

Gregg Steinhafel
Chairman, President and CEO, Target
Target Executive Offices
P.O. Box 9350
Minneapolis, MN 55440

October 17, 2013

Dear Mr. Steinhafel,

I am writing you today to urge Target to support raising the minimum wage – something that will not only aid the economy, but that could also improve Target’s revenues. For years Target has been cultivating an image and a brand that claims to be better than Walmart and that Target treats its workers better and provides higher quality goods and services than Walmart. Target’s ads convey the company as the socially responsible option to which consumers should turn.

Unfortunately, this campaign is predicated more on implicitly emphasizing the social ills Walmart represents than on virtues espoused and carried out by Target management.

Target’s record when it comes to your workers is no better. Like Walmart, Target pays many of its workers unconscionably low wages, is the fourth largest low-wage employer in the country¹, requires employees to watch anti-union propaganda², and just last year was found to have intimidated its workers and violated federal labor laws³. This behavior reminds one of Walmart.

Target employs over 340,000 workers in the United States.⁴ And according to IBIS World, an independent market research company, the average wage for “associates” at Target is in fact less than the average for “associates” at Walmart.⁵ While many of these “team members” are paid no more than a poverty wage, your compensation package brought home over \$28 million in 2012.⁶ This amounts to almost \$14,000 per hour!

As if all of this weren’t bad enough, when large, profitable corporations employ workers at shamefully low wages these employees often resort to public assistance programs to provide their families with necessities like food stamps, housing assistance, Medicaid and the earned income tax credit. Taxpayers end up subsidizing your company’s poverty wages. A recent report from the House Committee on Education and the Workforce indicated that a single Walmart Supercenter store in Wisconsin could cost taxpayers over \$900,000 per year. In states where data has been made public that

¹ National Employment Law Project. “Big Business, Corporate Profits, and the Minimum Wage.” July 2012.

<http://nelp.3cdn.net/e555b2e361f8f734f4_sim6btdzo.pdf>

² Edwards, David. “Target Forces Its Employees to Watch This Anti-Union Propaganda Video.” *Raw Story*. June 13, 2011.

<<http://www.rawstory.com/rawreplay/2011/06/target-forces-employees-to-watch-this-anti-union-propaganda-video/>>

³ Greenhouse, Steven. “Union Gets New Election at a Target.” *New York Times*. May 21, 2012.

<<http://www.nytimes.com/2012/05/22/business/new-union-vote-ordered-at-target-store-in-valley-stream-ny.html>>

⁴ Target Team Member Headcount – Statewide. Data current as of February 2, 2013.

<http://pressroom.target.com/internal_redirect/cms.ipressroom.com.s3.amazonaws.com/18/files/20134/2013%20Target%20team%20member%20headcount.pdf>

⁵ Gross, Courtney. “Is Wal-Mart Worse?” *Gotham Gazette*. February 14, 2011.

<<http://www.gothamgazette.com/index.php/economy/694-is-wal-mart-worse>>

⁶ “America’s Highest Paid Chief Executives” *Forbes*. 2012. <http://www.forbes.com/lists/2012/12/ceo-compensation-12_rank.html>

shows which businesses employ the most workers who resort to public assistance programs, Walmart often tops the list. However, Target is far too frequently found near the top of these lists as well.

If Target wants to live up to the image you have carefully crafted, you must do something to show your dedication to being a more worker responsible choice than Walmart: By supporting an increase in the minimum wage. Costco's CEO and President, Craig Jelinek, came out this summer in support of a minimum wage above \$10 per hour. Costco's starting wage is \$11.50 per hour plus benefits. Surely you can do the same.

The inflation-adjusted value of the minimum wage has been in decline since the 1960's, leaving hard-working Americans across the country with less and less disposable income. As a result, thirty million workers make less today than workers made in 1968, inflation adjusted. Meanwhile the cost of living has continued its steady increase over that time, eroding consumer purchasing power.

In the throes of an ailing economy, consumer spending has declined. Raising the minimum wage to \$10.50 per hour could benefit as many as 30 million workers throughout the country. A 2011 study by the Chicago Federal Reserve Bank found that for every dollar increase to the wage of a minimum wage worker, the result is \$2,800 in new consumer spending from that worker's household over the year.⁷ An issue brief from the Economic Policy Institute estimated that raising the minimum wage to \$10.50 per hour would add at least \$30 billion in additional spending to the economy each year for a two-year period.⁸ This could not only help our economy continue to recover, but could have a significant impact on the spending and purchasing power of Target customers in particular.

Higher wages have also been shown to decrease employee turnover and improve productivity. For instance, a 2006 article in the Harvard Business Review, "The High Cost of Low Wages,"⁹ shows the positive impact that greater wages and benefits can have by comparing Costco's compensation practices to those of retail outlets like Target. Costco provides its employees with higher average wages and provides better healthcare benefits. Consequently, Costco has a much lower employee turnover rate, some of the lowest employee theft figures in the industry, and has greater productivity among its employees.

A study released by UC Berkeley's Center for Labor Research and Education, "Living Wage Policies and Big-Box Retail: How a Higher Wage Standard Would Impact Wal-Mart Workers and Shoppers"¹⁰ demonstrates how an increase in the minimum wage would not significantly impact Walmart's own costs. Presumably the same would be true of Target since the two companies' business models are not appreciably different.

⁷ Aaronson, Daniel, Sumit Agarwal, and Eric French. "The Spending and Debt Responses to Minimum Wage Increases ." Federal Reserve Bank of Chicago. February 8, 2011.

<http://www.chicagofed.org/digital_assets/publications/working_papers/2007/wp2007_23.pdf>

⁸ Filion, Kai. "A Stealthy Stimulus: How Boosting the Minimum Wage Is Helping to Support the Economy." Economic Policy Institute. May 28, 2009. <http://www.epi.org/page/-/IssueBrief255_Final.pdf>

⁹ Cascio, Wayne F. "The High Cost of Low Wages." Harvard Business Review. 2006. <<http://hbr.org/2006/12/the-high-cost-of-low-wages/ar/pr>>

¹⁰ Jacobs, Ken, Dave Graham-Squire, and Stephanie Luce. "Living Wage Policies and Big Box Retail: How a Higher Wage Standard Would Impact Walmart Workers and Shoppers." April 2011.

<http://laborcenter.berkeley.edu/retail/bigbox_livingwage_policies11.pdf>

The UC Berkeley study shows that a wage floor increase for Walmart to \$10 per hour would represent only about 5 percent of Walmart's net income, a 2.7 percent increase in payroll costs, and a miniscule 0.25 percent of annual U.S. sales.


Taking a different approach, were Walmart instead to choose to pass the entire cost of these wage increases onto the consumer, the UC Berkeley study similarly shows minimal impact on Walmart's prices. A \$12 per hour wage floor would only add \$0.46 per shopping trip for an average Walmart shopper, while a \$10 per hour wage floor would add just \$0.11 per trip. With a \$12 per hour wage floor, the total impact on an average Walmart shopper over the course of a year would be an additional \$12.49. For a \$10 wage floor, the total impact on an average Walmart shopper would be just \$3 per year.

This clearly demonstrates that a minimum wage increase would have a negligible impact on either the prices Target could continue to offer or your profits. The marginal extra cost is outweighed by the potential for significant benefits. Especially when you consider that part of the only cost to stores like Target – increasing some of its own employees' wages – would likely be recouped in the purchasing power that these employees, and consumers, gain. Where will minimum wage earners spend some of the extra money they make? For many of them, the answer is most certainly Target.

A prominent businessman had a similar idea in 1914. In the midst of a deep recession, Henry Ford announced his plan to double the daily wages of his employees. The increased wages solved a few problems for Henry Ford: it decreased worker turnover, increased productivity, and provided his workers with enough pay that it allowed them to buy the same product that they were manufacturing. I'll leave you with a quote from Mr. Ford:

“If you cut wages, you just cut the number of your own customers. If an employer does not share prosperity with those who make him prosperous, then pretty soon there will be no prosperity to share. That is why we think it is good business always to raise wages and never to lower them. We like to have plenty of customers.”¹¹

Sincerely,



Ralph Nader

P. O. Box 19367
Washington, D.C. 20036

¹¹ Ford, Henry and Samuel Crowther. “Great Today and Greater Future.” 1926. Kessinger Publishing, LLC (June 26, 2003). Page 198 – 199.