Where to Get a Pay Raise

Congress won’t give you one—the federal minimum wage is still $5.15. Activists in Chicago and elsewhere are pressing for a “living wage” to help the working poor.

By JEREMY CAPLAN

Wal-mart may have earned more than $11 billion last year, but it’s squawking over a $10 bill. The bill in question is a new Chicago ordinance that the retailer fiercely opposes, which will require the company—along with Target and other giant retailers—to pay a starting wage of $10 an hour, plus $3 in benefits, to anyone hired in the Windy City. The living-wage ordinance, passed by the city council after ferocious campaigning by organized labor and its business opponents, is the country’s first directed at big retailers.

After years of failed attempts to unionize big-box stores, labor seems to have hit on a winning legislative tactic in the battle over pay. Union leaders say the Chicago rule means a long-overdue raise for the working poor. In real terms, wages for nonmanagerial retail workers have fallen 18% since 1975. But David Vite, president of the Illinois Retail Merchants Association, says the law could deter inner-city economic development. “Companies affected by this ordinance have capital budgets they can spend anywhere in the U.S., and they’ll now go elsewhere,” says Vite. Target, for one, has postponed plans for a previously announced store.

“In fights like this, retailers use the exit threat, then stay and expand,” says Annette Bernhardt, a labor expert at New York University Law School. One of Target’s most successful units is in Chicago’s Lincoln Park neighborhood, and studies suggest there’s $1.3 billion in untapped spending on the city’s North Side and West Side alone. That, says Dorian Warren, a politics professor at Columbia University, “is going to be worth far more than the $10 wage costs them.”

Not all retailers dread such laws. Costco CFO Richard Galanti says his company already meets the Chicago minimum and that the $10 wage helps the company retain employees. “It doesn’t make us any less competitive,” he says.

One keen observer of the living-wage battle has been David Coss, mayor of Santa Fe, N.M., which mandated a living wage in 2004. “We were also told the sky was going to fall,” he says, “but all we’ve seen is strong growth.” With the city’s $9.50 wage floor set to rise to $10.50 in 2008, Target and Sam’s Club are thriving. Wal-Mart is even building a superstore. “You’re going to see more and more municipalities taking matters into their own hands,” Coss says. “Poverty just isn’t a necessary ingredient for economic development.”

Questions

1. What has happened to wages for nonmanagerial retail workers since 1975?
2. Why do some companies approve of living-wage legislation?

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SOURCES: National Conference of State Legislatures; U.S. Dept. of Labor; state government websites; LexisNexis bill tracking.

**States with a minimum wage that will increase over the next year

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