

Big-box stores pay workers good wages

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As the labor market has struggled to recover from the recent recession, there's been a lot of talk about the creation of "good jobs"—jobs that pay high wages and offer good benefits. There is concern that many middle-class "good jobs," such as those in manufacturing, have been replaced with minimum wage jobs, such as those in retail. A new study looks at the recent expansion of the retail industry, especially the growth of big-box chain stores, and examines the wages that go along with jobs at these stores. Jobs in retail are plentiful, but are these jobs good for workers?

In their article "[Do large modern retailers pay premium wages?](#)" (National Bureau of Economic Research, working paper no. 20313, July 2014), Brianna Cardiff-Hicks, Francine Lafontaine, and Kathryn Shaw show that workers can make more money working for large chain stores than for mom-and-pop shops, wages grow as the firm and establishment size grows, and promotion potential increases at larger stores, which can potentially lead to higher wages. An establishment usually has one location where business is conducted. Most firms have a single establishment, but the majority of workers are employed by firms that comprise several establishments under the same ownership.

The retail industry has flourished in recent years. The segment with the most growth is the modern retail industry, which is made up of firms, such as Starbucks or Wal-Mart, that have developed regional or national chains in the past few decades. Retail has grown more concentrated, with fewer firms making up a larger percentage of pie. The authors indicate that the four-firm concentration ratio—that is, the market share of the four largest firms—grew from 5.2 percent in 1987 to 12.3 by 2007. And larger firms have become more common, as big-box retailers continue to pop up across the country. According to the article, 41 percent of full-time workers in retail work in firms of 1,000 or more workers.

According to the authors' calculations, large firms pay higher wages than smaller, mom-and-pop retailers. For example, large firms (with 100 to 499 workers) pay workers with a high school education 20.9 percent more than small firms (with fewer than 10 workers) do. Workers with some college or a college degree or earn 30.1 percent more at a large firm than at a small firm.

Larger establishments pay higher wages, too. According to the study, a store with at least 500 employees pays 26 percent more to high-school educated workers and 36 percent more to workers with some college education (including college degree or more) than stores with fewer than 10 workers. The authors attribute the wage gains to the ability of large firms and establishments to "hire and promote the more able."

Larger retailers offer employees more opportunities for promotion within the company, and managers at big-box stores earn more than managers at mom-and-pop stores. There is a wide pay gap between managers and non-

managers: a high-school educated manager in a small store earns 12.6 percent more than a nonmanager; a high-school educated manager at a large store earns 28.2 percent more than a nonmanager.

The authors suggest that these statistics on retail wages can help to inform policy decisions intended to increase middle-class jobs. Employment opportunities in modern retail chains are growing, while employment in manufacturing has shrunk. And although the retail sector pays considerably less than the manufacturing sector, there are ample opportunities in retail for well-paid management positions. Instead of focusing resources on bringing outsourced manufacturing jobs back to the United States, the authors note that a more successful strategy may be to improve training for workers in modern retail firms, with an eye toward preparing workers to be managers.