

Dēmos

Retail's Choice

How raising wages and improving schedules for women in the retail industry would benefit America

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EXECUTIVE SUMMARY

Today, women make up nearly half of America's workforce, and there is little question that their success in the economy is critical to the nation's prosperity. Yet every day across America, millions of women go to work in low paying jobs that fail to move their families out of poverty.

One such low-paid position is the most common occupation in America today: retail salesperson. The typical woman working as a salesperson earns just \$10.58 an hour: a wage that keeps a family of three near poverty, even if the employee is able to secure enough hours for full-time work. American women disproportionately hold the retail industry's lowest-paid positions. Jobs that could be a source of stability to families and growth for the national economy too often involve not only low pay but erratic schedules, a lack of sufficient work hours, and the scarcity of basic benefits like paid sick days—making hourly retail jobs precarious positions holding back not just women but their families and our nation as a whole.

Retail is far from the only low-paying sector of the American economy. Yet because it is one of the top industries employing women, and one projected to add a substantial number of new jobs over the coming decade, the choices the nation's major retailers make about employment will play a crucial role in determining the nation's economic future.

This study looks at the retail industry as it is today for the 7.2 million American women employed in its ranks, as it will look in 2022 if present trends continue, and as it could be if the nation's largest retailers—companies employing at least 1,000 workers—raised wages and improved employee schedules.

Building on our previous study, "Retail's Hidden Potential" we provide an updated assessment of establishing a new wage floor for the lowest-paid retail workers equivalent to \$25,000 per year for a full-time, year-round retail worker at retail companies employing at least 1,000 workers. We explore the implications of this wage hike for female retail workers in particular. We find that for the typical woman in retail who earns less than this threshold, the new floor would mean a 27 percent pay raise. Including both the direct effects of the wage raise and spillover effects, the new floor will impact more than 3.2 million female retail workers and their families in addition to 2.5 million male retail workers and their families. For a full description of the study methodology, see the appendices.

The lack of sufficient work hours and predictable, stable schedules for hourly retail workers is another obstacle for women trying to work their way out poverty. This study considers the rise of just-in-time scheduling in retail industry, a growing practice in which retail employers use scheduling software and measures of consumer demand to match workers' hours to the projected need for labor on a daily or even hourly basis. As a result, workers often do not know how many hours they will work in a given week or month: their incomes fluctuate and workers cannot budget effectively. Ever-changing schedules make it more difficult for working mothers to plan child care arrangements, for workers to get education or training that could help them get a better job, and for employees trying to supplement their incomes with a second job to establish a compatible schedule. In effect, unstable and unpredictable schedules deprive women in retail of both immediate income and opportunities to rise up.

The retail industry today faces a crucial choice. As the industry grows in the coming years, will its largest companies shift toward wages and schedules that allow hard-working women in retail to rise out poverty, boost the economy, and promote broad societal benefits such as improved public health and opportunity for the next generation? Or will they continue on the present course, including the 28-cent pay gap in sales and related occupations, and billions of dollars in taxpayers subsidies to large and profitable companies that don't pay their employees enough to live on? This is retail's choice.

Wages that raise families out of poverty, or push them into it?

- **Today:** 1.3 million women working in the retail industry live in or near poverty (defined as within 150 percent of the poverty line).
- **If present trends continue:** by 2022, more than 100,000 additional women will be added to ranks of retail's working poor and near poor—meaning that nearly 1.4 million women working in retail and the nearly 2.5 million family members they help to support will be living in or near poverty in 2022.
- **If the nation's largest retailers raised wages** to the equivalent of \$25,000 a year for full-time work, 437,000 women working in retail today would see their earnings lift them above the level of poverty or near poverty. Family members they help to support would also benefit:

altogether nearly 900,000 people would be lifted above the level of poverty or near poverty by a raise for women working at the largest retailers.

Wages that boost the economy, or sink it?

- **Today:** the pay gap between men and women in retail costs women an estimated \$40.8 billion in lost wages annually. Lost wages to women are a drag on the economy, reducing consumer demand and costing jobs.
- **If present trends continue:** by 2022, women will lose \$381 billion in cumulative wages.
- **If the nation's largest retailers raised wages** to the equivalent of \$25,000 a year for full-time work, the wage gap would narrow significantly even if both men and women got the same raise. GDP would grow an estimated \$6.9 to \$8.9 billion solely from women's portion of the raise, or \$12.1 to \$15.7 billion from both women and men, leading to the creation of 105,000 to 136,000 new jobs.

Schedules that lift up women, their families, and communities, or undermine them?

- **Today:** Nearly one in every three women working part-time in retail wants to be employed full-time. And even full-time status is not always a guarantee of sufficient hours. Part-timers and full-timers alike must contend with just-in-time scheduling practices that make it harder for women to work their way out of poverty and impose steep costs on the public, taking a toll on public health, education, and opportunity for the next generation.
- **If present trends continue:** poverty and public costs will continue to grow.
- **If the nation's largest retailers improved** by offering sufficient work hours and more stable, predictable schedules, another major obstacle for women trying to work their way out of poverty with retail jobs would be removed and it would help to improve public health, education, and opportunity.

Large retailers can afford to improve women's jobs—without big price increases.

- **The additional payroll costs would represent a small fraction of total sales.** The cost of a wage increase to \$25,000 a year for full-time work, for both men and women in retail amounts to \$21.5 billion, or less than 1 percent of the \$4.3 trillion in total annual retail sales. Alternatively, it represents 4.1 percent of 2012 payroll for the retail sector.
- **Using profits to pay for better wages and schedules would be a more productive use than the current trend toward stock repurchases.** In 2013, the top 10 largest retailers spent \$26.3 billion on stock repurchases, billions more than the \$21.5 billion all large retailers could have productively reinvested in their workers.
- **The potential cost to consumers would be just cents more per shopping trip on average.** Calculations from our previous study find that if companies pass half of the costs of a wage increase on to customers, the average household would pay just 15 cents more per shopping trip—or \$17.73 per year.

The retail industry has tremendous potential to offer good, family-sustaining jobs to the 7.8 million American women projected to work in the industry in the next decade. If large retailers take action, employees, their families and communities, and our economy as a whole will benefit. If companies fail to change course, poverty jobs in retail will increasingly drag us down.

INTRODUCTION

“I firmly believe when women succeed, America succeeds.”

-President Barack Obama

Today, women make up nearly half of America’s workforce. Not only do female workers contribute to the incomes of a majority of American households,¹ but they are the sole or primary source of income for two in five families with children.² There is no question that women’s success in the economy is critical to the nation’s prosperity. Yet every day across America, millions of women go to work in low paying jobs that fail to move their families out of poverty.

One such low-paid position is the most common occupation in America today: retail salesperson.³ The typical woman working as a salesperson earns just \$10.58 an hour: a wage that keeps a family of three near poverty, even if the employee is able to secure enough hours for full-time work.⁴ Erratic schedules, a lack of sufficient work hours, and the scarcity of basic benefits like paid sick days contribute to making hourly retail jobs—not just for salespeople, but for cashiers, stockers, and other front-line positions—precarious positions holding back not just women but their families and our nation as a whole.

Retail is far from the only low-paying sector of the American economy. Yet because it is one of the top industries employing women, and one projected to add a substantial number of new jobs over the coming decade, the choices the nation’s major retailers make about employment will play a crucial role in determining the nation’s economic future. This paper finds that if present trends continue, there will be 4.1 million American women working in low-paid retail jobs by 2022⁵—a population larger than the entire city of Los Angeles. The dramatic growth in low-paid jobs—frequently offering inadequate hours of work—contributes to growing economic inequality and imposes steep public costs. As more and more working families find that their paychecks cannot stretch far enough to afford the basics, the economic demand that creates and sustains jobs in our communities is constricted, even as retail companies bring in record profits. Meanwhile, inadequate paychecks mean families often must rely on public benefits, such as food stamps and Medicaid, to get by. In effect, taxpayers are subsidizing the labor costs of the nation’s largest and most profitable retailers —costs that will continue to grow as more of our economy is made up for low-paid jobs in retail and other industries.

Women bear the brunt of the low-wage trend.⁶ In retail—as in other

sectors—a substantial wage gap persists between male and female workers doing the same job. Barriers to advancement for women mean that female employees are more likely to be trapped in lower-paid positions at the bottom of the industry. And at the same time, women still assume the majority of family caregiving responsibilities, meaning that it is disproportionately female retail employees who must juggle care for children, ill family members, and elderly parents with the rigid, unpredictable, and unstable work schedules (often with insufficient hours) that prevail for hourly workers in the retail industry. In turn, these rigid and unstable work schedules also impose extensive social costs on the nation in terms of poverty, public health, child well-being, and educational opportunities and outcomes for retail workers and their families.

Fortunately, a business model that relies on millions of women in low-paid jobs with unstable schedules is not the only option for the retail industry. Building on Demos' 2012 study, "Retail's Hidden Potential: How Raising Wages Would Benefit Workers, the Industry, and the Overall Economy," this paper finds that increasing wages and improving scheduling practices at the nation's largest retailers would have broad benefits for employees, their communities, and our economy—even boosting sales for retailers themselves. Higher wages have a powerful multiplier effect, enabling workers to spend more, creating more sales for retailers and more jobs. And just as women bear a disproportionate share of the burden of low-paid retail work, they would also see the greatest benefit from a shift toward sustainable pay and schedules.

America's major retail corporations can afford better wages and improved scheduling: in the fourth quarter of 2013, large retailers took in a record \$26.1 billion in profit and paid out \$6.1 million in dividends.⁷ Successful retail chains like Costco wholesale clubs and Trader Joe's Supermarkets already combine good wages and schedules for employees with low prices and solid profits.⁸ And the recent decision by The Gap to significantly raise pay for its 65,000 U.S. retail employees⁹ illustrates how even companies with a history of paying low wages can shift their business model to improve compensation. While The Gap has still not taken sufficient steps to offer adequately paid, sustainable jobs to the workers who make their stores profitable, the raise illustrates a growing recognition of the need to improve retail jobs.

Retail has tremendous potential to offer good, family-sustaining jobs to the 7.8 million American women projected to work in the industry in the next decade. If large retailers act to improve jobs, then employees, their families, and our economy as a whole will benefit. If companies fail to change course, poverty jobs in retail will increasingly undermine our communities.



Women in the Retail Workforce

49% of all retail workers are female.

55% of low-wage retail workers are female.

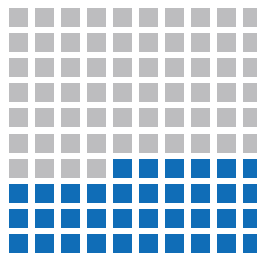
AMONG LOW-WAGE WOMEN

AGE



93% are ages 20 and over

CHILDREN



36% have their own children in the household

WAGES

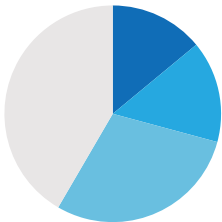
19%

are the sole earner in the household

40%

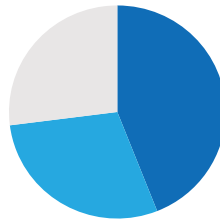
contribute at least 50% of household income

POVERTY



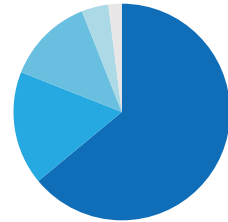
14% live in poverty another 15% live near poverty, a total of 29% living in or near poverty

FULL TIME | PART TIME



44% work part time 29% of these part-timers would like to be working full-time.

RACE



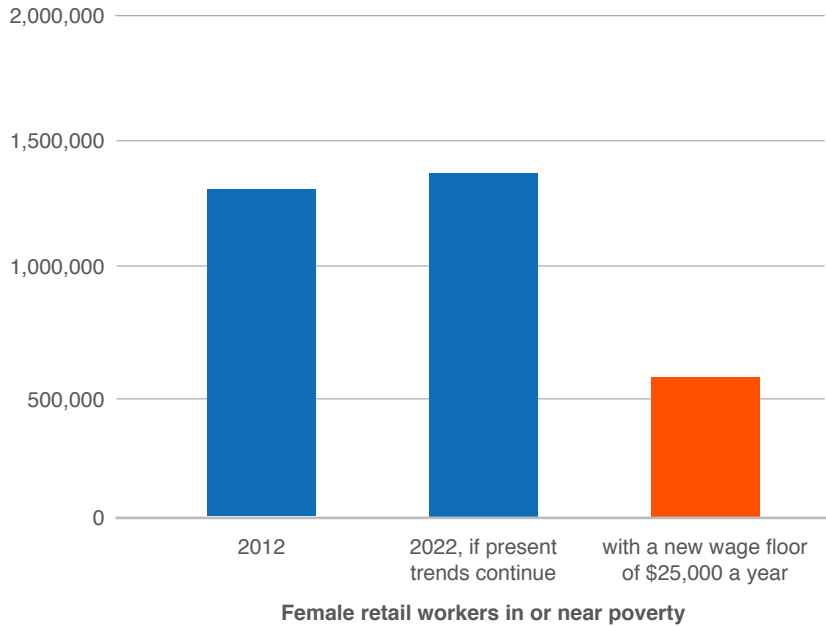
65% are non-Hispanic white, 17% Hispanic, 13% non-Hispanic black, 4% Asian, 2% Other.

RETAIL’S CHOICE ON WAGES

Wages to raise families out of poverty, or push them into it?

Among Americans’ deeply held values is the belief that hard work should be fairly rewarded, and that working people should not have raise their families in poverty. Yet we have failed to live up to this basic standard, especially when it comes to female workers: 5.5 million American women were classified as working poor in 2012, and millions more live just over the poverty level.¹⁰ The retail industry is one of their leading employers, with 571,000 working poor women—one in every ten working poor women in the nation—employed in retail. 1.3 million women working in retail lives in poverty or near poverty (defined as within 150 percent of the poverty line). And with substantial job growth projected for the industry in the coming years, the nation can expect hundreds of thousands retail jobs that pay wages too low to support a family if wages are not lifted. By 2022, if present trends continue, 1.4 million women will be living in or near poverty despite working retail jobs.¹¹ Many of them will be supporting families: if present trends continue, a total of 3.9 million Americans will be living in or near poverty in 2022 despite the income of a woman working in retail. Insufficient work hours and rigid, unpredictable schedules are also a factor pushing workers into poverty, as explored later in this paper.

Figure 1. Impact of a raise on poverty (2012)



Source: Demos analysis of the Bureau of Labor Statistics 2013 Current Population Survey Annual Social and Economic Supplement.

Fortunately, retail has another choice. If large retailers increased wages to pay the equivalent of \$25,000 a year for full-time, year-round work, 437,000 female workers would earn their way out of poverty or near-poverty right now—setting the industry and its hard-working employees up for a much brighter future. The family members they help support would also benefit: if they are added to the total more than 888,000 people would be lifted above the level of poverty or near poverty by a raise for women at the largest retailers. An additional 587,000 male workers and their families would see the same benefits. For today’s typical low-paid retail worker, the new wage floor would mean a 27 percent pay raise—enough to make a substantial impact on her quality of life.

A wage increase to lift women out of poverty

More than half of year-round female employees at large retailers earn wages below \$12.25 per hour, or less than \$25,000 per year for a worker putting in 40 hours a week. Female employees of large retailers are 22 percent more likely to fall below this low-wage threshold than men: see the sidebar on Walmart for a look at how this has played out at one major retailer. For many retail workers, that wage is not enough to keep their families above the federal poverty line. Nearly 30 percent of female workers who earn less than \$12.25 an hour lives in or near poverty even though they have a job.

Retail jobs are a critical source of income for the families of women working in this sector. More than 95 percent of women working year-round at large retailers are ages 20 and above, not teens looking for extra spending money, while 40.3 percent of them are raising children. Whatever the household composition, retail wages provide for household necessities. Nearly half (49.7 percent) of women workers at large retailers contribute at least 50 percent of their family’s total income. A large number of them—more than one in six—are the sole earner. The lowest paid women in retail are actually even more likely to be supporting their households single-handedly, with 1 in 5 of women earning less than \$12.25 at large retailers serving as the household’s only breadwinner.

This study found that a wage floor at large retailers equivalent to \$25,000 per year would lift hundreds of thousands of women and their family members out of poverty, and hundreds of thousands more would emerge from near-poverty. An estimated 437,000 working women will move out of poverty or near poverty once their wages increase to the new minimum. Family members, too, will benefit from the raise. In all, 371,000 female workers and

their family members will leave the ranks of the impoverished. Another 517,000 will rise above the near poverty cutoff. That is a total of 888,000 Americans who will see a considerable difference in their standard of living due to the benefits that an increase in the minimum retail wage offers to female employees. While male retail workers are less likely to be paid low wages than women, pay for hundreds of thousands of male employees would nevertheless be lifted by a raise. Adding the impact on male employees and their families increases the number lifted out of poverty or near poverty to nearly 1.5 million.

Wages to boost the economy, or sink it?

The persistent gender wage gap in the retail industry weighs down the entire economy. In sales and related occupations, the typical woman is paid just 72 cents for every dollar made by the typical man. This pay gap is largest for the most common job in the industry: retail salesperson. The typical female salesperson is paid four dollars less per hour than her male counterpart. Overall in sales and related occupations, women must work the equivalent of 103 days longer every year than their male co-workers doing the same job in order to bring home the same paycheck. The impact of that pay gap extends beyond individual households to the larger economy: in 2012, lost wages to women mounted to an estimated \$40.8 billion, with steep costs for female retail workers, their families, and the economy as a whole. If the pay gap does not close, women will lose \$381 billion in retail wages by 2022.

But the retail industry has another choice: steps to close the pay gap include stronger non-discrimination policies at retail companies and more advancement opportunities for women. Simply raising wages for all low-paid employees would also have a major impact: as female employees are disproportionately paid low wages, they would see the greatest benefits of a wage increase, and a significant portion of the gap between men and women in retail would be immediately erased. This study finds that if large retailers raised wages for both male and female employees to the equivalent of \$25,000 per year for all full-time, year-round workers, GDP would increase by \$12.1 to \$15.7 billion. Increased wages to women alone would be responsible for between \$6.9 to \$8.9 billion of this GDP boost. As a result of the increased economic demand, employers would create 105,000 to 136,000 new jobs.

The women of Walmart

Mega-retailer Walmart is the largest private employer of women in the United States. According to its corporate website, Walmart employs 807,000 women who make up 57 percent of its U.S. workforce.¹² No company has greater capacity to increase opportunity for America's working women. Yet while Walmart's \$469 billion in annual revenue suggest ample resources to ensure livable wages, adequate schedules, fair treatment and opportunities for advancement to its female employees, the company has frequently stumbled in its efforts to do so.

In 2001, the largest gender discrimination class action lawsuit in American history was filed against Walmart. 1.5 million of the company's current and former female employees alleged that Walmart systematically discriminated against women in promotions, pay, and job assignments. The documents that Walmart disclosed in the course of the suit revealed that female employees earned less than men, on average, in every job category, from cashier to department head, to regional vice president, despite the fact that the average woman worked for the company longer and had higher performance ratings.¹³ On average, women in hourly jobs earned \$1.16 per hour less than men in the same positions.¹⁴ The plaintiffs also alleged discrimination in promotions, pointing out that although women made up 70 percent of the company's hourly workforce, they represented just 33 percent of its managers.¹⁵

In 2011, the Supreme Court blocked the suit. While the court made no judgment about whether discrimination had occurred, they ruled that the women did not legally constitute a class. Walmart's female workers have continued to fight the company's alleged bias, pursuing smaller cases and filing thousands of individual sex discrimination complaints with the Equal Opportunity Employment Commission.¹⁶ Yet three years after the Supreme Court ruling, the Walmart case has had a far-reaching impact on civil rights law, dramatically raising the bar for future discrimination lawsuits.¹⁷ In addition to defeating its own female employees, Walmart's case made it more difficult for women and other victims of bias at *any* company to win redress for discrimination they have suffered.

More recently, Walmart has come under fire for its treatment of pregnant employees. Expecting mothers claimed that Walmart denied them accommodations for their pregnancy, requiring that they either continue to perform duties like climbing ladders and carrying heavy boxes or take unpaid leave, losing income they would

need to support a growing family. Women's advocates at A Better Balance and the National Women's Law Center conducted an investigation and uncovered what they argue is a pattern of unlawful discrimination against pregnant women at Walmart, violating both the Pregnancy Discrimination Act and the Americans with Disabilities Act.¹⁸ Walmart workers organized, sued, and filed a shareholder resolution to get the policy changed. In March 2014, Walmart issued a new policy stating that workers with disabilities caused by pregnancy were eligible for reasonable job accommodations.¹⁹ Women's advocates remain concerned that Walmart's policy fails to ensure that workers' with a healthy pregnancy get the job accommodations they need to remain healthy and avoid disability, but the shift has nevertheless been hailed as a victory for the women of Walmart.

The progress on the treatment of pregnant workers illustrates how Walmart workers and their allies can succeed in bringing pressure on the company to improve its policies toward all women. Yet serious concerns persist. Inadequate hours, unstable schedules, and low pay have long been core concerns of Walmart's predominantly female frontline workforce. Since Walmart defines full-time work as just 34 hours a week, even full-time employees find their paychecks falling short.²⁰ If Walmart fully addressed the concerns of the 807,000 women who enable its stores to operate every day, it would transform the retail landscape and be a powerful force for working women throughout the economy.

Despite the common misconception that higher wages will cause companies to reduce employment, there is no evidence that a raise will necessarily lead to job loss.²¹ Instead, we illustrate how raising wages for low-paid workers could strengthen weak consumer demand and help generate job growth. U.S. corporations continue to stockpile cash rather than make new investments in products they are not confident will sell.²² Companies' negative outlook becomes a self-fulfilling prophecy: firms do not expand production, keeping the job market slack, consumer wallets closed, and investments unattractive. This trend has only slowly improved—a boom in consumer spending could interrupt the cycle entirely, providing a larger return to business investment and giving companies an incentive to grow. Large retailers are in a position to drive new economic growth by providing a wage increase for their most underpaid workers. While female retail employees would see the greatest boost to their paychecks, the entire economy will benefit.

Low-income women as job creators

Families living in or near poverty spend close to 100 percent of their income just to meet their basic needs, so when they receive an extra dollar in pay, they spend it on goods or services that were out of reach before. This ongoing need makes low-income households more likely to spend new earnings immediately—channeling any addition to their income right back into the economy. High-income households, in contrast, put a larger portion of their money into long-term investments such as retirement savings that do not factor into consumer demand.²³ Because spending patterns differ widely across income groups, investments that enhance the budgets of low-income households have a greater impact on the economy than money given to those at the top. For example, the economic stimulus payments of 2008 increased spending among low-income households far more than higher earners, with a substantial portion of the new purchases going toward durable and non-durable retail goods.²⁴ Increasing the purchasing power of low-income households is good economic policy during a period of flagging demand. By raising the floor of large chain retail wages, large retailers can provide a private sector stimulus without depending on the government to enact the change.

The amount of economic activity generated by a raise is determined by what economists refer to as the multiplier. The multiplier indicates how many times a new dollar will circulate in the economy before its amplifying effects fade away. When a worker receives a raise, she will have additional money to spend—that spending becomes someone else's new income, either the business owner where she makes a purchase or the worker at the store who gets more hours or more money when business is good. Multipliers differ depending on where the dollar appears in the economy; if low-income households have an extra dollar to spend the multiplier is higher than if that dollar goes to high income savers. So a transfer of purchasing power to low-wage workers will boost economic activity to the degree that the multiplier forecasts ripple effects across consumer spending.

In order to predict how a raise for employees at large retail firms will impact the economy, we incorporate both the positive effect of the multiplier on household spending and the potentially negative effect on the balance sheet of employers. Firms can either pay for the wage raise out of profits, pass on the cost of the additional wage bill to consumers through higher prices, or combine both tactics to cover the cost. The extent to which retail employers will place



Taxpayers pick up the costs when large retailers pay their employees so little that workers and their families must rely on publicly funded benefits, such as food stamps, Medicaid, and the Earned Income Tax Credit, to make ends meet. A recent study by Americans for Tax Fairness estimates that the nation's largest retail employer, Walmart, receives \$6.2 billion annually in taxpayer subsidies in the form of benefits that supplement its low wages.”

the burden of higher wages on their customers is unclear. Research on the relationship between prices and the minimum wage focuses entirely on the fast food industry and presents mixed results.²⁵ But there is reason to believe that firms will pass-through less than 100 percent of the cost. That is because the new minimum produces gains to the firm that offset part of the cost before either profits or consumer spending have to make up the difference.

Employers that invest in their labor force are better able to hang on to their best, most experienced workers, increasing operational efficiency and cutting down on the costs of labor turnover. The differences can be dramatic. One study from the Wharton School of Business found that a \$1 increase in payroll at retailers leads to an additional \$4 to \$28 in sales each month, with a 25 percent rise in payroll generating 2.6 percent more in sales.²⁶ Revenue grows because well-paid, experienced employees are better able to provide the essential services that customers need—with knowledge of inventory, products, brands, and prices—and satisfied customers spend more money in the store.²⁷ The benefits of the new wage floor appear on the balance sheet as profits, mitigating a part of the wage bill so that customers and firms take on only the remaining part of the cost. A raise for retail wages is an investment in the labor force, increasing productivity and translating to lower costs and higher sales for the firm, and negating a portion of the wage bill before it ever reaches consumers.

Our multiplier is derived from widely

accepted multipliers on consumer spending used to predict the effects of an increase of the minimum wage economy-wide.²⁷ In includes the benefits of a raise on disposable income, the impact of any additional costs to the firm, and the potential for businesses to pass-through the cost of decent wages onto their customers through higher prices. In order to account for uncertainty regarding the firm’s willingness to pay for the raise out of profits, we offer both low and high measures of the total impact of the raise. The result is a set of estimates that reveal a substantial benefit to the US economy from a new wage floor that pays wages equivalent to \$25,000 per year for full-time, year-round work.

A wage raise to a rate of \$12.25 per hour directly impacts nearly 4.0 million workers and their families, including 2.3 million female workers. Altogether, 5.7 million retail employees would see their paychecks lifted. Their increased spending ripples throughout the economy, creating income for other families who then go out and spend. Our low estimate, evaluated for prices that rise to accommodate one half of the wage increase, predicts that this new spending will add \$12.1 billion to GDP over the coming year. The high estimate, for prices that rise to absorb just 25 percent of the wage increase, shows \$15.7 billion in new economic activity. In either scenario, the raise to women in retail will be responsible for approximate 57 percent of the gains. With the addition of \$12.1 to \$15.7 billion to our nation’s GDP from an increased minimum pay rate, large retailers can both propagate and benefit from a resurgence of consumer spending. Retail sales will increase and businesses will have an impetus to expand.

Figure 2. The Effects of a Raise to \$25,000 per Year at Large Retail Employers

	New Spending	New Jobs
Low Estimate	\$12.1 Billion	105,000
High Estimate	\$15.7 Billion	136,000

Source: Demos analysis of the Bureau of Labor Statistics 2013 Current Population Survey Annual Social and Economic Supplement.

As firms reap billions of dollars in additional revenue they will expand production, extend hours, and hire more workers. We can break out the effects of the wage increase on employment across the economy by following the standard expectation that every \$115,000 in new economic activity sparks the creation of one job.²⁹ With \$12.1 billion in new consumer spending, businesses will hire an additional 105,000 workers over the year. If the increase in GDP reaches \$15.7 billion, firms will need 136,000 new employees. While that's just a small portion of America's 19.5 million unemployed and underemployed workers, each of these newly hired employees experiences a surge in purchasing power that feeds back into the economy and contributes toward a new round of growth.

Self-supporting workers, or taxpayer subsidies for inadequate paychecks?

Taxpayers pick up the costs when large retailers pay their employees so little that workers and their families must rely on publicly funded benefits, such as food stamps, Medicaid, and the Earned Income Tax Credit, to make ends meet. With women employed by large retailers more likely to be in low-wage jobs and more likely to be raising families, this is a key issue for women in the industry.²⁸ A recent study by Americans for Tax Fairness estimates that the nation's largest retail employer, Walmart, receives \$6.2 billion annually in taxpayer subsidies in the form of benefits that supplement its low wages.²⁹ The research builds on a congressional study finding that employees at a single Walmart supercenter in Wisconsin rely on \$904,542 to \$1,744,590 per year in public benefits because Walmart does not pay enough to support a family.³⁰ While other retailers have not been analyzed as systematically, a review of state-level studies by Good Jobs First found that Walmart routinely leads the list of corporations whose payroll costs are subsidized by taxpayers, followed by other large retailers such as Target, Kroger, and Home Depot, as well as fast food companies, nursing homes, and meat processors.³¹ Absent a wage increase or other policy change, the taxpayer bill for subsidizing the labor costs of the nation's largest and most profitable retailers will continue to increase as the low-paid retail workforce grows.

RETAIL'S CHOICE ON SCHEDULES

Schedules that lift up women, their families, and communities, or undermine them?

Retail employees trying to work their way out of poverty face an obstacle that goes beyond low wages: the lack of sufficient work hours and predictable, stable schedules. If retail workers cannot secure enough hours of work each week, higher wages will not be sufficient to provide a decent standard of living and will fail to lift families out of poverty. In 2012, nearly 1 in every 5 women employed in low-wage retail jobs worked part-time hours despite wanting a full-time position. Some, although officially working as full-time employees, were simply not scheduled to work full hours every week, cutting into their incomes. These findings are consistent with the results of the CitiSales Study, a 2006 survey of more than 6,000 predominantly female employees of a large retail firm which found that 33 percent of full-time retail employees, and 43 percent of part-time employees would like to work more hours.³² Our analysis of Census data suggests scarcity of work hours was not limited to small retailers with few workers on the payroll: among workers at the largest retail firms—which might seem to have greater resources to offer sufficient hours to employees eager for more work—the percentage of involuntary part-time workers was even higher than at smaller companies.

The problem of inadequate and unstable hours is not limited to workers officially classified as involuntary part-timers: many women trying to balance their jobs with educational pursuits, family responsibilities, additional employment, or other commitments choose to work only part time. Yet rigid, unpredictable, and unstable work schedules threaten the economic stability of full- and part-timers alike. Demos' 2011 report, *Scheduling Hourly Workers*, documented the rise of just-in-time scheduling practices in retail and other service industries.³³ In an effort to optimize their labor costs, employers use scheduling software and measures of consumer demand such as floor traffic, sales volume, or weather conditions to match workers' hours to the projected need for labor on a daily or even hourly basis. The Retail Action Project's 2012 survey of New York City retail employees is one of the best sources of data on this growing industry practice.³⁴ According to the survey, only 17 percent of New York retail workers—and 10 percent of part-timers—had a fixed work schedule. For others, hours varied week to week or



Ever-shifting schedules mean working mothers cannot plan child care arrangements. As a result, they may lose the opportunity to work a much needed shift (or the job itself) if they cannot arrange last-minute child care.”

month to month, with 70 percent of workers reporting that they were notified of their schedule just a week in advance.

The impact of scheduling can be profound: without a stable and predictable work schedule, incomes fluctuate and workers cannot budget effectively. At the same time, low-income workers may lose eligibility for public benefits that supplement their incomes if they do not work the required amount of hours. Ever-shifting schedules mean working mothers cannot plan child care arrangements. As a result, they may lose the opportunity to work a much needed shift (or the job itself) if they cannot arrange last-minute child care. Efforts to move into a better-paying job may also be stymied, as pursuing education or training opportunities is made more difficult, if not impossible, by ever-changing work schedules. Attempts to take a second job to make up for inadequate income in the first are similarly unfeasible. In effect, unstable and unpredictable schedules deprive women in retail of both income and opportunities to rise up.

The rigidity of retail schedules poses a related problem. If workers are scheduled for a shift they cannot work, they may face disciplinary measures and a loss of income. The problem is exacerbated by the lack of paid leave, including time off for the inevitable illness. Less than half of workers at retail trade establishments are provided with any paid sick days³⁵ and it is disproportionately low-paid workers that lack this benefit. In a 2013 survey of low-wage workers in a range of industries, 14 percent of workers overall, and 19 percent of working mothers, reported having lost a job because they got sick or stayed home to care for child or parent.³⁶ For women, who still disproportionately assume the majority of family caregiving responsibil-

ities, a lack of paid sick time and paid family leave pose particularly serious risks of income loss and job loss.

Just as the nation's largest retailers could choose to raise wages, they can also make the decision to improve scheduling practices such as providing work schedules further in advance, guaranteeing workers a consistent number of hours, and giving workers opportunities to swap shifts, cross-train for different positions, or work in different store locations, ensuring that both employee and employer scheduling needs are met. As workers and their families rise above the poverty or near poverty line they can better provide for their household needs and plan for their futures, benefitting both families and the economy overall. With such an expansive impact on quality of life and consumer spending, retailers' choice to raise wages and improve schedules would be an investment in the workforce, future workers, and sustained economic growth.

The public health costs of low wages and rigid, unstable schedules in retail

While the greatest costs of retailer's poor scheduling decisions are borne by women workers themselves, there are also far-reaching consequences for families, larger communities, and the public as a whole. A growing body of research illustrates how low wages and unstable schedules contribute to public health crises such as the obesity epidemic that impose steep public costs.³⁷ Special concerns arise for female workers when they are pregnant or their children are young. For example, pregnant employees may be unable to safely carry out typical retail tasks such as climbing ladders to bring down merchandise, lifting heavy boxes, using harsh cleaning chemicals, or even standing on their feet for prolonged periods. Yet as a recent lawsuit and shareholder resolution at Walmart vividly illustrated, some retailers refuse to accommodate pregnant workers with light duty, potentially imperiling their pregnancy, or pushing them to take unpaid leave they cannot afford.³⁸ The lack of paid maternity leave is a related problem. Just 5 percent of workers in retail trade establishments are offered paid leave to care for a new baby,³⁹ increasing the financial pressure on low-income mothers to return to work very soon after birth. This too has a public health consequence, as short leaves at pregnancy are associated with higher rates of infant mortality, lower birth weight babies, and shorter duration of breastfeeding.⁴⁰

As children grow up, last-minute unpredictable work schedules make it difficult to set up doctor's appointments. As noted earlier,

less than half of workers in retail have access to paid sick days, increasing parents' risk missing regular infant and childhood medical check-ups and immunizations. Because mothers are more likely to be the parent taking their children to the doctor, female workers and their families are disproportionately affected. The lack of paid sick days also increases the risk that retail workers will go to work (and their children will go to school or daycare) while sick, potentially spreading the flu or other communicable diseases to customers and contributing to outbreaks. If large retailers shifted to offer paid sick days and more stable schedules, they could contribute to significant public savings: the Institute for Women's Policy Research calculates that 1.3 million hospital emergency department visits could be prevented in the United States each year if businesses of all kinds provided paid sick days to workers who currently lack access, reducing medical costs by \$1.1 billion annually, with over \$500 million in savings for public health insurance programs.⁴¹

Inequality and the retail industry

The US has seen a highly unbalanced economic recovery, with the nation's highest earners pocketing nearly all of the economic growth since the Great Recession, and the top 10 percent taking home their greatest share of income in recorded history.⁴² This growing concentration of income at the top, combined with a wave of strikes and protests by low-wage workers—including retail workers employed by Walmart—has brought renewed attention to the corrosive effects of inequality. And retail is among the most unequal sectors of the economy.

While this paper is primarily concerned with the choices the retail industry makes when it comes to pay and scheduling for the women who work on its front lines, it is also worth considering retailers' choices about compensating their top executives. In 2012, CEOs in the retail industry earned 304 times the annual income of the average retail worker—among the highest CEO-to-worker ratios of any sector in the economy in any year since 2000.⁴³ Over the years between 2000 and 2012, the only economic sector with greater average pay disparities than retail is accommodations and food services. And the trend is worsening: after dipping briefly during the Great Recession, pay disparities in retail have grown since 2009, nearly recovering their pre-Recession peak. This mounting inequality has a gendered face: while women make up more than half of the retail labor force at large firms, they account for just 1.8 percent of

retail CEOs in the Fortune 1000, according to Catalyst.⁴⁴

The growing inequality fueled by retail and other low-wage industries has far-reaching effects on our society. Increasingly, research shows that inequality is associated with slower economic growth and volatility, as well as social instability and declines in the quality of health and education.⁴⁵ At the same time, studies suggest that inequality undermines our democracy, as political decision-making increasingly reflects the policy preferences of major political donors with substantially different priorities than the voting public.⁴⁶ Of course, no single industry caused this damage on its own or can fix it single-handedly. Nevertheless, as the employer of one in ten working Americans—and one in ten working poor women—raising wages and improving schedules in the retail industry would be a significant step toward reducing inequality and the harms it causes throughout society.

Low wages and unstable schedules in retail block opportunity for the next generation

Beyond public health, the unpredictable and inflexible schedules associated with retail and other low-wage work hinder parents from participating in their children's education and development, constraining opportunity for the next generation of Americans and entrenching economic inequality. No matter how much they want to, women working the unstable schedules common in the retail industry may not be regularly available to help children with homework, attend parent-teacher conferences or other school events, or otherwise have sustained involvement in their child's education. Indeed, an analysis of the American Time Use Survey finds that low-wage women working non-standard schedules spend less time with their families—particularly with school-age children—than those working standard schedules.⁴⁷ The study also notes that retail is among the top industries employing workers with non-standard schedules, defined as work before 6 a.m. or after 6 p.m. or on the weekends. Researchers at New York University examined the consequences of this time deficit, finding that low-income parents working changing shifts at non-standard hours were more likely to have children with behavior problems at school and lower school performance as reported by teachers.⁴⁸

Retail's low wages are also an impediment to opportunity for children, with potentially devastating consequences for their future life chances. Children of low-income parents are seven times more likely to drop out of school than are higher income youth⁴⁹ and are

far more likely to become parents in their teen years.⁵⁰ Young people whose parents hold low-wage jobs are more likely to become “disconnected youth” in their post-high school years, neither working nor pursuing education or training.⁵¹ Considering the tremendous societal loss, researchers at the University of Massachusetts note, “the effects of non-high school completion are profound... lifelong income loss, diminished health, and more likely reliance on publicly-funded services results in considerable societal expense. Yet, arguably, the greatest cost to society is the loss of talents, abilities, and affiliation of millions of young people.”⁵²

And yet, a different path is possible. Based on his studies of low-income working parents in Milwaukee, Harvard professor Hirokazu Yoshikawa observes that “a work trajectory that’s characterized by full-time work with wage growth over the period of the two years resulted in increases in children’s school performance and reductions in their acting out behaviors... positive work experiences that result in increases in income over time... can help actually improve children’s school success.”⁵³ By investing in stable careers for the women working in its stores, the retail industry can make a positive difference for the next generation.

LARGE RETAILERS CAN AFFORD TO IMPROVE JOBS FOR WOMEN—WITHOUT BIG PRICE INCREASE

The cost of increasing the living standards of more than 5.7 million retail workers, including 3.2 million women and their families, adding \$12.1 to \$15.7 billion to GDP, and creating no less than 105,000 jobs amounts to just a small portion of total earnings among the biggest firms. The retail sector takes in more than \$4 trillion annually and firms with 1000 or more employees account for more than half of that. Labor compensation in the sector contributes only 12 percent of the total value of production, making payroll just a fraction of total costs.⁵⁴ Large retailers could pay full-time, year-round workers \$25,000 per year, improve scheduling practices, and still make a profit—satisfying shareholders while rewarding their workers for the value they bring to the firm. A raise at large retailers adds \$21.5 billion to payroll for the year, or less than 1 percent of total sales in the sector. The cost of scheduling improvements, while harder to quantify, would by all accounts be even smaller—research suggests that giving employees greater control over their schedules is cost-neutral in many cases.⁵⁵ At the same time it is very likely that companies will experience benefits that offset the cost of wage increases and scheduling improvements—in the form of productivity gains and higher sales per employee—making the net cost of the new wage and scheduling benefits even lower.

Demos' earlier study, *Retail's Hidden Potential*, demonstrated that there is not a one-to-one tradeoff between fair wages and low-priced goods. Businesses can choose to make up for some or all of the new labor costs by raising prices. *Retail's Hidden Potential* found that if retail firms pass the total cost on to consumers, shoppers will see prices increase by only 1 percent. But, as we discuss in detail below, productivity gains and new consumer spending associated with the raise make it unlikely that retailers will need to generate 100 percent of the cost. More plausibly, prices will increase by less than the total amount of the wage bill, spreading smaller costs across the entire population of consumers. The impact of rising prices on household budgets will be negligible. *Retail's Hidden Potential* found that even if retailers pass a significant portion of the cost of wage increase on to their customers in the form of higher prices, an average household would spend an additional 7 to 15 cents per shopping trip. Appendix C details the analysis behind these figures.

Totaling retailers' cost for raising wages

If large retailers instituted a wage floor equivalent to \$25,000 per year for full-time, year-round workers, they would incur the sum of new labor costs for the four million low paid workers, including 2.3 million women, earning less than \$12.25 per hour. Additionally, the wage rates for those earning just above this floor would increase as firms adjust pay scales in order to preserve their internal wage structures or to reward workers with long tenures or supervisory positions. But even with generous assumptions about the spillover effects of the wage raise onto higher earners, the combined direct and indirect costs barely make a dent in retail earnings. In order to fully account for the new wage bill we assume that every worker earning less than \$17.25 per hour will receive additional compensation, with the effects tapering off toward those at the higher end of the pay scale. That assumption probably overstates the indirect cost impact of raising wages at the bottom, since it extends to workers earning well above the cutoff for spillover effects that have been observed in empirical research.⁵⁶ Yet the cost of the increase under these assumptions is just 4.1 percent of payroll for the retail sector overall.⁵⁷ And since labor compensation is only a fraction of total costs, sales would not have to increase significantly in order to make up the difference. In fact, the wage increase amounts to just 0.5 percent of the total sales of the sector, and 1 percent of the total sales of large retailers. Firms can afford to pay wages equivalent to \$25,000 per year. The costs of improving scheduling, while harder to quantify, also have payoffs in terms of better sales.

Higher wages and better schedules lead to higher sales

The reality is that large retail firms won't have to cover the entire wage bill or cost of improving scheduling because these improvements to retail jobs have the potential to pay for themselves, at least in part. A large body of research shows that paying higher wages in the retail sector results in greater productivity and higher sales. Zeynep Ton, an expert on the retail sector at MIT, has shown that businesses that make an investment in their retail workforce find that well-paid, knowledgeable, and experienced employees can be a driver of sales, rather than costs.⁵⁸ Paying for high quality workers who can answer customer requests and identify priorities meets the long term goals of the business, as opposed to simply satisfying short-term cost minimization.

Ton's close study of retailers like Home Depot and the defunct Borders bookstore chain leads to similar conclusions about sched-

uling: retailers' efforts to precisely match labor supply to consumer traffic often fall short because just-in-time scheduling strategies fuel employee turnover, absenteeism and tardiness. This means that despite sophisticated scheduling software, retailers "don't know who will quit, who will be late tomorrow, and who just won't bother to show up."⁵⁹ Finally, Ton concludes that a misguided effort to cut labor costs leads many retailers to understaff their stores, losing sales and passing up profits. Missed sales opportunities could be recaptured if, for example, retailers drew on the pool of more than one million women working part-time retail jobs who report wanting a full-time hours.

Ton's findings are supported by other research on the performance of retail firms. For example, the CitiSales study conducted by researchers at Boston College and the University of Kentucky finds that giving retail employees more control over their work schedules optimizes recruitment among the hourly workforce, boosts retention of key talent, promotes employee productivity, engages employees, cultivates quality customer service, and reduces costs associated with turnover.⁶⁰ Researchers have also compared Costco, a high-wage retail employer that guarantees employees a set number of hours per week, with its warehouse club rival, low-wage employer Sam's Club, revealing a substantial payoff to paying fair wages and offering stable schedules: sales per employee at Costco are nearly double the average sales per employee at Sam's Club.⁶¹ Across the retail sector higher payroll levels and more stable schedules are associated with customer satisfaction, which translates to more money in the register.

Worker spending as a boost to retailers

Happy customers won't be the only people spending more money. When wages increase, the firm can count on additional revenues as workers see their disposable incomes climb. Since low-wage retail workers, particularly women working at large retail companies, tend to live in low-income households with a host of unmet needs, close to 100 percent of the cost of the raise will return to the economy as consumer spending. That means that the cost of higher wages will leave as paychecks but come back in shoppers' wallets. Much of this will return to the very firms that raised workers' wages. The average American household allocates 20 percent of their total expenditures toward retail goods, but for low-income households that proportion is higher.⁶² Assuming these low-income households do not save money out of their paychecks, firms across the sector can expect at

least 20 cents in new revenues for every added payroll dollar; that spending adds up to between \$4 and \$5 billion over the coming year. To put this in perspective, the retail sector expected 2014 spending for Mother's Day to total \$20.7 billion when final sales are calculated.⁶³ A raise for workers at large retailers brings billions of dollars back to the industry.

A more productive use of business profits

Top retail firms like Walmart, Target, and Walgreens earn billions of dollars in annual profits, which they pay out in dividends to their shareholders and bonuses to executive staff, or direct toward the future performance of the company. Even retail's high-wage employers, like Costco and Safeway, reap enormous profits and remain competitive, landing in the top ten performing retailers by revenues each year. But economic uncertainty and weak demand have made retail firms hesitant to invest in research and development or to expand into new buildings or markets. Instead, they have been using a portion of their profits to repurchase public shares of their own company stock.⁶⁴ In 2013, S&P 500 companies—including retailers like Target, Lowe's, Walmart, and Macy's—spent \$475.6 billion buying back shares of their own stock, a 19 percent increase from the previous year.⁶⁵ These buybacks reduce the number of shares in the market and artificially boost earnings per share, increasing the value of the stock for the remaining investors. Buybacks allow the firm to consolidate earnings, and where compensation is tied to performance, executives get a hike in their paychecks. In addition, shareholders benefit by receiving higher earnings without paying taxes on dividends, although as the *Wall Street Journal* recently noted, "companies that heavily repurchase their own shares also haven't seen their stocks get the same lift they enjoyed in the past."⁶⁶ The larger problem is that share repurchases do not contribute to the productivity of the industry or add to economic growth, in contrast to a raise that benefits 3.2 million women working in the industry and 5.7 million workers in total and the firms where they are employed. Instead of distributing gains to owners and managers, investing profits in the workforce would have broad effects on the American economy and offer new opportunities for retail's future.

These profits could be better spent. Retail's annual outlays on share buybacks could more than pay for a new wage floor at \$25,000 per year for the sector's low-wage workers. In 2013, the top 10 largest retailers spent \$26.3 billion on stock repurchases.⁶⁷ With just the amount spent on share buybacks last year, these 10

firms could finance a payroll increase for their own firms and all other large employers in the sector, and still have billions to spare. Instead, companies funnel profits toward stock repurchase plans, reaping gains for industry insiders at the expense of their most underpaid workers.

Figure 3. What the ten largest retailers spent on stock repurchases

		Forbes Rank by Revenues	Revenues (billions)	Profit (millions)	Employees	Share Repurchases (millions)
1	Walmart	1	\$469.20	\$16,999.00	2,200,000	\$6,683
2	CVS Caremark	13	\$123.10	\$3,876.90	164,500	\$3,976
3	Costco	22	\$99.10	\$1,709.00	135,000	\$34
4	Kroger	23	\$96.80	\$1,496.50	343,000	\$609
5	Home Depot	34	\$74.80	\$4,535.00	340,000	\$8,546
6	Target	36	\$73.30	\$2,999.00	361,000	\$1,478
7	Walgreen	37	\$71.60	\$2,127.00	205,500	\$615
8	Lowe's	56	\$50.50	\$1,959.00	202,500	\$3,710
9	Best Buy	61	\$45.10	-\$441.00	165,000	\$0
10	Safeway	62	\$44.20	\$596.50	171,000	\$664

total value of share repurchases among the top 10 retailers by revenue **\$26.315**

Source: Fortune 500 companies 2013, <http://money.cnn.com/magazines/fortune/fortune500/>, and Demos analysis of company SEC annual proxy statements DEF 14A.

Retail firms can afford to give their workers a raise, advancing America's working women, and they can expect benefits in return. Through increased productivity, consumer spending, and economic growth, retailers will benefit from every additional payroll dollar they spend. Large retailers could easily make an investment in their workforce with ripple effects that cross the industry and the economy, rather than directing profits to the benefit of a few investors. Instituting a new wage floor equivalent to \$25,000 per year for full-time, year-round workers and improving scheduling allows firms to reap the benefits of a rejuvenated economy without sacrificing their own self-interest.

CONCLUSION

Large retail firms are in a position to improve the lives of millions of America's working women and their families, boost the national economy and advance public welfare, all while improving their own outlook for sales growth. This study shows that improving scheduling and establishing a new wage floor that pays the equivalent of \$25,000 per year for full-time work, or \$12.25 per hour, would raise the living standards of 3.2 million households with women working in the retail industry, for a total of 5.7 million households when the families of both female and male retail workers are considered. Workers spending higher incomes in the marketplace—on retail goods and other purchases—could lead to the addition of \$6.9 to \$8.9 billion to GDP solely from women's portion of the raise, and 105,000 to 136,000 new jobs would be created based on women's contribution. The wage increase and scheduling improvements would be a productive investment for firms and a negligible cost for consumers. With a host of benefits and a small price tag, large retails can embrace the opportunity to make a positive change in the economy and the nation by paying a wage and offering hours that enable the women working in the retail industry to support their families, while improving productivity, increasing sales, and generating new economic activity and jobs.

APPENDIX A: LABOR FORCE AND POVERTY ESTIMATES

The population of retail workers, low-wage workers, and the working poor are estimated using the 2013 Annual Social and Economic Supplement to Current Population Survey, retrieved through IPUMS CPS (<http://cps.ipums.org>).⁶⁸ The included workforce statistics refer to the 2012 calendar year.

The retail workforce estimates include all workers ages 16 and older who reported being employed in the retail sector in 2012, worked at least 4 hours per week and 26 weeks per year, and reported working at firms with at least 1000 employees. The total estimated retail workforce at large firms includes 8 million workers.

We derived hourly wages from the reported annual wage and salary income, by dividing by weeks worked and average hours per week. The result is a low-wage workforce of almost 4 million workers at large firms who earned less than \$12.25 per hour in 2012. Following the research of Jacobs, Graham-Squire, and Luce, hourly wages that fell below the state or federal minimum were adjusted to the applicable minimum.⁶⁹ The direct cost of raising wages to \$12.25 per hour is the difference between \$12.25 and the derived hourly wage, multiplied by usual hours per week and weeks worked per year. The direct cost of the wage increase is \$19.3 billion.

The measure of indirect wage costs was based on the work of Heidi Shierholz at the Economic Policy Institute.⁷⁰ Estimated spillover effects of the wage increase impact all workers earning up to \$17.25 per hour, so that workers who are earning up to \$5 below the new minimum and workers earning up to \$5 above the new minimum are affected by the wage increase. The effects gradually diminish for workers earning farther above the new \$12.25 wage rate. Spillover effects impact the wages of 1.7 million workers, yielding an indirect cost of the wage increase of \$2.1 billion. Including the indirect effects of the wage hike, the new \$12.25 minimum will impact 71 percent of year-round workers at large retail firms.

Poverty rates were estimated using the IPUMS variables indicating poverty status (POVERTY), family income (FTOTVAL), number of family members (FAMSIZE), and the poverty threshold (CUTOFF). Near poverty is defined as within 150 percent of the federal poverty line. All poverty estimates refer to the official definition of poverty used by the US Census Bureau.

APPENDIX B: GDP AND JOB CREATION ESTIMATES



Our estimates of GDP and job creation are based on the macroeconomic modeling used by the Economic Policy Institute in three publications: Bivens 2011, Gable and Hall 2012, and Hall and Cooper 2012.⁷¹

The GDP multiplier is based on the February 2012 Congressional Testimony of Moody’s chief economist Mark Zandi.⁷² The estimated benefits of reallocating money to workers with a high marginal propensity to consume incorporate Zandi’s multipliers for stimulus policies that redistribute money to lower-income households. The multiplier includes the average of the EITC multiplier and the tax credit for working individuals and families from the American Recovery and Reinvestment Act of 2009 in order to represent the benefit to households with a wage increase. The average of those two multipliers is 1.215. The effects of raising prices and increasing employers’ wage bill are factored into an offsetting multiplier that includes the multiplier value of an across-the-board tax cut and a cut in the corporate tax rate, weighted to represent the rate at which the wage increase is passed-through to prices (p). The resulting effect of those components is $[0.32(1-p) + (0.98*p)]$.

Multiplier Effects from Moody's Analytics, 2012	
Earned Income Tax Credit, ARRA Parameters	1.24
Making Work Pay	1.19
Across-the-Board Tax Cut	0.98
Cut in Corporate Tax Rate	0.32

Source: Mark Zandi Congressional Testimony, February 7, 2012

Our estimates of job creation are also based on Economic Policy Institute methodology, by dividing the GDP increase by \$115,000, the amount necessary to create one full-time equivalent job.

Multiplier effects for a raise to all workers based on Moody's Analytics, 2012			
Level of Price Pass-Through	Multiplier	GDP Created	Jobs Created
100 percent	$1.215 - [(0.32 \times 0) + (0.98 \times 1)] = 0.235$	\$5,044,510,000	43,865
75 percent	$1.215 - [(0.32 \times (1 - 0.75)) + (0.98 \times 0.75)] = 0.4$	\$8,586,400,000	74,664
50 percent	$1.215 - [(0.32 \times (1 - 0.5)) + (0.98 \times 0.5)] = 0.565$	\$12,128,290,000	105,463
25 percent	$1.215 - [(0.32 \times (1 - 0.25)) + (0.98 \times 0.25)] = 0.73$	\$15,670,180,000	136,262
0 percent	$1.215 - [(0.32 \times 1) + (0.98 \times 0)] = 0.895$	\$19,212,070,000	167,061

Source: Demos analysis using estimates from the Current Population Survey Annual Social and Economic Supplement and multipliers based on Moody's analytics and methodology from the Economic Policy Institute

Multiplier effects for a raise to female workers based on Moody's Analytics, 2012			
Level of Price Pass-Through	Multiplier	GDP Created	Jobs Created
100 percent	$1.215 - [(0.32 \times 0) + (0.98 \times 1)] = 0.235$	\$2,872,875,000	24,982
75 percent	$1.215 - [(0.32 \times (1 - 0.75)) + (0.98 \times 0.75)] = 0.4$	\$4,890,000,000	42,522
50 percent	$1.215 - [(0.32 \times (1 - 0.5)) + (0.98 \times 0.5)] = 0.565$	\$6,907,125,000	60,062
25 percent	$1.215 - [(0.32 \times (1 - 0.25)) + (0.98 \times 0.25)] = 0.73$	\$8,924,250,000	77,602
0 percent	$1.215 - [(0.32 \times 1) + (0.98 \times 0)] = 0.895$	\$10,941,375,000	95,142

Source: Demos analysis using estimates from the Current Population Survey Annual Social and Economic Supplement and multipliers based on Moody's analytics and methodology from the Economic Policy Institute

APPENDIX C: CONSUMER COST ESTIMATES

We measure the effects of a wage increase on shopping budgets using research from the Nielsen Company documenting American retail spending, and methodology from the Berkeley Labor Center.⁷³

Nielsen's analysis of purchasing behavior found that from 2011 to 2012 households spent an average of \$3694 on consumer packaged goods like those sold by large retailers, including food, apparel, and health and beauty products.⁷⁴ This category of merchandise describes the majority of retail products that recur in household budgets, but excludes larger investments. Since the measure does not include all retail spending, households who purchase durable goods like a washing machine or a new car can expect to pay an additional fraction of a percent on their major purchases. However, the Nielsen data does allow us to project the impact of an increase in the retail wage on a household's regular purchases. According to Nielsen, the average household spends \$3,694 on consumer packaged retail goods each year, spread across more than 100 trips to the store. With a new wage floor in the retail sector, this spending will increase by no more than 1 percent, and plausibly by much less. If retailers pass half of the costs of a wage raise on to their customers, the average household will see just 15 cents added to the cost of its shopping basket on any trip to a large retailer. That amounts to an annual cost of \$17.73. If firms pass less than 50 percent of wage costs on to customers the additional spending will be even less. At a rate of 25 percent of costs passed through to prices, shoppers will spend just 7 cents more per shopping trip, or \$8.87 per year.

The consumers who spend the most on the wage increase will be those who rely on retail workers for assistance with higher value purchases across the year. High income households spend more money per shopping trip, accumulating higher annual spending and incurring a higher portion of the cost of a wage raise. These high earners spend up to \$1200 more than low-income households annually, but the difference in added costs is relatively small. Per shopping trip, high income households would spend 18 cents on the cost of a wage increase, for a total of \$36.80 per year. Low-income households would spend just 12 additional cents on their shopping list, or \$24.87 per year. The distribution of costs toward those who spend more money on retail goods makes the wage floor equivalent

to \$25,000 per year a net gain for low-income households, whose benefit from the wage increase will not be undermined when firms raise their prices.

	Total	Households earning Less Than \$30,000 Per Year	Households Earning \$30,000 to \$100,000 Per Year	Households Earning At Least \$100,000 Per year
Dollars Spent Per Year on Retail Consumer goods	\$3,694	\$3,091	\$3,830	\$4,272
Trips To Retail Stores Per Year	121	124	122	116
Dollars Spent Per Trip to Retail Stores	\$30.42	\$24.87	\$31.41	\$36.80

100% PASS-THROUGH

Cost Per Year	\$36.94	\$30.91	\$38.30	\$42.72
Cost Per Shopping Trip	\$0.30	\$0.25	\$0.31	\$0.37

75% PASS-THROUGH

Cost Per Year	\$26.60	\$22.26	\$27.58	\$30.76
Cost Per Shopping Trip	\$0.22	\$0.18	\$0.23	\$0.26

50% PASS-THROUGH

Cost Per Year	\$17.73	\$14.84	\$18.38	\$20.51
Cost Per Shopping Trip	\$0.15	\$0.12	\$0.15	\$0.18

25% PASS-THROUGH

Cost Per Year	\$8.87	\$7.42	\$9.19	\$10.25
Cost Per Shopping Trip	\$0.07	\$0.06	\$0.08	\$0.09

Source: Demos analysis of Nielson data using estimates from the Bureau of Labor Statistics 2013 Current Population Survey Annual Social and Economic Supplement.

ENDNOTES

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