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Sizing up Wal-Mart for impact on public

Other states are asking about costs for taxpayer

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-- More and more states want to know: What is Wal-Mart costing taxpayers?

The mega-retailer -- now Ohio's largest employer -- has come under scrutiny for offering wages and benefits too low to keep employees off many of the safety-net programs paid for by government, such as Medicaid.

At the same time, states are increasingly concerned that few of the taxes paid on Wal-Mart's record-busting profits are making it into the state treasuries that pay for those programs.

Wal-Mart disputes many of the accusations it faces, said spokesman Nate Hurst.

He said the company paid \$40.5 million in state and local taxes in Ohio in 2004, and an average wage for full-time associates of \$9.46 an hour, well above the minimum of \$5.15.

"We don't in any way design our plans to be supplemented by government programs, nor do we encourage our employees to apply for them," Hurst said.

Gov. Bob Taft, a Cincinnati Republican, has never asked any of his state agencies to sort out the facts on Wal-Mart, said spokesman Mark Rickel.

But Taft has spearheaded the idea of a new, 0.26 percent tax on business sales that has a particular impact on such retailers -- something some state lawmakers see as a good move.

"I would much rather have manufacturing be satisfied with Ohio's tax structure than have Wal-Mart be satisfied with Ohio's tax structure," said State Rep. Chuck Blasdel, the Ohio House speaker pro tem who sits on the tax-writing Ways & Means Committee.

Average wages in the retail sector in Northeast Ohio are \$20,000 a year - \$30,000 a year less than average wages in the manufacturing sector, according to a recent Cleveland State University study.

During recent testimony on Ohio's next two-year budget, John Begala of the Cleveland-based Center for Community Solutions told state lawmakers that the state-federal Medicaid health insurance program had become "Wal-Mart's health care program."

Begala, a member of the Ohio Commission to Reform Medicaid, said Taft's budget proposals to rein in rapid Medicaid growth could hurt many workers who have moved from high-paying manufacturing jobs to Wal-Mart.

"Wal-Mart is the superbox equivalent of what's going on in the economy in general," he said. "Thirty years ago, Ohio's economy supported many more jobs with good pay and benefits than it does today. And the Medicaid rolls are three times the size they were then."

Hurst said Wal-Mart recently commissioned its own survey on the matter. It found that 5 percent of new hires were on Medicaid, with the number dropping to 3 percent for those employed two years or more.

"We are at the table with legislators trying to figure out these issues," he said. "We understand that health care is a national problem, and we'd love to go about addressing it with accurate data."

The Ohio Department of Job & Family Services rejected Plain Dealer requests for information on the number of Wal-Mart employees who might be receiving Medicaid, public health insurance for children, food stamps or other public benefits.

The department cited the privacy of wage-specific information and the sometimes unreliable collection of employer data.

Information from other states suggests the numbers could be significant - enough so that the state legislature is inquiring about Ohio-specific data.

In Georgia, for example, a memo prepared for the governor showed 10,261 children of Wal-Mart employees in 2002 were receiving PeachCare for Kids public health insurance, 14 times more than any other employer.

In California, a study last year estimated that compensation policies at the mega-retailer cost public safety-net programs \$86 million a year, including \$20.5 million in health care.

A quarter of Wal-Mart workers in Tennessee are on TennCare, the state's public health insurance program for low-income, disabled and uninsurable workers.

The same phenomenon in Montana has prompted a state senator there to propose legislation that would force Wal-Mart and its rivals - in Ohio, such companies as Meijer, Kmart and Target - to raise wages or face stiff tax penalties.

Meanwhile, a study by the Democratic staff of the U.S. House Education Committee found employees of an average 200-person Wal-Mart store would be eligible for \$420,750 a year in lunches for their children, housing assistance, tax credits and other federal low-income programs.

The Ohio departments of Taxation and Development were also unable to produce quantifiable evidence of Wal-Mart's reliance - or lack of reliance - on state government programs and incentives. However, a 2004 study by Washington, D.C.-based Good Jobs First found that Ohio communities had given more than \$24 million in tax abatements, infrastructure grants and government subsidies to attract Wal-Mart development.

Wal-Mart launched a nationwide public relations campaign this year - starting a www.walmartfacts.com Web site - aimed at countering such studies.

Spokesman Marty Heires said, "There's no question that a lot of it has come from organized labor."

He painted a rosier picture, noting that Wal-Mart spent \$3.3 billion in the past year for merchandise and services from Ohio suppliers and contributed \$6.1 million to local causes and organizations in the state.

Wal-Mart has become Ohio's largest employer on Taft's watch. Figures from the Development Department show that Wal-Mart was the state's sixth-largest employer in 1999, when Taft took office - and now tops the list with more than twice as many workers as General Electric, Honda, Ford or Procter & Gamble.

Blasdel, an East Liverpool Republican, said the result for his community has been "a significant negative economic impact." He said Wal-Mart has driven out smaller local businesses in Columbiana County without replacing their civic and charitable contributions to the community.

"Ross Perot said NAFTA would create a giant sucking sound for the economy. In Ohio, I think it's Wal-Mart," Blasdel said.

Employees in urban and rural Ohio report very different wages. Columbus starting pay is about \$8.10 an hour, and cashiers in Appalachia start at \$6.

Meanwhile, a case study by the Harvard Business School found in 2002 that Wal-Mart spent an average of \$3,500 a year on health care for each employee, compared with \$4,800 for the average retailer and \$5,600 for the average U.S. company.

Hurst again disputed this information, saying the independent study Wal-Mart commissioned found its wages and benefits to be in line with other retailers.

Teresa Smith, a 49-year-old Wal-Mart worker, sat in a line of cars at the Smith Chapel food pantry in Logan southeast of Columbus on Monday waiting for the biweekly distribution.

She said she lost a good job at the shoe factory in Lancaster and now can't afford the health insurance Wal-Mart offers. It costs \$86 a pay period, she said, or about 15 percent of her \$586 pay check.

Angie Gainer, 32, said she loves her job at Wal-Mart and is benefiting from the disability insurance it offers.

She said she was in the food line only because of hard times brought on by recent surgery. But her full-time salary after 3½ years at Wal-Mart would still qualify her family of two for the food bank's distribution.

"It's difficult for her," said Gainer's father, Harold. "It's just right on the border of making it and not making it."

Lisa Hamler-Fugitt, a lobbyist for the Association of Second Harvest Foodbanks, said Ohio policymakers need to assess Wal-Mart's economic impact before they can write an effective budget and tax reform package.

"We're shooting in the dark," she said.

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