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# Why Costco?

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On Wednesday, on the heels of his landmark State of the Union speech about income inequality, President Barack Obama will be touring a Costco store in Lanham, Maryland. Why Costco and not Walmart, which is a much bigger and better-known discount retailer?

The answer is that Costco's labor practices help reduce income inequality while Walmart's labor practices widen it. Yes, Walmart is better-known, but what it's known for is low wages and abusive labor practices.

Costco's CEO Craig Jelinek has boldly made the case that investing in his workers is an investment in a successful business. Costco pays its employees living wages. Workers start at \$11.50 per hour. The average employee wage is \$21 per hour, not including overtime. Jelinek endorses Obama's proposal to raise the federal minimum wage to \$10.10 an hour. Paying employees decent wages, Jelinek told *Bloomberg News*, "puts more money back into the economy and creates a healthier country. It's really that simple."

Costco treats workers with respect. About 88 percent of its employees have company-sponsored health insurance. Not surprisingly, Costco employees are loyal. Among employees that have worked at the company for over a year, annual turnover is under six percent.

In contrast, Walmart pays most of its workers poverty-level wages, prefers employees to work part-time rather than full time, imposes chaotic work schedules, and harasses (and even fires) its "associates" if they complain. Unlike other major retailers around the world, the Bentonville behemoth even refused to take responsibility for its role in the deaths last year of over a thousand Bangladesh sweatshop workers killed when a factory that produced clothing for Walmart collapsed.

When Americans think of the phrase "working poor," they think of Walmart. Many of its employees make so little that they are eligible for food stamps, Medicaid, and housing subsidies. America's taxpayers are subsidizing Walmart's poverty-wage labor practices to the tune of billions of dollars. The company's low-wage business model contributes to its stocking problems, the low customer service ratings, and the retailer's current decline in sales.

Not only do Costco workers earn much more than their Walmart counterparts, but Costco's CEO makes considerably less than Walmart's CEO. So while Costco helps narrow the gap between the rich and the rest, Walmart widens it.

There are a number of ways to fix the problem of widening income inequality in the United States. Raising the minimum wage is an important part of the solution, but employers need to do their part, too. As the largest

private employer in the country, with 1.4 million Americans in the Walmart workforce, the company could singlehandedly help reduce America's income gap by lifting its employees' starting pay above the poverty level to at least \$25,000 a year. Better jobs at Walmart would be good for workers, our economy and the company.

That's what the Walmart workers were proclaiming when they engaged in protest rallies at Walmart stores around the country on Black Friday, the day after Thanksgiving. That's what their community supporters were saying when they showed up at the those rallies carrying picket signs urging Walmart to boost starting pay to \$25,000. Those protests not only reflect Americans' growing anger over widening inequality and declining wages, they also reflect Americans' concerns about Walmart's practices with regard to women, immigrants, the environment, and global sweatshops.

Walmart has a serious image problem. More and more consumers view Walmart like they view Wall Street -- as a company owned and run by people who are out of touch with the daily lives of working Americans. This is particularly true with core Democratic voters, many independent voters, and even a significant slice of Republican voters. Walmart has become a symbol of much that Americans think is wrong with the society.

Walmart's top brass is beginning to understand this. But instead of making substantive changes in its practices, it engages in spin and empty gestures. Its recent announcements about hiring vets and addressing food deserts have proven to be little more than publicity stunts designed to improve its brand.

What we saw play out at the 2012 Democratic convention -- where former Costco CEO Jim Sinegal was a prime-time speaker while Walmart's donations were returned -- is only going to grow with Americans' growing awareness of the company's policies.

If Democrats running for office, or even members of the current administration, want to gain the support of the party's core voters, they'd be wise to avoid being seen standing in front of TV cameras with Walmart executives. They should be seen standing on picket lines with Walmart employees.

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