Available online at www.sciencedirect.com
ScienceDirect
Journal of Urban Economics 63 (2008) 405–430
JOURNAL OF Urban Economics
www.elsevier.com/locate/jue

The effects of Wal-Mart on local labor markets ☆

David Neumark [a,*], Junfu Zhang [b], Stephen Ciccarella [c]

[a] *Department of Economics, UCI, 3151 Social Science Plaza, Irvine, CA 92697, USA*
[b] *Department of Economics, Clark University, 950 Main St., Worcester, MA 01610, USA*
[c] *Department of Economics, 404 Uris Hall, Cornell University, Ithaca, NY 14853, USA*

Received 25 December 2006; revised 8 July 2007

Available online 14 August 2007

Abstract

We estimate the effects of Wal-Mart stores on county-level retail employment and earnings, accounting for endogeneity of the location and timing of Wal-Mart openings that most likely biases the evidence against finding adverse effects of Wal-Mart stores. We address the endogeneity problem using a natural instrumental variables approach that arises from the geographic and time pattern of the opening of Wal-Mart stores, which slowly spread out from the first stores in Arkansas. The employment results indicate that a Wal-Mart store opening reduces county-level retail employment by about 150 workers, implying that each Wal-Mart worker replaces approximately 1.4 retail workers. This represents a 2.7 percent reduction in average retail employment. The payroll results indicate that Wal-Mart store openings lead to declines in county-level retail earnings of about $1.4 million, or 1.5 percent. Of course, these effects occurred against a backdrop of rising retail employment, and only imply lower retail employment growth than would have occurred absent the effects of Wal-Mart.
© 2007 Elsevier Inc. All rights reserved.

JEL classification: J2; J3; R1

Keywords: Wal-Mart; Employment; Earnings

1. Introduction

Wal-Mart is more than just another large company. It is the largest corporation in the world, with total revenues of $285 billion in 2005. It employs over 1.2 million workers in the United States, at about 3600 stores.[1] To put this in perspective, the Wal-Mart workforce represents just under 1 percent of total employment and just under 10 percent of retail employment in the United States. It exceeds the number of high school teachers or middle school teachers, and is just under the size of the elementary school teacher workforce. Wal-Mart is reported to be the nation's largest grocer, with a 19 percent market share, and its third-largest pharmacy, with a 16 percent market share (Bianco and Zellner, 2003).

☆ This is a revised version of a preliminary draft presented at the Wal-Mart Economic Impact Research Conference, Washington, DC, November 2005.

* Corresponding author.
E-mail addresses: dneumark@uci.edu (D. Neumark), juzhang@clarku.edu (J. Zhang), smc227@cornell.edu (S. Ciccarella).

[1] See http://www.walmartfacts.com/newsdesk/wal-mart-fact-sheets.aspx#a125 (as of September 8, 2005).

0094-1190/$ – see front matter © 2007 Elsevier Inc. All rights reserved.
doi:10.1016/j.jue.2007.07.004

During the past two decades, as Wal-Mart sharply expanded its number of stores in the United States, it increasingly encountered resistance from local communities. Opponents of Wal-Mart have tried to block its entry on many grounds, including the prevention of urban sprawl, preservation of historical culture, protection of the environment and "main-street" merchants, and avoidance of road congestion.[2] Yet two of the most commonly-heard criticisms are that Wal-Mart eliminates more retail jobs than it creates for a community, and that it results in lower wages, especially in retail.[3] Wal-Mart executives dispute these claims, especially with regard to employment. For example: its Vice President Bob McAdam has argued that there are many locations where Wal-Mart creates jobs in other businesses in addition to what Wal-Mart itself offers (PBS, 2004); the Wal-Mart web-site Walmartfacts.com trumpets the positive effects of Wal-Mart stores on retail jobs in the communities where stores open[4]; and an advertisement run in the *USA Today*, *The Wall Street Journal*, and *The New York Times* on January 14, 2005, displayed an open letter from Lee Scott, Wal-Mart President and CEO, stating "This year, we plan to create more than 100,000 new jobs in the United States."[5] Of course Wal-Mart offers other potential benefits in the form of lower prices for consumers (Basker, 2005a; Hausman and Leibtag, 2004).

In this paper, we seek to provide a definitive answer regarding whether Wal-Mart creates or eliminates jobs in the retail sector, relative to what would have happened absent Wal-Mart's entry. Also, because of concern over the effects of Wal-Mart on wages, and because policymakers may be interested in the impact of Wal-Mart on taxable payrolls, we also estimate the effects of Wal-Mart on earnings in the retail sector, reflecting the combination of influences on employment, wages, and hours. We believe that our evidence improves substantially on existing studies of these and related questions, most importantly by implementing an identification strategy that accounts for the endogeneity of store location and timing and how these may be correlated with future changes in earnings or employment. Indeed, it has been suggested that Wal-Mart's explicit strategy was to locate in small towns where the population growth was increasing (Slater, 2003, p. 92) and it is reasonable to expect that Wal-Mart entered markets where projected retail growth was strong. If Wal-Mart tends to enter fast-growing areas in booming periods, then we might expect to observe employment and earnings rising in apparent response to Wal-Mart's entry, even if the stores actually have negative effects.

Our identification strategy is driven by a systematic pattern in the openings of Wal-Mart stores. Sam Walton, the founder of Wal-Mart, opened the first Wal-Mart store in 1962 in Rogers, Arkansas, in Benton County. Five years later, Wal-Mart had 18 stores with $9 million of annual sales. Wal-Mart first grew into a local chain store in the northwest part of Arkansas. It then spread to adjacent states such as Oklahoma, Missouri, and Louisiana. From there, it kept expanding to the rest of the country after closer markets were largely saturated (Slater, 2003, pp. 28–29). The relationship between Wal-Mart stores' opening dates and their distance to the headquarters is primarily a result of Wal-Mart's "saturation" strategy for growth, which was based on control of and distribution of stores, as well as word-of-mouth advertising. In his autobiography, Sam Walton describes the control and distribution motive as follows:

> "[Our growth strategy] was to saturate a market area by spreading out, then filling in. In the early growth years of discounting, a lot of national companies with distribution systems already in place—K-Mart, for example—were growing by sticking stores all over the country. Obviously, we couldn't support anything like that. ... We figured we had to build our stores so that our distribution centers, or warehouses, could take care of them, but also so those stores could be controlled. We wanted them within reach of our district managers, and of ourselves here in Bentonville, so we could get out there and look after them. Each store had to be within a day's drive of a distribution center. So we would go as far as we could from a warehouse and put in a store. Then we would fill in the map of that territory, state by state, county seat by county seat, until we had saturated that market area. ... So for the most part, we just started repeating what worked, stamping out stores cookie-cutter style" (Walton, 1992, pp. 110–111).

One might wonder whether this need to be near a distribution center requires a steady spreading out from Arkansas. Why not, for example, open distribution centers further away, and build stores near them? The explanation seems to lie in the word-of-mouth advertising

[2] See, for example, Bowermaster (1989), Ingold (2004), Jacobs (2004), Kaufman (1999), Nieves (1995), and Rimer (1993).

[3] See, for example, Norman (2004), Quinn (2000), and Wal-Mart Watch (2005).

[4] See http://www.walmartfacts.com/newsdesk/wal-mart-fact-sheets.aspx (as of December 15, 2005).

[5] If this refers to gross rather than net job creation, it could be consistent with Wal-Mart destroying more jobs than it creates.

متن کامل مقاله
دریافت فوری

ISIArticles
مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات