

CONTROLLER STEVE WESTLY

STATE OF CALIFORNIA

300 Capitol Mall
Sacramento, CA 95814
916.445.2636
www.controller.ca.gov

FOR IMMEDIATE RELEASE:
AUGUST 9, 2004

CONTACT: PAUL HEFNER
916-324-2356

Westly Issues Wal-Mart Caution

Retailer's Low-Wage Policies Burden State, UC Study Shows

LOS ANGELES – Citing a new UC Berkeley study, State Controller Steve Westly called today for cities to consider the financial strain low-wage workers place on government before approving new Wal-Mart super centers.

“Wal-Mart may save its customers some money at the checkstand, but California taxpayers are getting the bill,” Westly said. “Local officials should keep that in mind when they decide whether to become home to the next Wal-Mart super center.”

The study estimated California’s additional costs at \$86 million a year. Westly discussed the findings with Los Angeles City Councilmember Eric Garcetti, who has proposed requiring a thorough economic analysis before the city approves any future superstores.

"This study affirms what we have known for some time: accepting low-wage jobs at the local level has major consequences on the State's budget and overall health of our economy," Councilman Garcetti said. "The quality of the jobs we create is just as important as the creation of jobs."

Westly praised Garcetti for addressing this issue, and sent copies of the study, "*The Hidden Cost of Wal-Mart Jobs*," to mayors and city council members of California’s 25 largest cities, along with a letter urging them to consider the impact of low-wage jobs.

The study, by professors Arindrajit Dube and Ken Jacobs, found that Wal-Mart pays lower wages and benefits than other major retailers. As a result, workers must rely on state-funded programs like Medi-Cal and Healthy Families.

“As the state’s chief financial officer, I am concerned about Wal-Mart’s plans to open 40 new ‘super centers’ throughout California and the potential impact on workers and taxpayers,” Westly said in the letter. “As government leaders, we must weigh the benefits of potential new jobs and revenues against the likely drain of government resources.”

“Along with the direct impact on the state’s budget, I fear that Wal-Mart’s employment policies are fueling a race to the bottom among major retailers,” Westly said. “Other companies that once paid fair wages are now cutting wages and benefits to compete.”

Text of letter follows.

-More-



STEVE WESTLY
California State Controller

August 6, 2004

The Honorable James Hahn
Mayor, City of Los Angeles
200 North Spring Street, Room 303
Los Angeles, CA 90012-4121

Dear Mayor Hahn:

I am writing to call to your attention a new U.C. Berkeley study estimating that Wal-Mart's employment policies cost California taxpayers as much as \$86 million a year. As the state's chief financial officer, I am concerned about Wal-Mart's plans to open 40 new "Supercenters" throughout California and the potential impact on workers and taxpayers.

The Berkeley study found that Wal-Mart pays lower wages and benefits than other major retailers. Consequently, these workers rely on state-funded programs -- Medi-Cal, Healthy Families -- to sustain themselves and their families.

In addition to the direct impact on the state's budget, I fear that Wal-Mart's employment policies are fueling a race to the bottom among major retailers. Other companies that traditionally have paid fair wages are now cutting wages and benefits to compete with Wal-Mart.

The Los Angeles City Council this month is considering an ordinance that would require large retailers seeking city approval to submit a comprehensive economic impact analysis, evaluating the new store's effect on jobs, wages and local businesses. I believe this is the kind of balanced approach we all should pursue.

As government leaders, we must weigh the benefits of potential new jobs and revenues against the likely drain on government resources. I urge you and your colleagues to carefully consider the information in the Berkeley study as this issue comes before you.

Sincerely,

STEVE WESTLY
California State Controller

###