

Michael Terry Duke  
President and CEO, Walmart Stores, Inc.  
Walmart Home Office  
702 SW 8<sup>th</sup> Street  
Bentonville, Arkansas 72716-0105

July 2, 2012

Dear Mr. Duke,

We are writing you today to urge Walmart to support raising the minimum wage – something that will not only aid the economy, but that could also improve Walmart’s bottom-line. In October 2005, your predecessor, Lee Scott, publicly supported raising the minimum wage. And he reiterated that support in the years that followed.

In 2005, Mr. Scott said, “We can see first-hand at Walmart how many of our customers are struggling to get by. Our customers simply don’t have the money to buy basic necessities between pay checks.” A large part of Walmart’s customer base includes hard-working Americans who are often the lowest paid workers and who need to stretch each and every pay check.

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. Meanwhile the cost of living has continued its steady increase over that time, further impacting consumer purchasing power.

In the throes of an ailing economy, consumer spending has declined sharply. Raising the minimum wage to \$10 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.<sup>1</sup> A 2009 study from the Economic Policy Institute estimated that simply by raising the minimum wage to \$9.50 per hour, \$60 billion in additional spending would be added to the economy over a two year period.<sup>2</sup> This could not only help start our economy on the path to recovery, but could have a significant impact on the spending and purchasing power of Walmart 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,”<sup>3</sup> shows the positive impact that greater wages and benefits can have by comparing Costco’s compensation practices to those of Walmart. Costco provided its employees with higher average wages and provided better healthcare benefits. Consequently, Costco had less than half the employee turnover rate of Walmart, the lowest employee theft figures in the industry, and had greater productivity among its employees.

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<sup>1</sup> 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](http://www.chicagofed.org/digital_assets/publications/working_papers/2007/wp2007_23.pdf)>

<sup>2</sup> Fillion, Kai. “A Stealthy Stimulus: How Boosting the Minimum Wage Is Helping to Support the Economy.” Economic Policy Institute. <[http://www.epi.org/page/-/IssueBrief255\\_Final.pdf](http://www.epi.org/page/-/IssueBrief255_Final.pdf)>

<sup>3</sup> 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>>

A recent 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" demonstrates how an increase in the minimum wage would not significantly impact Walmart's own costs. This study shows that even if Walmart were to increase the wages it paid its lowest-paid employees to \$12 per hour and chose to absorb *100 percent* of those costs, this would represent about 20 percent of Walmart's net income, only slightly more than a 10 percent increase to payroll costs, and about 1 percent of Walmart's U.S. sales. A slightly smaller wage floor increase for Walmart employees, to \$10 per hour would have an even smaller impact, representing 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 to instead choose to pass the cost of these wage increases onto the consumer, the UC Berkeley study similarly shows minimal impact on Walmart's "everyday low 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 low prices Walmart could continue to offer or your profits.

The marginal extra cost is outweighed by the potential for enormous benefits. Especially when you consider that part of the only cost to Walmart – 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 the extra money they make? For many of them, the answer is most certainly Walmart.

A prominent businessman had a similar idea in 1914. In the midst of a deep recession, Henry Ford announced his plan to more than double the hourly 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."<sup>4</sup>

Sincerely,



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Washington, D.C. 20036

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<sup>4</sup> Ford, Henry and Samuel Crowther. "Great Today and Greater Future." 1926. Kessinger Publishing, LLC (June 26, 2003). Page 198 – 199.