal services like police and fire protection, and providing development financing and



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incentives---exceeded the new property and sales tax revenues the new development generated. The study concluded "... there is a significant statistical relationship between new development (both residential and nonresidential) and increases in personal property taxes."

8. STATE COSTS

Because many of their employees do not earn enough to make ends meet, states are reporting high costs associated with providing healthcare (Medicaid) and other public assistance to big-box employees. In addition to the following studies, see Good Jobs First's web page (www.goodjobsfirst.org) detailing states that have disclosed how much they are spending providing health insurance for employees of big-box retailers.

Hidden Cost of Wal-Mart Jobs

laborcenter.berkeley.edu/retail/walmart.pdf
by UC Berkeley's Institute for Industrial Relations, Aug. 2004

California taxpayers are spending \$86 million a year providing healthcare and other public assistance to the state's 44,000 Wal-Mart employees, according to this study. The average Wal-Mart worker requires \$730 in taxpayer-funded healthcare and \$1,222 in other forms of assistance, such as food stamps and subsidized housing. Even compared to other retailers, Wal-Mart imposes an especially large burden on taxpayers. Wal-Mart workers earn 31 percent less than the average for workers at large retail companies and require 39 percent more in public assistance. The study estimates that if competing supermarkets and other large retailers adopt Wal-Mart's wage and benefit levels, it will cost California's taxpayers an additional \$410 million a year in public assistance.

The Hidden Price We All Pay for Wal-Mart

www.alarise.org/WALMARTREPORT.pdf
by the Democratic Staff of the House Committee on Education and the Workforce, Feb. 2004

Although this study uses different methodology than the one above, it arrives at the same conclusion: Wal-Mart's

low wages and meager benefits are costing taxpayers. The average Wal-Mart employee requires \$2,100 per year in public assistance, including Section 8 housing vouchers, reduced-cost lunches for dependent children, health care programs, and tax credits for the working poor.

9. SUBSIDIES

The expansion of big-box retailers has been financed in part by massive development subsidies and tax advantages provided by local and state governments. These studies document those subsidies and their failure to produce real economic benefits for communities.

An Assessment of the Effectiveness and Fiscal Impacts of the Use of Local Development Incentives in the St. Louis Region

www.ewgateway.org/pdffiles/library/regdev/tifrpt-012609.pdf
by East-West Gateway Council of Governments; Jan. 2009

This study finds that, despite spending more than \$2 billion in tax breaks for new shopping centers and big-box stores, the St. Louis metro region has seen no growth in either retail sales or jobs. Between 1993 and 2007, the study estimates that tax increment financing (TIF) and special tax districts alone cost taxpayers \$2.5 billion. About 80 percent of this was directed to retail development, including many large shopping centers filled with chain stores and located in affluent suburbs. The study concludes that the subsidies did not increase taxable retail sales, nor did they boost revenue for local governments. Furthermore, the subsidies did not produce significant job gains. Although TIF-financed big-box stores and shopping centers created 32,550 new retail jobs, some 27,150 retail jobs were lost at existing businesses, resulting in a net gain of only 5,400 jobs. That works out to a public cost of \$370,370 per job created — a staggering figure considering that the average retail job pays \$18,000 per year. Using tax incentives to lure development pitted municipalities against each other, which ultimately resulted in more communities losing taxable sales than gaining them. The study identifies the loose definition of "blight" as a main cause for the excessive amount of TIF subsidies going to new suburban retail development, and documents how lax disclosure and reporting requirements make it impossi-

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ble for citizens and local governments to monitor whether incentives are actually producing economic benefits.

Skimming the Sales Tax: How Wal-Mart and Other Big Retailers (Legally) Keep a Cut of the Taxes We Pay on Everyday Purchases

www.goodjobsfirst.org/pdf/skimming.pdf

by Philip Mattera with Leigh McIlvaine; Good Jobs First; Nov. 2008

This study highlights little-noticed laws in 26 states that allow retailers to keep a portion of the sales taxes they collect from shoppers. The stated purpose of these policies is to compensate retailers for the costs they incur collecting the tax. However, while half of these states cap the amount retailers can keep, the other 13 states have no cap. Because the cost of collecting sales taxes declines with volume, states without caps are providing big retailers with outsized compensation that bears little relationship to their actual costs. This practice is costing states over \$1 billion a year and lining the pockets of large chains, notably Wal-Mart. The report breaks down the losses for each state. Additionally, this study exposes how local governments subsidize the large chains by giving them sales tax rebates or funding part of their projects with sales tax increment financing. Using these two strategies, Wal-Mart has received \$130 million in sales tax diversion over the past decade.

Shopping for Subsidies: How Wal-Mart Uses Taxpayer Money to Finance Its Never-Ending Growth

www.goodjobsfirst.org/pdf/wmtstudy.pdf

by Good Jobs First, August 2004

This study identifies 244 Wal-Mart stores and distribution centers in 35 states that have received state and local development subsidies totaling over \$1 billion. The subsidies took many forms, including property tax rebates, free or reduced-priced land, and funding of site preparation and on-site infrastructure. Tax increment financing (TIF) ranked as one of the most common mechanisms used to underwrite Wal-Mart's growth. The total value of public giveaways to Wal-Mart is undoubtedly much higher than the \$1 billion documented by the report. Obtaining complete data on subsidies is virtually impossible. In most states, cities and state agencies are not required to report subsidies, and there is no central-

ized record or database. Good Jobs First relied primarily on the online archives of local newspapers to assemble the list of subsidy deals, the details of which were confirmed by interviews with local officials.

10. CONSUMERS & PRICES

Wrestling with Wal-Mart: Tradeoffs Between Profits, Prices, and Wages

www.epi.org/content.cfm/wp276

By Jared Bernstein, Josh Bivens, and Arindrajit Dube
Economic Policy Institute, June 15, 2006

This analysis refutes the findings of a 2005 study by Global Insights (GI) that found that Wal-Mart saves U.S. consumers \$263 billion a year, or \$2,329 for the average household. The Economic Policy Institute concludes that the GI study is "fraught with problems." It identifies major internal inconsistencies and finds that the firm's statistical analysis "fails the most rudimentary sensitivity checks." The authors state, "Once we addressed these weaknesses the statistical and practical significance of Wal-Mart's price effects effectively vanished."

Time to Switch Drugstores?

Consumer Reports, October 2003.

"If you're among the 47 percent of Americans who get medicine from drugstore giants such as CVS, Eckerd, and Rite Aid, here's a prescription: Try shopping somewhere else. The best place to start looking is one of the 25,000 independent pharmacies that are making a comeback throughout the U.S." opens this article, which presents the results of a year-long survey of more than 32,000 readers about their drugstore experiences. The survey found that, by "an eye-popping margin," independent drugstores outranked all other pharmacies--including drugstore chains, supermarkets, mass merchandisers (e.g., Wal-Mart), and internet companies--in terms of providing personal attention, offering health services such as in-store screenings, filling prescriptions quickly, supplying hard-to-find drugs, and obtaining out-of-stock medications within 24 hours. Prices at independent pharmacies were lower than at chain pharmacies, but higher than at mass merchandisers and internet companies.

Key Studies on Big-Box Retail

11. TRAFFIC

Established trip generation rates for supercenters significantly underestimate the actual traffic impact, according to this study.

Trip Generation Characteristics of Free-Standing Discount Superstores

www.newrules.org/retail/ite_article.pdf

by Georgiena M. Vivian, ITE Journal, August 2006

This study found that supercenters of 200,000 square feet or more generate an average of 42 percent more traffic than the rate listed in the Institute of Transportation Engineers *Trip Generation* manual. Traffic engineers, developers, and city officials use the figures in this manual to estimate the traffic impact of development projects. This study, which relies on traffic counts conducted at five supercenters in Oklahoma and Texas, indicates that the manual significantly underestimates the traffic generated by large supercenters (stores that combine general merchandise and a full grocery department) and that traffic analyses based on it are unreliable indicators of the actual traffic impact of a supercenter development.



12. CHARITABLE GIVING

Business Contributions to Community Service

by Patricia Frishkoff, Small Business Administration, 1991

In 1991, Dr. Patricia Frishkoff, Director of the Family Business Program at Oregon State University, completed this study of charitable giving by 182 businesses in four communities. She combined cash donations with the value of in-kind contributions and found that the small businesses were more generous. Companies with fewer than 100 employees gave an average of \$789 per employee, compared to \$334 per employee at firms with more than 500 employees.