

The Corporate Daddy

Walmart, Starbucks, and the Fight Against Inequality

By Timothy Egan NYT June 22, 2014

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For some time now, Republicans in Congress have given up the pretense of doing anything to improve the lot of most Americans. Raising the minimum wage? They won't even allow a vote to happen. Cleaner air for all? They may partially shut down the government in a coming fight on behalf of major polluters. Add to that the continuing obstruction of student loan relief efforts, and numerous attempts to defund health care, and you have a party actively working to make life miserable for millions.

So, our nation turns to Starbucks. And Walmart. In the present moment, both of those global corporate monoliths are poised to do more to affect the huge chasm between the rich and everybody else than anything that's likely to come out of John Boehner's House of Representatives.

As long as the Supreme Court says that corporations are citizens, they may as well act like them. Starbucks is trying to be dutiful — in its own prickly, often self-righteous, spin-heavy way — while Walmart is a net drain on taxpayers, forcing employees into public assistance with its poverty-wage structure.

“In the last few years, we have seen the fracturing of the American dream,” said the Starbucks chief executive, Howard Schultz, in announcing a company plan to reimburse the cost of college tuition for employees. “The question for all of us is, should we accept that, or should we try to do something about it?”

It's a sad day when we have to look to corporations for education, health care and basic ways to boost the middle class. Most advanced nations do those things for their people. We used to — witness the G.I. Bill, which helped millions of returning soldiers get a lift to a better life. But you go to war against the income gap with the system you have, and ours is currently broken. By default, we have no choice but to lean on our corporate overlords.

Walmart, the nation's top private employer and the world's largest public corporation, is a big part of the problem — and could be a big part of the solution. Their humiliating wages force thousands of employees to look to food stamps, Medicaid and other forms of welfare. A sign appearing at a Walmart in Ohio last

year, asking people to donate food so that the company's employees "could enjoy Thanksgiving," was a perfect symbol of what's wrong with the nation's most despised retailer. Working at Walmart may not make you poor, but it certainly keeps you poor — at the expense of the rest of us.

By one measure, done by House Democrats last year in looking at data from Wisconsin, the average Walmart superstore cost taxpayers \$904,000 a year in various subsidies, or more than \$5,000 per employee.

Walmart disputes these figures, claiming the average full-time store worker makes at least \$12 an hour, or enough to be just above the poverty level for a family of four. But these numbers are skewed by higher pay for management. The average "associate" at Walmart makes \$8.81 an hour — poverty wage — according to the market-research firm IBISWorld, as of 2011. Another independent source, Payscale, says the average is under \$11 an hour. No matter the exact figure, there's no dispute that Walmart's business model forces thousands of hard-working people to look for outside help just to get by.

And under that model, Walmart has made a fortune — \$17 billion in profits last year, executive compensation for one man at the top in excess of \$20 million a year, and a windfall making the six heirs of the founding Walton family worth at least \$150 billion.

Walmart could make life easier for its 1.4 million workers, without diminishing its stock value. Writing in Fortune.com, Stephen Gandel concluded that [Walmart could give workers a 50 percent raise](#) without hurting shareholder value.

What could change Walmart is growing public disdain for the company. A new poll by Lake Research Partners found that 28 percent of consumers surveyed have an unfavorable view of Walmart — almost five times the negative sentiment felt for Costco. Poor treatment of workers was cited most often as the reason not to shop there.

At Starbucks, the work force is barely a tenth of Walmart's, 135,000 employees in the United States. But the company has long been a leader in providing decent wages, stock and retirement benefits, and health care — even for part-time employees. Now it's offering what it says is free college tuition for any employee.

The fine print is less flashy. The college is online, at Arizona State University, and the tuition would be paid by way of reimbursement, after students have already spent thousands out of pocket.

Walmart in 2010 pledged to spend \$50 million over three years to offset some of the cost for a small percentage of employees who enrolled in a for-profit, online university. So far, it's been a bust — only about 400 have earned degrees. Why not follow the Starbucks model and offer free tuition to all employees?

Sadly, this is the future. Congress could raise the minimum wage, make college more affordable, or even make it universally accessible for all qualified applicants. At the very least, it could reduce the student loan burden. These obvious remedies are anathema to Republicans.

In the conservative view, the free market can take care of everything. But what you're hearing from bottom-line capitalists is that the system is in deep trouble. "Labor and capital have to share in the rewards of a productive economy, and for the last 25 years labor has gotten the short end of the stick," said Bill Gross, the founder of the investment firm PIMCO, in a recent interview with Yahoo. Eventually, he said, "it will be destabilizing."

One corporate titan says the American dream is shattered. Another captain of big money says we're reaching a breaking point. When the 1 percenters start talking this way, you know we're in trouble.