



ON THE PUBLIC DOLE: WHY SHOULD TAXPAYERS SUBSIDIZE WAL-MART'S HEALTH CARE BILLS?

Wal-Mart, the world's largest corporation with more than \$288 billion in annual sales⁸ and 1.2 million workers in the U.S., does not pay for health insurance for over half of its employees.⁹ Instead, Wal-Mart forces hundreds of thousands of employees to rely on government programs from children's health insurance to school lunches, costing taxpayers over \$1.5 billion dollars annually.¹⁰

Wal-Mart CEO Lee Scott has admitted this, saying, "In some of our states, the public program may actually be a better value — with relatively high income limits to qualify, and low premiums — lower than we can provide insurance for, even when our plans start as low as \$40 for an individual and \$55 for a family."¹¹

Take Florida, for example, where the *St. Petersburg Times* reported that Wal-Mart led the list of companies with the most employees and dependents enrolled in Medicaid or KidCare Insurance. The company has 12,300 workers enrolled in the state Medicaid program — more than 13 percent of its 91,000 Florida workers.¹²

The obvious question: why should taxpayers subsidize the health care costs for a corporation that reported more than \$10 billion in profits in 2004 alone?

Other states are facing this question, too. In Georgia, for example, more than 10,000 children of Wal-Mart employees rely on state-funded health care.¹³ In Alabama,¹⁴ Wal-Mart leads the list of the state's largest employers who receive public aid including Medicaid. Same in Iowa.¹⁵ Same in Tennessee,¹⁶ Wisconsin,¹⁷ West Virginia,¹⁸ Arkansas,¹⁹ Connecticut,²⁰ New Hampshire²¹ and Washington.²²

One reason so many Wal-Mart workers end up on taxpayer-funded health care programs is the unaffordable benefits programs that asks employees earning an average of \$14,000 per year to pay a \$1,000 deductible for health insurance. This means that a sales clerk making \$8.50 per hour is expected to pay the first \$1,000 of her health care costs out-of-pocket,²³ an impossible expense for many.



Photo Illustration

REALITY CHECK: WITH OVER \$10 BILLION IN PROFIT, WHY CAN'T WAL-MART PAY WORKERS MORE?

The Century Foundation's Simon Head reported at the end of 2004 that "the average pay of a sales clerk at Wal-Mart was \$8.50 per hour, or about \$14,000 a year — \$1,000 below the government's definition of the poverty level for a family of three."²⁴

When the world's largest and wealthiest corporation tolerates its employees living in poverty, something is wrong. Would raising workers' pay undercut Wal-Mart against its retail competitors? Not really.

Take Costco, a retailer vying for market share with Wal-Mart, and a direct competitor to its Sam's Club stores. Costco pays its employees, on average, \$16 per hour — 65 percent more than Wal-Mart and 33 percent more than Sam's Club.²⁵ 82 percent of Costco's workers have health insurance, compared to 48 percent for Wal-Mart.²⁶ In 2004 *Business Week* reported that Costco workers, with their higher wages and better benefits, helped the company earn \$13,647 in U.S. operating profit per hourly employee vs. \$11,039 at Sam's Club. Additionally, Costco benefits from lower turnover and higher productivity.²⁷

Wal-Mart's workforce is larger than General Motors, Ford, GE and IBM combined.²⁸ It does more business than Target, Sears, Kmart, JC Penney, Safeway, and Kroger combined.²⁹ Wal-Mart cannot blame competition for their shortcomings with employees.

Dismissing the Century Foundation's numbers and other studies, Wal-Mart executives and public relations professionals inflate income statistics claiming that full-time workers "average" \$9.68 an hour for a 35-hour workweek.³⁰ Even with their inflated numbers, which *include highly paid executives and Wal-Mart managers*, an annual pay of about \$17,600 leaves an "average" worker with a family of four substantially below the \$19,157 federal poverty line, according to *The New York Times*.³¹

With Wal-Mart refusing to pay its workers a family-sustaining wage, competitors and suppliers come under pressure to reduce their own wages and benefits costs to remain competitive. The United States is experiencing a race to the bottom...with Wal-Mart leading the way.

FACTS ON WAL-MART TAX SUBSIDIES

- ★ Wal-Mart tops the list of companies having the most employees on taxpayer-subsidized state health programs.
- ★ Wal-Mart sales clerks earn an average of \$14,000 annually and are offered health-care plans that include a \$1,000 out-of-pocket deductible.
- ★ On average, U.S. employers spend \$5,600 per worker on health care annually. Wal-Mart spends only \$3,500.

FACTS ON WAL-MART WAGES

- ★ Wal-Mart pays sales clerks about \$14,000 per year—a wage below the government-defined poverty level for a family of three.
- ★ If Wal-Mart raised wages and benefits by \$3.50 an hour, the changes would represent three percent of total sales.
- ★ Costco pays its workers 65 percent more than Wal-Mart and 33 percent more than Sam's Club, yet earns more profits per employee.³²