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HOW WAGES AND WORKING CONDITIONS FOR CALIFORNIA'S FOOD RETAIL WORKERS HAVE DECLINED AS THE INDUSTRY HAS THRIVED

SHELVED

By Saru Jayaraman and the Food Labor Research Center,
University of California, Berkeley

Primary Research Support Provided by the Food Chain Workers Alliance
and Professor Chris Benner, University of California, Davis

EXECUTIVE SUMMARY – Shelved: How Wages and Working Conditions for California’s Food Retail Workers Have Declined as the Industry has Thrived

Shelved: How Wages and Working Conditions for California’s Food Retail Workers Have Declined as the Industry has Thrived is based on worker surveys, in-depth interviews with workers and employers, analysis of industry and government data, and reviews of existing academic literature. It represents the most comprehensive analysis ever conducted of California’s food retail industry.

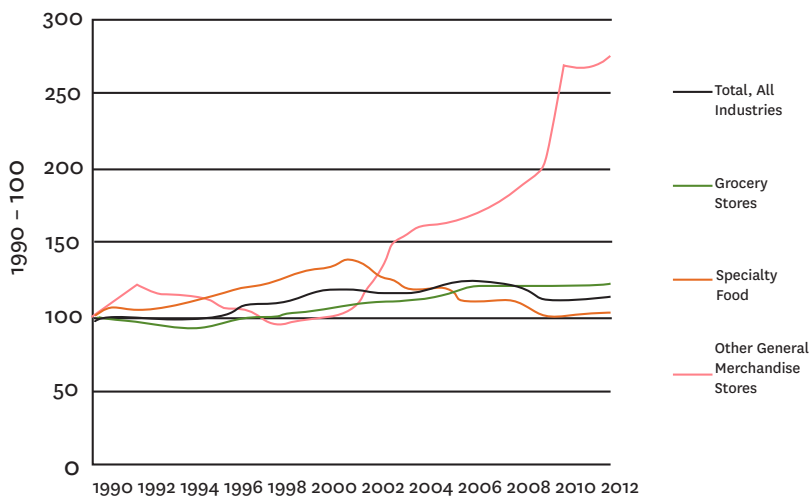
The report shows that while California’s food retail industry has enjoyed consistent growth over the past two decades, the expansion of a low-price, low-cost business model – and the choices that traditional, unionized grocers have made in the face of it – have produced a dramatic wage decline, with high rates of poverty and hunger among workers in a sector that once enjoyed relatively high wages and unionization rates. The report calls for a two-pronged strategy to arrest and reverse these trends: support for unionization, and public policies that support livable wages and benefits. This strategy would promote the creation of good jobs in the food retail sector and help build long-term prosperity for California’s families and communities.

A. California's Thriving Food Retail Industry and Expanding Low-Cost Model

California's food retail industry has shown consistent and robust growth in sales and employment, with employment growing faster than in the economy overall. Between 2000 and 2011, the number of grocery stores in California – the largest segment of food retail establishments in the state– increased by 5%, from 9,893 to 10,403.¹ California's food retail industry paid workers \$7.7 billion in 2011,² and generated gross revenue of \$98.2 billion in 2013.³ While grocery store jobs have grown faster than overall employment since the year 2000, general merchandise store jobs have grown much faster – almost tripling in number. From 1990 to 2012,

general merchandise employment grew 176%, increasing from 41,000 employees to 113,100 employees, while overall employment grew by only 14%. Employment in grocery stores grew 23%, from 240,800 to 296,300.⁴ We estimate that there are now approximately 383,900 food retail workers in California.

Figure 1. Percentage job growth in retail food sector and related industries in California, 1990-2012



Source: CA Employment Development Department, Labor Market Information Division 2012

General merchandise stores that sell food – particularly Wal-Mart, Target, and Costco – have captured a significant share of the grocery market. Wal-Mart currently commands approximately 3.8% of the grocery market in California.⁵ It faces significant competition from Target, which spent \$500 million in 2010 expanding grocery operations across the U.S.⁶ Wal-Mart and Target follow a low-price, low-cost, anti-union business model that reduces quality and specialization, eliminating skilled positions such as bakers and meat cutters, as well as bakery, service deli, and meat clerks, thus flattening career ladders and leaving few opportunities for employee training and upgrading.⁷ Costco, which has captured a larger grocery market share than Wal-Mart and Target in California, operates with a higher wage, higher quality labor model.⁸ Nevertheless, Wal-Mart and Target's

low-cost model has impacted the behavior of many of California's long-standing unionized grocery chains, which have cited Wal-Mart's expansion as a competitive pressure that has forced them to pursue similarly low labor costs.⁹ These dynamics have been intensified by the simultaneous growth of non-union natural/organic/gourmet food stores, discount chains, and various specialty and ethnic markets, many of which are also pursuing a low-cost model.¹⁰ Numerous studies indicate that the growth of this low-cost model has created serious downward pressure on wages and working conditions industry-wide, and has shifted substantial costs onto taxpayers: "Thirty-six percent of California food retail workers use some form of public assistance according to government data, for a total annual cost to the state of \$662 million."¹²

¹ County Business Patterns, US Census 2011.

² Ibid.

³ California State Budget, 2013-14, California State Department of Finance. [http://www.ebudget.ca.gov/2013-14/pdf/Enacted/Budget Summary/SummaryCharts.pdf](http://www.ebudget.ca.gov/2013-14/pdf/Enacted/Budget%20Summary/SummaryCharts.pdf).

⁴ California Labor Market Information Division, Employment Development Department 2013.

⁵ Metro Market Studies California 2013 Grocery Distribution Analysis and Guide.

⁶ Stephanie Clifford, "Big Retailers Fill More Aisles With Groceries," The New York Times, January 16, 2011, http://www.nytimes.com/2011/01/17/business/17grocery.html?pagewanted=all&_r=0.

⁷ Annette Bernhardt, "The Future of Low-Wage Service Jobs and the Workers That Hold Them," IEE Brief no. 25 (1999).

⁸ See for example Zeynep Ton, "Why 'Good Jobs' Are Good for Retailers," Harvard Business Review Magazine (January-February 2012); "Out of Stock? It Might Be Your Employee Payroll – Not Your Supply Chain – That's to Blame," Knowledge@Wharton, April 04, 2007.

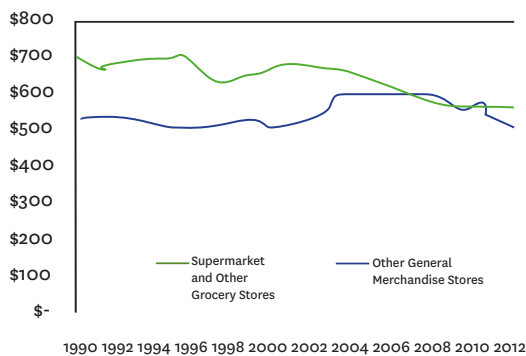
⁹ John M. Broder, "California Supermarket Strike Deters Shoppers." The New York Times, October 14, 2003, <http://www.nytimes.com/2003/10/14/us/california-supermarket-strike-deters-shoppers.html>.

B. Declining Wages and Rising Poverty: As the Industry Grows, Paychecks Shrink

While California food retail industry employment has grown in the past decade, food retail workers' wages have declined. According to Census data, in 2010 dollars, median hourly wages of grocery store workers – the largest segment of food retail workers – fell from \$12.97 in 1999 to \$11.33 in 2010, a decline of 12.6%.¹³ Moreover, the proportion of food retail workers earning poverty wages increased dramatically, from 43% in 1999 to 54% in 2010.¹⁴ This means that in 2010, more than half of all California food retail workers earned less than the hourly wage needed to reach an annual income of \$22,458, the minimum income necessary to provide them with a low standard of living for a family of three in the Western U.S. if they worked full-time for the full-

year (2,080 hours).¹⁵ While food retail workers' median hourly wages declined drastically in the decade prior to 2010, overall private sector median hourly wages rose slightly, from \$16 to \$16.16 – an increase of 1%. As a result of these divergent trends, by 2010 the median hourly wage for grocery store workers had declined to about 70% of that earned by the California workforce overall. Similarly, while grocery store workers suffered a serious decline in weekly wages over this period, general merchandise workers experienced a slight weekly wage increase. As a result, by 2012, grocery store workers' weekly wages, which were once much higher than those of general merchandise store workers, had fallen to nearly the same level.

Figure 2. Average Weekly Wages, California Grocery and General Merchandise Stores, 1990-2012 (2,012 Dollars)



Source: CA Employment Development Department 1990-2012

Among grocery store workers, the weekly wage decline was much greater for full-time workers and unionized workers. In grocery stores, from 2000-2010, part-time workers' weekly wages declined by 2.3% while full-time workers' wages declined by 16.7%; similarly, non-union workers' wages declined by 9.3% while union workers' wages declined by 21.6%, thereby reducing the once even larger union wage advantage.

¹⁰ Metro Market Studies California 2013 Grocery Distribution Analysis and Guide.

¹¹ Françoise Carré and Chris Tilly, "Continuity and Change in Low-wage Work in U.S. Retail Trade," University of Massachusetts, Boston, Center for Social Policy, April 2008; Arindrajit Dube, T. William Lester, and Barry Eidlin, "A Downward Push: The Impact of Wal-Mart Stores on Retail Wages and Benefits," UC Berkeley Labor Center Research Brief, December 2007, http://laborcenter.berkeley.edu/retail/walmart_downward_push07.pdf.

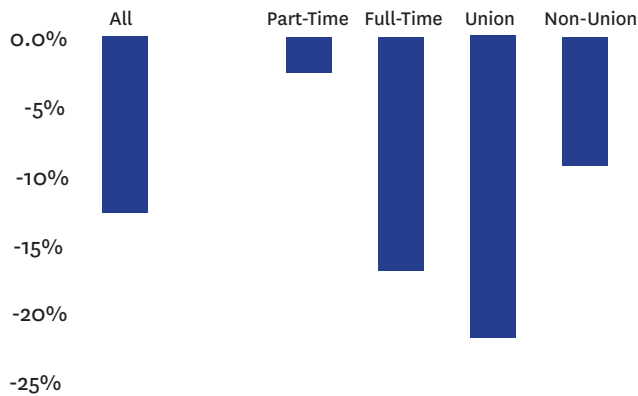
¹² UC Berkeley Labor Center calculations from 2008-2012 March CPS, 2007-2011 ACS, program administrative data.

¹³ Annual Census, IPUMS.

¹⁴ Ibid.

¹⁵ "Lower Income Standard Income Level Guidelines," Employment and Training Administration, US Department of Labor, <http://www.doleta.gov/llsil/2013/2013llsil.pdf>.

Figure 3. Weekly Wage Change Among California Grocery Store Workers by Union and Full-Time Status 2000-2010



Source: Annual Census (IPUMS)

Nevertheless, government data indicate that union grocery store workers still earn about three dollars more per hour than non-union grocery store workers (\$13.00 vs. \$10.00) and are slightly more likely to work full-time hours (74% vs. 70%).¹⁶ Our survey data, reported below, indicate that even greater advantages, regarding both wages and other elements of job quality, arise from having a union.

During this same period, historically high unionization rates in food retail have declined dramatically. Figure 4 shows that California grocery store workers have more than double the unionization rate of general merchandise store workers (35% vs. 17%), but that both groups of workers have experienced a decline in unionization rates over the last decade, while unionization rates in other industries remained fairly constant.

Figure 4. California Food Retail Unionization Rates, 2000-02 vs. 2010-12



Source: Current Population Survey-MORG 2000-02 & 2010-12

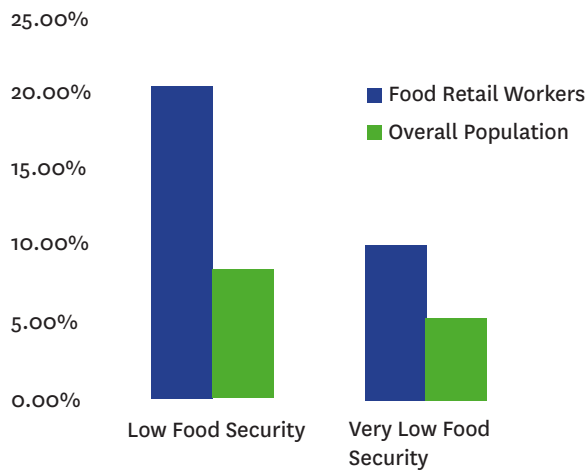
¹⁶Ibid. All comparisons in this section are statistically significant at $p < .05$.

Figures 1 through 4 combined demonstrate three simultaneous trends. First, from 2000 to 2010, while the food retail industry as a whole was financially stable and experienced moderate job growth, general merchandise store jobs grew by nearly 200%. Second, over these years, the unionization rate among grocery store workers declined by almost one-quarter (22.2%). Third, during this decade, wages for grocery store workers dropped 12.6%, with full-time and unionized grocery store workers bearing the brunt of the wage decline. Notably, the overall decline in food retail workers' wages from 2000-2010 cannot be attributed to an increase in lower-wage part-time work, which stayed relatively constant in the industry over that period.¹⁷

C. Pervasive Hunger: Grocery Workers Can't Afford Enough to Eat

In surveys, workers reported a dramatic result of the wage decline described above: they now suffer double the rate of “low” and “very low” food security as the general U.S. population. In other words, workers who sell food in California, the largest producer of food in the U.S., are twice as likely as the general populace to be unable to afford sufficient quantities of the food they sell or the healthy kinds of food their families need, despite the financial health of the food retail industry.

Figure 5. Food Insecurity Among California Food Retail Workers, 2013



Source: Food Labor Research Center Survey Data; USDA

¹⁷ Current Population Survey-MORG 2000-02 and 2010-12.

D. It Still Pays to Be Union: The Significant Union Advantage

The responses of California food retail workers surveyed for this report demonstrate that despite declining standards in recent years, having a union still provides significant advantages in wages and working conditions. Unionized workers were far more likely to report earning wages above the poverty line and receiving promotions than non-unionized workers. Unionized workers also reported having paid sick days at almost double the rate of non-unionized workers, and were more than twice as likely as non-unionized workers to report having a lunch break as mandated by law.

One of the key areas in which having a union made a difference for food retail workers was with regard to health care coverage. Unfortunately, without further action by policymakers, some employers' responses to the

Affordable Care Act (ACA) – intended to cover the millions of uninsured workers across America – could negatively affect workers and shift health care costs onto the public. Several food retail stores, including Wal-Mart, Target and Trader Joe's have already dropped health plans for employees working less than 30 hours a week.¹⁸ The University of California, Berkeley Labor Center estimated that as many as 2.3 million workers nationwide might have their hours cut due to employer responses to the ACA.¹⁹ The workers most vulnerable to reductions in work hours linked to ACA implementation include those working 30-36 hours a week, with incomes below 400% of the federal poverty line and a lack of job-based coverage. Retail and restaurant workers account for nearly half of this most vulnerable group.²⁰

¹⁸ Claire O'Connor, "Target Joins Home Depot, Wal-Mart, Others In Cutting Health Care For Part-Timers, Citing Obamacare," *Forbes*, January 22, 2014.

¹⁹ "Which workers are most at risk of reduced work hours under the Affordable Care Act?" UC Berkeley Labor Center Data Brief, February, 2013.

²⁰ *Ibid.*

Table 1. Wages and Working Conditions by Union Status

	Union	Non-Union	All
Earn Wages Above Regional Poverty Level (\$22,458)	69.8%	40.5%	53.6%
Scheduled Fewer Hours Than Wanted	30.8%	37%	34.2%
Have Health Insurance Through Employer	67.8%	35.7%	50%
Have Health Insurance At All	92.5%	68%	78%
Have Access to Earned Sick Leave	82.4%	43.7%	61%
Received a Promotion	65.7%	49.1%	57.7%
No Lunch Break	20.6%	12.6%	13.6%

Source: Food Labor Research Center, UC Berkeley Survey Data

E. Race Still Matters: Racial Inequities in Workers'

Treatment on the Job

Racial inequities also play a significant role in determining food retail workers' wages and working conditions, especially in Los Angeles County, California's most populous county. While government data indicate that Los Angeles County's food retail workforce has racial demographics similar to those of the food retail workforce statewide (e.g. Latinos constitute 44% of grocery store workers statewide and 46% of grocery store workers in Los Angeles), worker surveys indicate that race is more of a determinant of working conditions in Los

Angeles than statewide. In fact, the differential between workers of color (specifically Latinos and Blacks) and whites was fully 3 to 5 times greater in Los Angeles than in the statewide workforce with regard to workers being sent home early with no pay, having a shift canceled on the same day it is scheduled, not being offered a lunch break, and not being paid for all hours worked. We also found a statistically significant difference between white workers' experiences with promotion and those of workers of color.

Table 2. Promotion Experiences by Race in Los Angeles

	White	Person of Color	Total
Received Training In New Skills Needed To Receive Promotion	62.3%	48.6%	52%
Had Opportunity To Apply For Promotion	51.7%	38.4%	43.2%

Source: Food Labor Research Center, UC Berkeley Survey Data

F. Investors Before Workers: “Financialization”

Drives Standards Down

Analysts and advocates have focused on the growing share of retail food sales made by big-box merchandise stores such as Wal-Mart and Target as the driving factor in what has been seen as a near inevitable decline in unionization, wages, and working conditions. However, a closer look at the actions of traditional, unionized grocers shows that their own choices have played a large role in the decline of union density and standards.

- First, an ill-conceived merger in one of the state’s three major union groceries led to massive unionized grocery job loss at the same time that major job growth in the grocery sector occurred primarily in non-unionized discount/general merchandise stores (including but not limited to Wal-Mart and Target) and in natural/organic/gourmet markets.
- Second, while the three major unionized grocery chains – Kroger, Safeway, and Albertsons – have cited competition from growing general merchandise stores like Wal-Mart as the driver pressuring them to reduce wages and benefits, in fact these chains have chosen to spend large amounts of available cash on share repurchases, dividends, and debt repayment rather than higher wages and working conditions, and other strategic investments.

- Third, during this same period, higher wage, partially unionized Costco has gained significant market share in California, becoming the state’s largest food retailer and suggesting that California’s union sector is strongly positioned for future growth if union employers make different investments.

1. Decline in Union Stores, Growth in Non-Union Stores

While unionization rates among California’s food retail workers dropped to 27% as of 2010-12,²¹ this figure vastly understates the portion of food sales in our state that is made by fully unionized grocers or by Costco, which universally pays its employees at or above union standards of wages and benefits. Based on the total dollar volume of food sales made by these stores, grocers meeting union standards of wages and benefits still made up more than 60% of our state’s food retail market as of 2013.²²

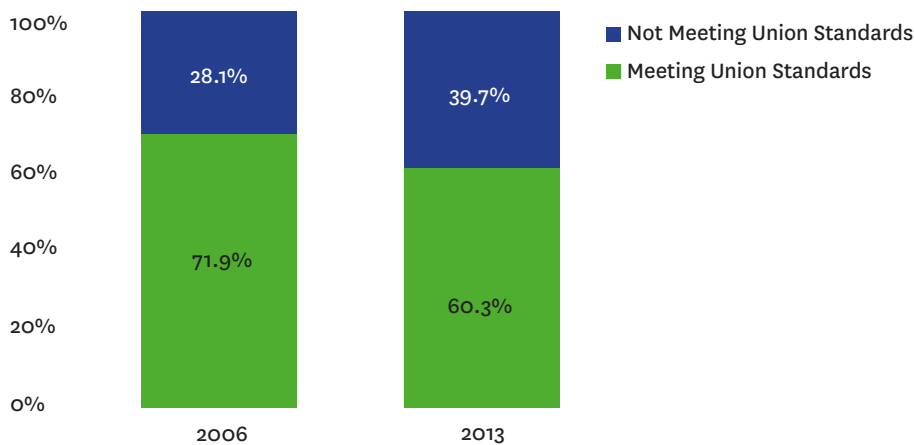
²¹ Current Population Survey-MORG 2010-12.

²² The market share data presented in this section are derived from an analysis of the Metro Market Studies California 2006 and 2013 Grocery Distribution Analysis and Guides. Statewide market shares were computed based upon population weighted market shares of California metro markets which represent, in the aggregate, more than 95% of the state population. Store level unionization data was provided by the United Food and Commercial Workers.

Moreover, Wal-Mart and Target combined have failed to win major market share in California’s coastal areas where union grocers are most highly concentrated, making up less than 9% of the Los Angeles food retail market, and far less of both the San Francisco and San Diego markets.²³ Researchers have posited that this relatively lesser rate of expansion can be attributed at least in part to significant protest from community groups and associations such as OUR Walmart that oppose Wal-Mart’s low-wage model.²⁴ In these areas especially, the two low-cost leaders do not pose a large enough threat to serve as the sole explanation for the kinds of reductions in labor standards that union workers have suffered in recent years.

Three things deserve special attention when examining the decline in food retail workers’ wages and unionized grocery stores’ market share. First, more than half of the decline in union market share is attributable to the closings of stores belonging to a single chain, Albertsons, where significant indebtedness resulting from an ill-conceived 2006 merger reduced the company’s ability to invest in its store infrastructure or maintain competitive pricing.²⁵ Second, union decline by market segment occurred almost entirely in traditional groceries while non-union growth occurred almost entirely in discount/general merchandise stores and natural/organic/gourmet markets.²⁶ Third, over the same period of wage and union decline (2000 to 2010), high wage, partially unionized employer Costco gained 2.5% in

Figure 6. California Food Retail Market Share by Union Standards, 2006-2013



Source: Metro Market Studies California 2013 Grocery Distribution Analysis and Guide

²³ Metro Market Studies California 2013 Grocery Distribution Analysis and Guide.

²⁴ Paul Ingram, Lori Qingyuan Yue, and Hayagreeva Rao, “Trouble in Store: Probes, Protests, and Store Openings by Wal-Mart, 1998–2007,” *American Journal of Sociology*, Vol. 116, No. 1 (July 2010): 53–92.

²⁵ Paul Davidson, “Albertsons deal makes Supervalu No. 2 grocery chain,” *USA Today*, January 24, 2006, http://usatoday30.usatoday.com/money/industries/retail/2006-01-23-albertsons_x.htm.

²⁶ During the period from 2006 to 2013, companies in both the union and non-union segments of the California food retail industry experienced market share growth, while other companies in each segment experienced market share losses. In the union segment a 3.5% market share gain among growing firms was eclipsed by a 15% market share loss by shrinking firms, resulting in a net market share loss of 11.6%. In the non-union segment, a 15.8% market share gain among growing firms was reduced by a 4.2% market share loss recorded by shrinking firms, resulting in a net market share gain of 11.6%. The discussion of the gain and loss in each segment presented in this section are based on an analysis of the gross market share gains and losses in each.

market share, making it California's single largest food retailer, with 13.3% market share statewide.²⁷ Costco's success argues that growth strategies are not inherently incompatible with good jobs. Taken together with the two factors described above, it suggests further that California's union grocery stores are strongly positioned for future growth if union employers make wise investments.

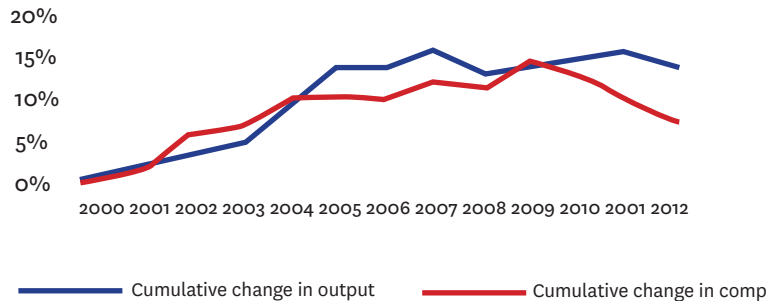
2. How Union Grocers Have Chosen to Invest

Apart from the question of market share, some commentators have suggested that union grocers are unable to pay higher wages due to the industry's relatively low net

income margins. A more accurate measure of investor profit is return on invested capital, which typically is much higher.²⁸ For example, over the past five years, the net profit margin for Kroger, one of the industry's strongest players, has averaged just 1%, while during the same period its average return on invested capital was 10.6%.²⁹

Over recent years, the industry has also experienced sustained growth in labor productivity, but workers' increases in output have not always been matched by their increases in compensation, as indicated by Figure 7.³⁰

Figure 7. Grocery Stores Productivity & Compensation



Source: Bureau of Labor Statistics, 2013.

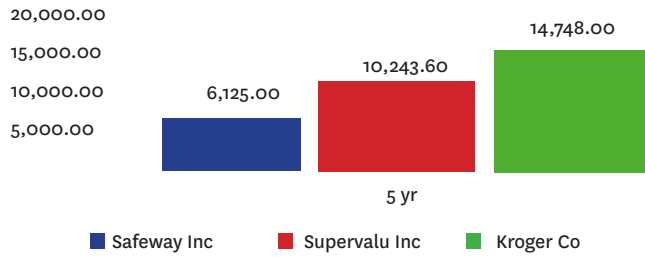
²⁷ Metro Market Studies California 2013 Grocery Distribution Analysis and Guide.

²⁸ Return on invested capital is different from net income margin (also known as return on sales) and measures the rate of profit as a percentage of invested capital. As opposed to return on sales which measures profit as a percentage of sales, return on invested capital measures the amount of profit generated for each dollar contributed by investors. Invested capital is defined as the sum of common equity, long-term debt, capital leases, and minority interest – in other words, the total of all claims on company assets.

²⁹ Most of the data presented in this section pertain to the consolidated financial statements of Kroger, Safeway and Supervalu, as no California specific data is available for these firms. However, in the case of at least one company (Safeway), equity research analysts have reported that profitability is higher in California than elsewhere in the US, and this level of profitability is expected to increase after the Cerberus acquisition of Safeway. (See Credit Suisse "Safeway Inc.: Upgrade to Outperform," September 13, 2013; and Wolfe Research "Top Reasons SWY/Cerberus Makes Sense," March 5, 2014.)

³⁰ Grocery Stores output per hour was calculated by dividing the Grocery Stores Value of Production by Grocery Stores Total Labor Hours. Value of Production was measured in 2002 dollars using the Grocery Stores Implicit Price Deflator. Grocery Stores compensation per hour was calculated by dividing Grocery Stores Labor Compensation by Grocery Stores Total Labor Hours. Labor Compensation was measured in 2002 dollars using the Consumer Price Index for Urban Wage Earners and Clerical Workers. All data is from the Bureau of Labor Statistics.

Figure 8. Cumulative Cash from Operations, 2008 through 2012 (\$ millions)



Source: S & P Research Insight

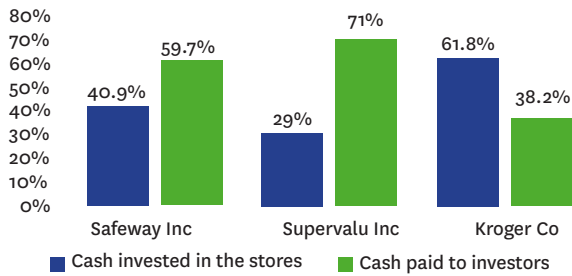
As the cumulative result of these trends, over the course of the five years from 2008 through 2012, each of California’s three largest union grocery chains has generated billions of dollars in available cash flow.³¹

Despite facing the challenges of increased price competition and the expansion of new market segments,

two of these union chains – Safeway and Albertsons – devoted the vast majority of their free cash flow to paying investors through share repurchases, dividends, and debt repayments. The third union chain – Kroger – devoted most of its free cash flow to capital improvements, but still joined the other major chains in reducing standards for its employees.³²

Figure 9. Use of Adjusted Cash Flow

Cumulative Use of Cash, 2008 through 2012

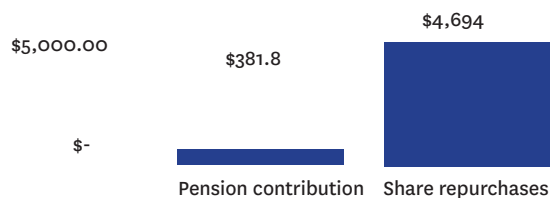


Source: S & P Research Insight

³¹ Figures represent cumulative cash flow from operations for each company for the five year period from 2008 through 2012. (Source: S&P Research Insight)

Instead of allocating such large portions of free cash flow to investors, union grocery chains could have invested in growing and modernizing their businesses to capture more of California's growing discount and organic market segments; invested more heavily in lower prices to be more price competitive; increased staffing and compensation levels at existing stores to improve customer service; or contributed greater amounts to the large underfunded pension and health care liabilities which the companies have accrued on workers' behalf.³³ To cite one egregious example of these companies' misplaced priorities, from 2008-12, the value of Safeway's share repurchases was more than 12 times the value of its pension contributions.³⁴

Figure 10. Safeway Inc.: Cumulative Share Repurchases and Pension Contributions 2008 through 2012 (\$ millions)



Source: S & P Research Insight

In short, the recent behavior of these grocery chains illustrates the significant impact of financialization on the food retail sector, as the growing influence of financial market imperatives has both consumed resources that could have been allocated to workers and jeopardized the long-term market position and financial health of union employers.

A new round of financial speculation in California's food retail industry is all but certain today as Safeway and Albertsons, the second and third largest union grocers in California, are pursuing a merger, in which Safeway shareholders will be bought out by Albertsons owner Cerberus, a New York-based private equity firm, in a deal valued at more than \$9 billion and involving over \$7 billion in debt.³⁵ As the merger plays out, the actions of policymakers and workers' advocates will have much to say about whether this buyout will simply repeat the bloodletting of the past, or whether smarter approaches can forge a new and better way forward.

³² Cash flow figures here are adjusted as follows: Total adjusted cash flow is equal to cash flow from operations plus interest expense plus or minus the net change in cash so that "Cash invested in stores" plus "Cash paid to investors" is equal to 100% of adjusted operating cash flow. The percentages shown here represent the portion of cumulative adjusted cash flow over the 2008-2012 period allocated to investing activities (primarily capital expenditures) and financing activities (dividend payments, net share repurchases and net debt repayments) plus interest expense over the same five year period. (Source: S&P Research Insight)

³³ Both Safeway and Kroger enjoyed significant discretionary cash flow during this period, while Albertsons owner Supervalu struggled under the significant debt burden resulting from the 2006 merger. Therefore, Supervalu's large allocation of cash to investors should be viewed less as a result of managerial discretion over the course of the 2008 to 2012 period than as a result of the earlier decision to dramatically leverage its balance sheet.

³⁴ S&P Research Insight.

³⁵ Cerberus entered the grocery business in 2006 in connection with the Supervalu acquisition of Albertsons Inc., which at that time was the second largest grocery chain in the US with approximately 2,500 stores. Supervalu, a publicly traded food wholesale distributor with a small retail operation, sought to boost its retail footprint with the Albertsons banners (including Albertsons, Acme Markets, Bristol Farms, Jewel-Osco, Shaw's and Star Markets). However, over 600 of the Albertsons stores Supervalu did not want were sold to a Cerberus-led consortium, which ultimately sold off over two-thirds of the failing stores for their real estate value. In March of 2013, after struggling under the significant debt burden created by the 2006 Albertsons buyout, Supervalu sold all of the old Albertsons stores it still owned to the Cerberus investor group, along with the other Albertsons Inc. banners Supervalu still owned, nearly 900 stores in all.

G. Policy Recommendations

Our research demonstrates that the food retail industry, a large and rapidly growing sector of California's economy, does not currently provide many of its hundreds of thousands of employees with livable wages and good opportunities to support themselves and their families. Unfortunately, the declining market share of union stores, the growth of non-union stores, and the financialization of the industry are all undermining employment standards for union and non-union workers alike. While improving wages, benefits, and working conditions will help responsible food retailers to ensure the long-term sustainability and profitability of their businesses, we cannot count on employers' enlightened self-interest alone to stem the declining job standards of grocery workers. Both the expansion of collective bargaining and additional public policy measures are necessary to help the food retail industry fulfill its potential to provide quality jobs.

Most importantly, policymakers should:

1. Raise wages for food retail workers. Food retail workers should not live in poverty and should be able to afford sufficient, healthy food to eat. Expanded collective bargaining would enable significant wage gains for food retail workers across the wage spectrum; increases in California's and the federal minimum wage are required to lift the floor as well.
2. Reduce incentives for employers to cut workers' hours and pay poverty wages. Legislation requiring employers to pay appropriate penalties for all their employees who rely on publicly subsidized health care and other public assistance programs for low-income individuals and families would help close ACA loopholes and reduce employers' incentives to cut workers' hours and pay poverty wages. Additional legislation could help maximize the availability of full-time employment by requiring benefit parity for part-time workers and mandating that employers offer part-time incumbents increased hours in jobs for which they are qualified before hiring additional part-time workers.
3. Publicly support organizing efforts among food retail workers, create a level playing field for unionized employers, and ensure the best use of taxpayer dollars by predicating government subsidies on the provision of quality jobs. Predicate the provision of taxpayer-funded financing, tax breaks, zoning assistance, Cal FreshWorks Fund loans, and other siting support for grocery stores on the provision of quality full-time jobs with livable wages and benefits, and ensure that agreements made by food retailers as a condition of receiving such support include strong penalties for retaliation against workers who seek to organize.

In addition, policymakers should:

4. Enact legislation and enforce existing provisions to ease the hardships caused by workers' lack of schedule control. Measures could include requiring minimum advance scheduling notice and setting a minimum number of hours of work, per week and per shift.
5. Support job training programs that promote higher standards for the health and safety of food retail workers and consumers, while also helping all workers –and especially workers of color who disproportionately have been denied training opportunities – gain the skills needed for higher-wage jobs in the industry.
6. Protect workers from violations of federal, state, and local wage and hour, health and safety, and equal employment opportunity laws.
7. Establish a statewide standard that allows workers to earn seven to nine job-protected paid sick days each year to be used to recover from their own routine illness, access preventive care, or provide care for a sick family member.
8. Initiate and support further academic and governmental study and dialogue about discrimination and other challenges faced by food retail workers, as well the true cost of the low-cost model to taxpayers and consumers, and the social and economic benefits of higher road alternatives.

Methodology

This study of the California food retail industry was produced by Saru Jayaraman and the Food Labor Research Center of the University of California, Berkeley, in collaboration with the Food Chain Workers Alliance and University of California, Davis Professor Chris Benner, and commissioned by United Food and Commercial Workers (UFCW) Western States Council. It was guided by a National Advisory Board comprised of academics and advocates with expertise in the food retail sector and/or the topics covered in this report. The report focuses on data from 925 worker surveys, 20 in-depth interviews with workers, and 20 in-depth interviews with employers conducted in four regions of California: Los Angeles, Southern California outside of Los Angeles, the Bay Area, and the San Joaquin Valley. The data were collected over a nine-month period. This primary research was supplemented with analysis of industry and government data and reviews of existing academic literature.

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CHAPTER 1:

INTRODUCTION



CHAPTER 1. INTRODUCTION

Food retail stores are the primary venue through which most Americans obtain food to eat. Here in California, the food retail industry employs approximately 383,900 workers statewide and plays a significant role in the state's economy, with impacts on both the economy and food system nationwide.³⁶

TERMS USED IN THIS REPORT

“Food retail” in this report includes three major industry segments: grocery stores, which sell primarily food of all different kinds; specialty food stores, which sell particular types of food; and general merchandise stores, which sell much more than food but have significant sales in food.

“Poverty wages” in this report refers to hourly wages that would provide a full-time, year-round worker with 70% or less of the Lower Living Standard Income Level (LLSIL) for the Metropolitan Western U.S. region for a family of three, or \$22,458.

This report focuses on the conditions faced by workers in California's grocery stores and other food retail outlets.³⁷ Workers in this sector sell food directly to consumers in retail outlets including food stores, supermarkets, convenience stores, grocery stores, and buying clubs. Workers in food retail also include those who cook and prepare foods inside the stores for delis and bakeries, cut and wrap meat, receive shipments, stock shelves, and clean the facilities.

As a significant industry with employment that is growing faster than California private sector employment as a whole, the food retail industry presents an enormous challenge and opportunity to provide significant numbers of Californians with jobs that pay livable wages and benefits while requiring little or no formal education.

The industry is a critical source of jobs to communities of color; for example, within the grocery store segment of the industry, more than 40% of workers are Latino.

Unfortunately, the California food retail industry is not currently meeting its potential to help employees and their families achieve economic security and secure a foothold in the middle class. Industry trends such as the decline in unionized grocery stores' market share, the growth of non-unionized stores, including but not limited to general merchandise stores like Wal-Mart and Target, and the financialization of the industry have all contributed to the decline of wages and working conditions in this sector. Meanwhile, other potentially positive market forces, such as consumer demand for healthy, organic, and local food items, have emphasized ecological sustainability while not yet extending the concept of sustainability to the workforce selling these items. **As a result, an industry that once provided large numbers of middle class jobs has become a growing part of the low-wage economy.**

³⁶ California Employment Development Department, Labor Market Information Division, 2012.

³⁷ Ibid.

Thirty-five percent of California's grocery store workers are unionized, a much higher rate than workers in other segments of the food chain and other retail workers in the state and across the country.³⁸ Relatively higher union density has made the grocery industry's wages and benefits higher overall than those in other sectors of the food system, but significant challenges persist in terms of wages, lack of mobility, benefits, sufficiency of hours, and predictability of schedules, in large part because the 65% of the industry that is not unionized includes growing segments like general merchandise stores and a variety of specialty supermarkets. Standards being driven down for the entire industry as union employers emulate these growing non-union employers impact the food retail workforce as a whole. Moreover, these challenges impact not only the lives of workers and their families, but also consumers, taxpayers, and even employers, who suffer cost and quality problems due to high employee turnover rates.

Despite the fact that there are some livable wage jobs, some outstanding employers in the industry, and some

real career paths, the majority of jobs provided by the California food retail sector offer low wages and poor working conditions, with negative impacts on the society at large.

This report describes the challenges and opportunities arising from current conditions and trends in the food retail industry for each of the three key stakeholder groups in the food system – workers, employers, and consumers. Our primary research – a statewide worker survey and one-on-one interviews with employers as well as workers – coupled with government and industry statistics provide the first comprehensive look at working conditions in California's food retail industry. The result is a simultaneously broad and detailed overview of the characteristics of workers in the industry, their wages, benefits, and working environment. This study also assesses the relationship between workers' characteristics – union status, race, gender, and age – the jobs workers hold, and the career opportunities afforded them.

A. How to Read This Report

The body of this report is made up of six chapters that present a variety of quantitative and qualitative data in depth and provide a set of conclusions and recommendations.

Chapter II, Overview of the Industry analyzes government data on California's food retail industry and documents the growth of the industry in recent years by comparison with other large industries in the state. It documents several simultaneous trends in particular: the growth of non-union stores, including general merchandise stores; the financialization of the industry; the decline in unionization rates; and the decline in wages.

Chapter III, Workers' Perspectives presents data on multiple aspects of workers' conditions – from their earnings, hours and scheduling, benefits, and opportunities for advancement, to their experiences of employment law and health and safety violations. This chapter sheds light on workers' everyday struggles, including the adverse workplace conditions that drive large numbers of workers to leave their jobs in order to try to find better ones, increasing turnover within the industry.

³⁸ Current Population Survey-MORG 2010-12.

Chapter IV, Employers' Perspectives discusses issues similar to those in Chapter III but from the point of view of employers. Employers relate their struggles with turnover costs, with many asserting that job quality is critical to lowering costly turnover, increasing worker productivity, and running a successful food retail operation. However, our interviews with employers also highlight the pressures and preconceptions that drive them to use a low-price, low-investment model, often against the principles of good business practice they espouse, as well as the strategies some unionized food retail establishments employ to overcome these pressures.

Chapter V, Los Angeles Food Retail Jobs focuses on the conditions reported by food retail workers in the Los Angeles area, the largest metropolitan area in the state. Workers report higher levels of food insecurity and racial inequities in Los Angeles than statewide.

Chapter VI, The Social Cost of Low-Wage Jobs discusses the costs of low-price, low-investment practices that are borne by stakeholders other than workers and employers. For example, there are negative public health implications that arise from the pervasive combination of low wages and lack of earned sick days. This combination compels workers to choose between losing needed income and working while sick. Taxpayers also pay by covering health care costs that are not covered by food retail employers, perhaps even more so now as a result of employer responses to the recently-passed Affordable Care Act. Finally, poverty wage jobs create high levels of food insecurity among food retail workers, often resulting in these workers not being able to afford the food sold in the stores where they work, and sometimes not being able to afford sufficient and appropriate food at all. These factors also result in increased costs for taxpayers of public assistance programs when large numbers of poorly paid food retail workers access them.

Chapter VII, Understanding the Trends helps provide analysis of the overarching trends discussed in this report. It delves into the choices made by the largest grocery chains in the state of California, and the consequences those choices have had for both workers and employers.

Chapter VIII. Conclusions and Policy Recommendations draws conclusions based on the entire study and offers policy recommendations to legislators, employers, consumers, workers' advocates, and concerned members of the public.

B. Methodology

This study was commissioned by the United Food and Commercial Workers, Western States Council. Study design, survey design, interview guide design, study coordination, secondary source research, and writing was conducted by Saru Jayaraman and the Food Labor Research Center at the University of California, Berkeley. Survey collection was conducted by the Food Chain Workers Alliance. Data analysis was conducted by Professor Chris Benner at the University of California, Davis.

To guide the study, Saru Jayaraman and the Food Labor Research Center at the University of California, Berkeley convened a National Advisory Board that included academics, researchers, union representatives, and other worker advocates. This effort represents the most comprehensive analysis ever conducted of California's food retail industry. Data were collected from 925 worker surveys, in-depth interviews and focus groups with 40 food retail employers and workers, collected over a seven month period. The results of this primary research were supplemented by analysis of secondary industry

data and a review of existing academic literature. We sought to maintain a strict tabulation of survey-collection-to-government-data demographics in terms of regional representation, union status, race, and gender; the challenge of maintaining quotas in all five categories at the same time resulted in fewer Bay Area surveys and female surveys. We thus weighted the sample to ensure exact regional and gender representation.

This project was inspired by the need for examination and analysis of the overall condition of an industry increasingly important to California's economy, vital to the health and nutrition of California's consumers, and critical to the lives of hundreds of thousands of food retail workers and employers. The food retail industry is an important and growing source of locally-based jobs and provides ongoing and increasing opportunities for the development of successful businesses. We have therefore set out to capture and consider the perspectives of both workers and employers, in the belief that doing so is essential to ensure that the industry plays a positive future role in California's economy and society.

1. Survey Methodology

The survey was administered from June 2013 to November 2013 by volunteers and interns of the Food Chain Workers Alliance and the Food Labor Research Center at the University of California, Berkeley. A total of 925 surveys were conducted face-to-face with workers in four regions of the state – Southern California outside of the Los Angeles Area, the Central/San Joaquin Valley, the San Francisco Bay Area, and the Los Angeles Area. Workers were surveyed outside of their workplace, after work shifts were completed, or during breaks. Our sample consisted entirely of workers currently employed in the food retail industry.

(See appendix for detailed methodology.)

2. Interview Methodology

In order to obtain a holistic picture of the daily lives of individual food retail workers and employers, and to gain detailed information about the nature of working conditions and management concerns, in-depth, open-ended, one-on-one interviews were conducted with 40 workers and employers. An interview guide was used to structure the interviews to ensure that all interviews covered the same general topics. Interviewers were trained in how to use the guide to conduct semi-structured, open-ended interviews. The interviews were recorded, transcribed, and analyzed using Dedoose software.

CHAPTER 2:

THE FOOD RETAIL INDUSTRY IN CALIFORNIA



CHAPTER 2. THE FOOD RETAIL INDUSTRY IN CALIFORNIA

A. The Growth of an Industry

California's food retail industry has shown consistent and robust job growth, becoming an important business sector in the state, and growing faster than the economy overall. Between 2000 and 2011, the number of grocery stores in California – the largest segment of food retail establishments in the state – increased by 5%, from 9,893 to 10,403.³⁹

The food retail industry is also an important source of economic development, offering large numbers of jobs and impacting the economic health and well-being of local communities and the state as a whole. California's food retail industry paid \$7.7 billion in annual payroll in 2011,⁴⁰ and generated gross revenue of \$98.2 billion in 2012-13.⁴¹

B. Corporate Consolidation and Growth of the “Low-Price” Model

The food retail industry has experienced tremendous corporate consolidation nationally and in California. The Food Chain Workers Alliance's 2012 report, “The Hands That Feed Us,” provides a detailed history of consolidation in the grocery industry.⁴²

After World War II, the industry saw rapid expansion of large self-service stores with meat counters to attract

customers – these were the first supermarkets. In the 1950s, grocery sales grew faster than the population and per capita income.⁴³ The Super Market Institute was founded in 1935 with 35 members, but grew to 7,000 members by 1950.⁴⁴ In 1977, the Super Market Institute and National Association of Food Chains collaborated to form the Food Marketing Institute, a 1,500-member industry organization that represents the interests of the largest food retailers and wholesalers through research and lobbying. In the U.S. alone, FMI member companies represent 75% of all retail food sales, with a combined annual sales volume of \$680 billion.⁴⁵

As we shall see later in this chapter, just around the turn of the 21st century, the food retail industry took a sharp turn away from higher quality, full-service supermarkets toward low-price, large-scale “general merchandise stores” using economies of scale and reducing the quality of customer service interactions.⁴⁶ Not all general merchandise stores sell food, but those general merchandise stores that do (namely Wal-Mart, Target and Costco) have captured a significant share of the grocery market nationally.

Wal-Mart currently commands approximately 24% of the grocery market nationally,⁴⁷ and approximately 3.8% of the grocery market in California.⁴⁸

³⁹ County Business Patterns, US Census 2011.

⁴⁰ Ibid.

⁴¹ State of California, Department of Finance, California State Budget 2013-14 Summary Charts, <http://www.ebudget.ca.gov/2013-14/pdf/Enacted/BudgetSummary/SummaryCharts.pdf>.

⁴² Food Chain Workers Alliance, “The Hands That Feed Us; Challenges and Opportunities for Workers Along the Food Chain,” June 6, 2012.

⁴³ Tracey Deutsch, *Building a Housewife's Paradise: Gender, Politics and American Grocery Stores in the Twentieth Century* (Chapel Hill: University of North Carolina Press, 2010), 185-187.

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ California Employment Development Department, Labor Market Information Division, 2012.

⁴⁷ Wal-Mart's grocery sales revenue as a percentage of all U.S. food and beverage stores' grocery sales revenue according to U.S. Census data as of January 2014.

It faces significant competition from Target, which spent \$500 million in 2010 expanding grocery operations across the U.S.⁴⁹ Together, Wal-Mart and Target have captured significant grocery market share nationally and follow a low-price, low-cost model that reduces quality and specialization, flattening developed career ladders in food retail.

In California, Costco has captured a larger grocery market share than Wal-Mart and Target, and operates with a higher wage, higher quality labor model.⁵⁰ Nevertheless, the growth of the low-cost model, which Wal-Mart has led nationally, has impacted California's food retail sector as a whole. Here, the growth of low-price, big-box, general merchandise, non-union food retailers like Wal-Mart has been perceived as a potential threat to the grocery sector's high levels of unionization and existing standards for wages and working conditions among union and non-union employers alike.⁵¹

However, Wal-Mart's low-cost, low-price model is facing challenges that threaten its ability to continue the growth it has experienced over the last decade. Wal-Mart's presence in California is concentrated outside of large urban centers like Los Angeles (where the combined grocery market share of its Supercenters and its Sam's Club warehouse stores is just above 5%) and San Francisco (where its combined grocery market share is well beneath 5%) – both areas where the com-

pany has faced significant opposition to its expansion.⁵² At the same time as Wal-Mart's efforts to gain substantial market share in California's urban centers have been slowed and in some cases even stopped, the company also faces competition from a growing number of rivals including dollar stores, resurgent traditional grocers, and online retailers like Amazon. Additionally, pharmacies such as CVS and Walgreens are now aggressively expanding their retail sales into the grocery market.⁵³ The scale of these threats to Wal-Mart is significant: as noted above, in 2010, Target invested \$500 million to expand grocery operations, while CVS at the same time redesigned about 200 stores to include grocery sales,⁵⁴ contributing to a slight contraction of Wal-Mart's national grocery market share from 2010-2014.⁵⁵ Just as self-service grocery stores realized that larger one-stop grocers would appeal to consumers in the post-WWII period, the 21st century has seen big-box stores such as Target known for selling household wares, toys, and electronics adding groceries to their shelves to boost consumer traffic in their stores. Research suggests that consumers tend to visit grocery stores ten times more frequently than they visit pharmacies or non-food retail stores.⁵⁶

⁴⁸ Metro Market Studies California 2013 Grocery Distribution Analysis and Guide.

⁴⁹ Stephanie Clifford, "Big Retailers Fill More Aisles with Groceries," *The New York Times*, January 16, 2013, http://www.nytimes.com/2011/01/17/business/17grocery.html?pagewanted=all&_r=0.

⁵⁰ Stanley Holmes and Wendy Zelner, "The Costco Way: Higher wages mean higher profits. But try telling Wall Street," *BusinessWeek*, April 12, 2004.

⁵¹ Arindrajit Dube and Ken Jacobs, "Hidden Cost of Wal-Mart Jobs: Use of Safety-Net Programs by Wal-Mart Workers in California," UC Berkeley Labor Center Briefing Paper, August 2, 2004, <http://laborcenter.berkeley.edu/retail/walmart.pdf>.

⁵² Metro Market Studies in Wolfe Research, "Safeway Inc.: Why Cerberus & Safeway Makes Sense," October 23, 2013.

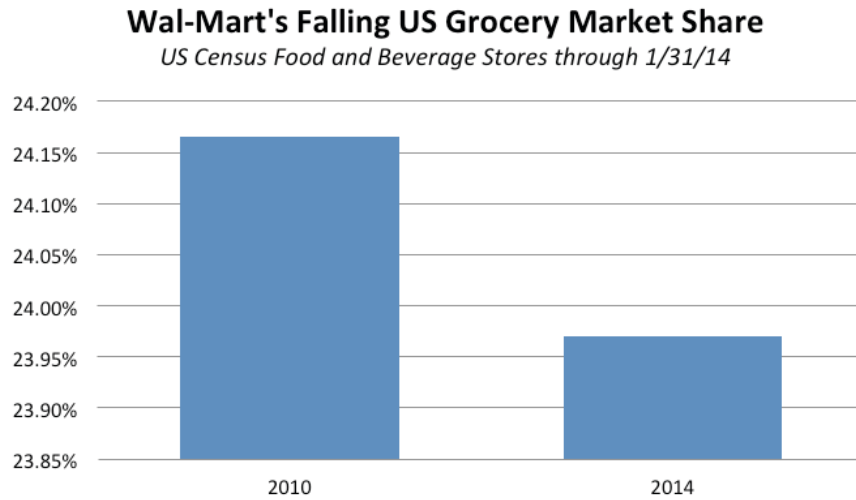
⁵³ *Ibid.*

⁵⁴ Trefis Team, "Wal-Mart Could Get Wounded in the Grocery Wars," *Forbes*, January 21, 2011.

⁵⁵ U.S. Census Bureau, Food and Beverage Stores Sales, 2010 and 2014.

⁵⁶ Trefis Team, "Wal-Mart Could Get Wounded in the Grocery Wars."

Figure 1. Wal-Mart's U.S. Grocery Market Share



Source: U.S. Census Bureau, Food and Beverage Stores Sales, 2010 and 2014

Table 1. Market Share of Food Retail Stores With More than 2% Share in California's Five Largest Metro Areas

LOS ANGELES	
Ralph's (Kroger)	15.7
Costco	11.4
Safeway/Von's	11.0
Albertsons (Supervalu)	8.6
Trader Joe's	5.9
Stater Bros. Supermarkets	4.7
Food 4 Less (Kroger)	4.3
Whole Foods	3.6
Target Super Center	3.4
Superior Grocers	3.2
Wal-Mart Supercenter	3.0
Smart & Final	2.8
Sam's Club (Owned by Wal-Mart)	2.4
Bodega Latina	2.2

SAN FRANCISCO	
Safeway	27.8
Costco	14.6
Save Mart Supermarkets/ Food Maxx/ Lucky	13.2
Trader Joe's	8.7
Whole Foods	6.2
Raley's Supermarket	4.3
Target Super Center	2.6
Smart & Final	2.0

SAN DIEGO	
Safeway/Von's	20.6
Costco	16.4
Albertsons	15.0
Ralph's (Kroger)	8.6
Trader Joe's	4.7
Food 4 Less (Kroger)	3.8
Stater Bros. Supermarkets	3.6
Sprouts Farmers Market	3.3
Target Super Center	3.1
UG/Unified Grocers (co-op)	2.3
Wal-Mart Supercenter	2.3
Northgate Markets	2.2
Whole Foods	2.1
Smart & Final	2.0

Table 1. Cont. Market Share of Food Retail Stores With More than 2% Share in California's Five Largest Metro Areas

RIVERSIDE/ SAN BERNADINO	
Stater Bros. Supermarkets	24.6
Costco	10.8
Albertsons	9.2
Ralph's (Kroger)	6.8
Safeway/Von's	6.5
Food 4 Less (Kroger)	5.4
WinCo Supermarkets	5.1
Wal-Mart Supercenter	4.8
Target Super Center	4.4
Cardenas Markets	3.3
Sam's Club	3.0
Trader Joe's	2.4
Superior Grocers	2.0
Bodega Latina	2.0

SACRAMENTO	
Raley's Supermarket	23.8
Safeway	14.3
Costco	11.6
Wal-Mart Supercenter	9.1
Save Mart Supermarkets/ Food Maxx	7.9
WinCo Supermarkets	5.8
Sam's Club	3.9
Nugget Market	3.7
Target Super Center	3.4
Trader Joe's	3.0
Whole Foods	2.5

Source: Metro Market Studies California 2013 Grocery Distribution Analysis and Guide

Despite the challenges to their long-term viability, Wal-Mart, Target and other general merchandise stores present a perceived threat to traditional food retailers. Numerous studies report that the growth of general merchandise stores that sell food has created competitive pressure on the food retail industry as a whole to cut labor costs, resulting in lower wages and a dangerously increased speed of work. While community stakeholders have challenged the economic and environ-

mental impacts of supercenters and their rapid growth, the supercenters have responded to these efforts to limit sprawl with creative strategies such as opening neighborhood market stores with multiple floors and smaller footprints that still maintain higher total square footage and primarily sell food. On the other hand, the economic suitability of urban centers is unclear for big-box formats like Wal-Mart's, with higher real estate and labor costs than in non urban areas where the model

⁵⁷Credit Suisse, "Mass Merchants: Three Structural Changes Underway – While Most May Be Aware of Each, Collective Impact May Be Greater than One Might Think," December 16, 2010.

⁵⁸ Wolfe Research, "Wal-Mart: Under Siege --Downgrading to Under perform," February 6, 2010.

has thrived. Furthermore, as Wal-Mart's U.S. growth has slowed dramatically (from double digit annual sales increases in the early 2000s to an average annual sales increase of less than 2% over the last five years) investors have begun to pose fundamental questions about the long-term viability of the supercenter format,⁵⁷ the erosion of the company's once unchallenged price leadership,⁵⁸ and the effectiveness of its controversial low-paying, low-staffing labor philosophy.⁵⁹

In a series of reports, Dr. Françoise Carré of the University of Massachusetts and Professor Chris Tilly of the University of California, Los Angeles compared food retail and other retailers' strategies for staying competitive. They found that food retailers in particular are focusing overwhelmingly on cutting labor costs to compete with big-box stores. The primary strategies to cut labor costs have included offering lower wage part-time jobs, speeding up work, and scheduling workers "just-in-time" based on customer flow, resulting in high rates of employee turnover. These scholars found that part-time workers have lower hourly wage rates than

full-time workers in the US, which is not true in other countries. Importantly, it is unclear whether these "low-cost" strategies (increasingly pursued by union and non-union food retailers alike) actually succeed in reducing costs, improving productivity and increasing profitability over the long term.⁶⁰ A growing body of literature demonstrates that the structural tendency in retail to reduce labor budgets, which results in measurable cost savings in the short term, may also have the unintended effect of reducing revenues, although this occurs over the longer term and is harder to measure.⁶¹ As MIT's Zeynep Ton has shown, these "good jobs" strategies are actually more effective at both the higher end of retail, where consumers are willing to pay a premium for quality service, and for every-day-low-price (EDLP) retailers like Costco.⁶²

Unfortunately, even as its long-term viability is being challenged, the low-quality customer service model has become more prevalent and threatened unions' ability to maintain higher job quality standards even in union stores.

When it comes to food, Americans generally like it cheap and quick. We spend 10% of our income on food, less than any other people in history, and dedicate 31 minutes on average each day to preparing our food.⁶³ UC Berkeley professor Michael Pollan wrote in 2010 that food in America is essentially invisible, that "Americans have not had to think very hard about where their food comes from, or what it is doing to the planet, their bodies, and their society."⁶⁴

However, we are starting to think about our food, where it comes from, whose hands have touched it along the way, and who among us has access to healthy food. While many wealthier Americans have embraced sustainable food, including organic and locally grown food found in farmers markets, specialty health stores, and a growing number of supermarkets, policymakers and advocates have also begun focusing attention on providing healthy food to poorer Americans who might lack financial and geographic access to it.

⁵⁹ Ibid.

⁶⁰ Carré and Tilly, "Continuity and Change in Low-wage Work in U.S. Retail Trade."

⁶¹ See for example Zeynep Ton, "Why 'Good Jobs' Are Good for Retailers," Harvard Business Review Magazine (January-February 2012); "Out of Stock? It Might Be Your Employee Payroll -- Not Your Supply Chain -- That's to Blame," Knowledge@Wharton, April 4, 2007.

These dual trends – a growing focus on nutrition and food origin alongside a policy apparatus struggling to provide good food to urban neighborhoods and prevent people from consuming too much unhealthy food – reflect a growing awareness of how important accessing good food is to all of our communities.

According to the U.S. Department of Agriculture (USDA), U.S. consumer demand for organics has grown continuously since the USDA established national organic standards in 2002 – in 2012, organic food sales were \$28 billion, up 11% from the year before.⁶⁵ And bucking the stereotype of organic and local food being a mainstay of co-op shopping coastal hippies, over half of all organic food is sold by mass-market retailers.⁶⁶ Organic grocery sales are outpacing traditional grocery sales in supermarkets like Kroger, which has seen its organic food sales double and has purposefully focused on expanding within this market.⁶⁷ Wal-Mart, which buys more U.S. agricultural products than any other retailer in the world, already has initiatives to

sell sustainable, locally-grown food⁶⁸ and dominates large sectors of the organics market.⁶⁹ Despite the fact that organic foods cost at least 10 to 30% more than conventional products, retailers, like consumers, have embraced organics, many developing their own private label brands of organics.⁷⁰ Most recently, Wal-Mart announced that it would introduce a line of much cheaper organic products, claiming it would reduce the price of organic goods by as much as 25%. Critics have indicated that this move could undermine the values of organic farming.⁷¹

While healthier food becomes more available for some segments of the U.S. population, others lack access to foods beyond what's available at their local bodega. According to the USDA, 2.3 million households live more than a mile from a supermarket and do not have access to a vehicle. Across the country, lower income areas tend to have 30% more convenience stores, which tend to lack healthy foods.

⁶² Ibid.

⁶³ Michael Pollan, "The Food Movement, Rising," *New York Review of Books*, June 10, 2010, <http://www.nybooks.com/articles/archives/2010/jun/10/food-movement-rising/?pagination=false>.

⁶⁴ Ibid.

⁶⁵ Catherine Greene, "Growth Patterns in the U.S. Organic Industry," United States Department of Agriculture Economic Research Service, October 24, 2013, <http://www.ers.usda.gov/amber-waves/2013-october/growth-patterns-in-the-us-organic-industry.aspx#.UxUrtvRdUvM>.

⁶⁶ Organic Trade Association, "Industry Statistics and Projected Growth," June 2011, <http://www.ota.com/organic/mt/business.html>.

⁶⁷ Dana Hunsinger Benbow, "Natural, organic items grab bigger share in supermarkets," *USA Today*, July 8, 2012, <http://usatoday30.usatoday.com/money/industries/food/story/2012-07-07/natural-organic-groceries/56085280/1>.

⁶⁸ "Healthy Food Initiatives, Local Production, and Nutrition," a hearing of the U.S. Senate Committee on Agriculture, Nutrition and Forestry, March 7, 2012, <http://www.ag.senate.gov/hearings/healthy-food-initiatives-local-production-and-nutrition>.

⁶⁹ Tom Philpott, "Is Walmart Really Going Organic and Local?" *Mother Jones*, March/April 2012, <http://www.motherjones.com/environment/2012/03/walmart-groceries-organic-local-food-deserts>.

⁷⁰ Carolyn Dimitri and Lydia Oberholtzer, "Marketing U.S. Organic Foods," USDA Economic Research Service, September 2009.

⁷¹ Dan Charles, "Can Wal-Mart Really Make Organic Food Cheap for Everyone?" *NPR's The Salt*, April 19, 2014, <http://www.npr.org/blogs/the-salt/2014/04/17/304205632/can-Wal-Mart-really-make-organic-food-cheap-for-everyone>.

⁷² Sarah Treuhaft and Allison Karpyn, "The Grocery Gap: Who Has Access to Healthy Food and Why It Matters," 2010.

⁷³ "Access to Affordable and Nutritious Food: Measuring and Understanding Food Deserts and Their Consequences," USDA Economic Research Service, June 2009.

⁷⁴ Kiley McGeeney and Elizabeth Mendes, "Income, Not 'Food Deserts,' More to Blame for U.S. Obesity," *Gallup*, September 20, 2013.

⁷⁵ "Access to Affordable and Nutritious Food," USDA, June 2009.

⁷⁶ Leslie Patton, "Michelle Obama's Food Desert Plan Yields Few New Stores: Retail," *Bloomberg News*, May 6, 2012.

⁷⁷ Sarah Treuhaft and Allison Karpyn, "The Grocery Gap: Who Has Access to Healthy Food and Why It Matters," 2010.

This problem is further compounded because food in small stores is often more expensive than food found in bigger supermarkets. Negative health outcomes like obesity have been linked to food deserts (although income plays a bigger role in this correlation). Some policymakers have suggested incentivizing larger stores to expand in urban areas. First Lady Michelle Obama, one of the most prominent supporters of eradicating food deserts, led an effort to open over 1,000 stores in underserved urban areas – recent reports show that plan has largely failed to live up to its promises. Other policy options and local solutions are vast, and can include developing other retail outlets, like farmers markets, in underserved areas, increasing the healthy food options available at bodegas and convenience stores, and improving public transportation to grocery stores.

In California, the FreshWorks Fund subsidizes grocery stores to locate in low-income neighborhoods. The Fund, a public-private partnership, raised \$272 million to increase access to healthy foods. Michelle Obama has praised the Fund, and its proponents have also said it could spur job growth – 24.3 jobs are created on average for every 10,000 square feet of grocery retail space.⁷⁸ The Fund requires that food retailers must provide jobs that are on par with similar jobs in the area, but job quality as a criterion is not currently clearly defined.⁷⁹ Thus, if the typical area job is a poverty wage

job, the Fund will support a new food retail establishment that provides such a poverty wage job.

Policymakers have also proposed taxing unhealthy foods, like soda, to curb demand. In the past five years, nearly half of all states have proposed taxes on sugar-sweetened beverages, with revenues going to public health initiatives. Opponents of these taxes claim they are regressive, hitting the poor hardest.⁸⁰ The New York State Supreme Court overruled New York City's ban on large sugary drinks, but the regulation itself was heralded as an important step forward, possibly opening the door for similar innovative policies to encourage healthy eating.⁸¹

Both individuals and policymakers are more concerned about eating sustainably than ever before, even if that means higher prices. However, as The New York Times' resident foodie Mark Bittman writes, "If you care about sustainability — the capacity to endure — it's time to expand our definition to include workers. You can't call food sustainable when it's produced by people whose capacity to endure is challenged by poverty-level wages."⁸² If a growing number of Americans prefer organic and sustainable food products, these concerns have the potential to expand to include the wages and working conditions for food retail workers.

⁷⁸ California FreshWorks Fund, http://cafreshworks.com/wp-content/uploads/2014/01/CFWF_FactSHT_9.pdf.

⁷⁹ Ibid.

⁸⁰ Roberta R. Friedman and Kelly D. Brownell, "Sugar Sweetened Beverage Taxes: An Updated Policy Brief," Yale Rudd Center for Food Policy and Obesity, October 2012.

⁸¹ Maria Godoy and Allison Aubrey, "Judge Overturns New York City Ban on Big Sugary Drinks," NPR's The Salt, March 11, 2013, <http://www.npr.org/blogs/thesalt/2013/03/11/174037195/judge-overturms-new-york-city-ban-on-big-sugary-sodas>.

⁸² Mark Bittman, "The 20 Million," The New York Times, June 12, 2012, <http://opinionator.blogs.nytimes.com/2012/06/12/the-20-million>.

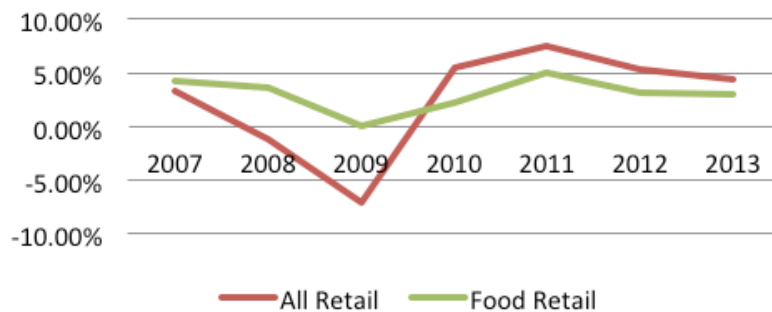
C. The “Financialization” of Food Retail⁸³

California’s retail sector plays a prominent role in the operations of the major national grocery store chains. Kroger, the second largest food retailer in the US after Wal-Mart, has 346 stores in California, more than in any other state, accounting for over 14% of the company’s 2,400 locations.⁸⁴ Safeway, the number three food retailer, counts 503 stores in California, representing more than 35% of its operations nationally, and three times the number in any other state.⁸⁵

These two publicly traded food retail chains, along with a third, Supervalu (also with a large California presence, and now owned by private equity firm Cerberus) demonstrate an important aspect of the food retail sector over the past two to three decades: the growing influence of financial markets, including public and private equity investors.

For investors, the allure of food retail lies in the sector’s generally stable cash flow. During the period of the 2007 credit crisis and the ensuing recession, the food retail sector was an area of relative stability compared to the volatility of the rest of the retail industry, maintaining continuous sales growth throughout the period, as illustrated in Figure 2 below. This stability has made food retail (and other consumer staples companies) a refuge for investors. For Wall Street investment banks, the food retail industry’s consistent performance means food retailers are good candidates for carrying debt – their stable cash flow lets them make interest and principal repayments year in and year out, even during recessions, therefore allowing greater capacity for the use of debt in these firms’ capital structures.⁸⁶

Fig. 2 Annual Change in Sales
(U.S. Census Retail Trade Data 2007-2013)



Source: U.S. Census Retail Trade Data, 2007-2013

⁸³ By “financialization” we refer to the general trend of allocating corporate resources to meet the short-term interests of shareholders as opposed to investing in improved products and services, operational innovation, or human capital.

⁸⁴ The Kroger Company “Locations,” <http://www.thekrogerco.com/about-kroger/operations/locations>.

⁸⁵ Safeway, “Investor Relations,” <http://www.safeway.com/ShopStores/Investors.page#iframeTop>.

⁸⁶ Lawrence M. Fisher, “Safeway Buyout: A Success Story,” *The New York Times*, October 21, 1988, <http://www.nytimes.com/1988/10/21/business/safeway-buyout-a-success-story.html>.

⁸⁷ Cerberus entered the grocery business in 2006 in connection with the Supervalu acquisition of Albertsons Inc., which at that time was the second largest grocery chain in the US with approximately 2,500 stores. For further details regarding this acquisition and its negative consequences, see footnote 35 above.

This is one of the primary reasons a number of food retailers have been the target of leveraged buyouts, and why many carry a significant amount of debt on their balance sheets. While the stability of food retailers' cash flow makes them attractive candidates for taking on debt, it does not make them immune to the risks financial leverage brings. This is driven home by the recent leveraged buyout of Safeway by Albertsons LLC owner Cerberus, a New York-based private equity firm, in a deal valued at more than \$9 billion and involving over \$7 billion in debt.⁸⁷ In fact the varying fortunes of California's large food retailers and their employees can be understood largely through the lens of financialization, as we will examine more closely in Chapter 7 below.

C. How Many Jobs?

The food retail industry is difficult to define comprehensively using government data. There are three categories of retail food stores in California labor market data: "grocery stores," "specialty food stores," and "general merchandise stores." The stores that are growing the fastest in food retail— stores like Wal-Mart, Target, and Costco, labeled as "general merchandise stores" in California labor market data – do not sell food exclusively. Thus, while "grocery stores" and "specialty food stores" alone employed 327,400 workers in 2011 in California, or 2.2% of total employment in the state, another 113,000 workers worked in general merchandise stores like Wal-Mart, Target, and Costco.⁸⁸

To calculate the number of food retail workers within the general merchandise category, we focus on Wal-

Mart, Target, and Costco, the three general merchandise stores with significant grocery sales. While these three giants comprise the vast majority of revenue in the general merchandise category, not all of their sales come from food retail, so we must calculate the share of these three companies' sales from grocery in order to calculate the share of workers in the "general merchandise" category that can be accurately called food retail workers.

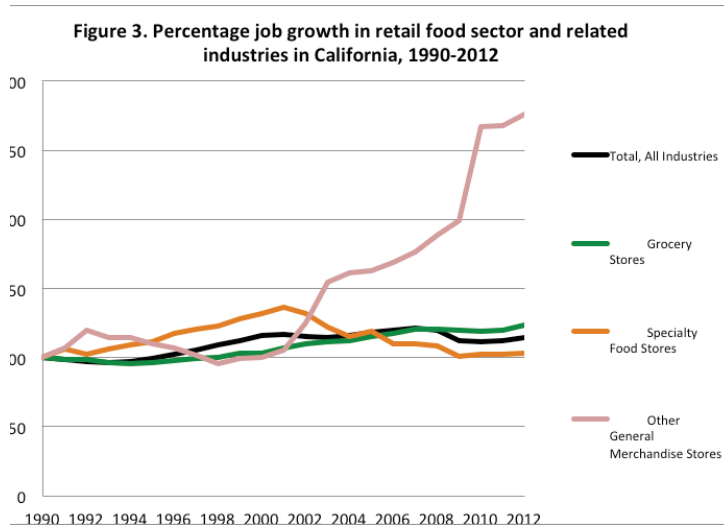
First, with regard to Wal-Mart, retail trade press reports that 55% of Wal-Mart's sales came from grocery in 2012, up from 53% in 2011.⁸⁹ Second, nationwide, Target reports that 25% of their sales are "household essentials" and 21% are "food and pet supplies," so we estimate a 46% grocery share of total Target sales in California. Third, Costco reports that food, fresh food and "sundries" total 56% of all sales. Thus, across the three, approximately 50% of sales can be attributed to grocery, and since these three are the largest retailers within "general merchandise," we thus approximate that roughly 50% of 113,000 workers in the "general merchandise" category, or 56,500, can be labeled food retail workers. Combined with grocery store workers, this brings the total number of food retail workers to 383,900. Food retail workers thus account for 2.6% of total California employment, and about 3.2% of California's private sector employment.

As can be seen in Figure 3 below, while grocery stores are growing slightly faster than California's overall economy, the most significant and dramatic growth in food retail can be seen in general merchandise stores like Wal-Mart and Target.

⁸⁸ CA Employment Development Department, Labor Market Information Division 2012.

⁸⁹ Wal-Mart Stores, Inc., U.S. Securities and Exchange Commission Annual Report Form 10-K, 2012, <http://www.sec.gov/Archives/edgar/data/104169/000119312512134679/d270972d10k.htm>.

⁹⁰ Target Corporation, U.S. Securities and Exchange Commission Annual Report Form 10-K, 2012, <https://corporate.target.com/annual-reports/2012/10-K/10-K-report>.



Source: CA Employment Development Department, Labor Market Information Division 2012

Since 1990, the food retail sector’s share of private sector employment has risen from 2.4% to 3.2%. That growth in employment share is almost entirely attributable to the growth of “general merchandise stores” like Wal-Mart. From 1990 until 2012, the total employment share of “grocery stores” increased from 1.8% to 2.0%; that of “specialty food stores” dropped from 0.23% to 0.21%; and that of “general merchandise stores” grew from 0.30% to fully 1.0% of all California jobs. While employment growth in grocery stores and general merchandise stores stagnated in the first year of the Great Recession (2008), it recovered without any apparent lasting effects. Unlike in many other industries, the total number of businesses in the California food retail industry is greater now than before the recession, although not in the specialty food stores segment.⁹¹

D. What are the Characteristics of the Workforce?

Most jobs in the food retail industry require little or no formal education. There is no formalized training or universally accepted certification for most food retail jobs; instead, most employees obtain job skills during on-site training. In the front end of a grocery store, food

clerks and cashiers interact with customers and need strong interpersonal skills, time and task management skills, and a working knowledge of food merchandise. In the specialty departments, meat cutters and some deli staff work with highly dangerous equipment and must be able to fill orders quickly in a high-pressure environment. In addition, bakery, service deli, and meat clerks are involved in both minor food preparation and some amount of customer service.

The development of the “Wal-Mart model” over the last decade has reduced upward job mobility. For example, all of the meat sold in stores like Wal-Mart arrives pre-cut and packaged. Customers cannot get specialty cuts, have specialty cakes made or decorated, or secure certain fresh products. This eliminates specialized positions such as bakers and meat cutters, as well as bakery, service deli, and meat clerks.⁹²

As indicated by Table 2, U.S. Census data shows that the California food retail industry is generally younger, more Latino, and somewhat less educated than the overall workforce.

⁹¹ CA Employment Development Department, Labor Market Information Division 2012.

⁹² Bernhardt, “The Future of Low-Wage Service Jobs and the Workers That Hold Them,” 1999.

Table 2. Demographics of California Food Retail Workers

		Grocery Stores* 2011	General Merchandise Stores 2011	All Other Industries 2011
Sex	Male	56.1%	50.0%	54.0%
	Female	43.9%	50.0%	46.0%
Age Group	16-24	25.7%	23.9%	12.3%
	25-44	41.7%	44.4%	46.4%
	45-64	30.1%	29.6%	37.4%
	65 and older	2.5%	2.1%	3.8%
Race/Ethnicity	Non-Hispanic White	37.3%	33.3%	42.6%
	Non-Hispanic Black	4.1%	7.2%	4.9%
	Latino	43.7%	48.5%	33.5%
	Asian/Pacific Islander	13.9%	10.2%	14.1%
	All Other	1.0%	0.8%	4.8%
Place of Birth	U.S.	61.9%	68.2%	63.5%
	U.S. Territories	0.3%	0.3%	0.2%
	Mexico & Central America	22.0%	19.4%	18.6%
	Caribbean	0.2%	0.1%	0.2%
	South America	0.5%	0.9%	0.9%
	Europe	1.6%	1.2%	2.6%
	China	2.5%	0.7%	2.5%
	Other Asian	9.0%	7.5%	9.6%
	Africa and all others	2.1%	1.6%	1.8%
Years in U.S.	Born in the U.S.	61.9%	68.2%	63.5%
	0-5	5.1%	2.4%	3.4%
	6-10	5.5%	3.5%	4.8%
	11-15	5.2%	3.2%	4.9%
	16-20	5.4%	5.9%	5.4%
	21 or more	16.9%	16.7%	17.9%
Ability to Speak English	Speaks only English	51.2%	53.9%	56.2%
	Speaks very well	23.0%	25.8%	23.4%
	Speaks well	11.1%	11.8%	9.5%
	Speak, but not well	10.7%	6.8%	7.8%
	Does not speak English	4.0%	1.7%	3.3%
Educational Attainment	Less than High School	17.5%	13.6%	12.6%
	High School Degree	43.3%	45.3%	27.6%
	Some College	28.9%	32.3%	26.7%
	Bachelor's Degree and Higher	10.3%	8.9%	33.2%

• Includes Specialty Food Stores

** 'All Other Industries' refers to the entire workforce excluding grocery store and general merchandise store workers

Source: Census ACS 2011 3-year data

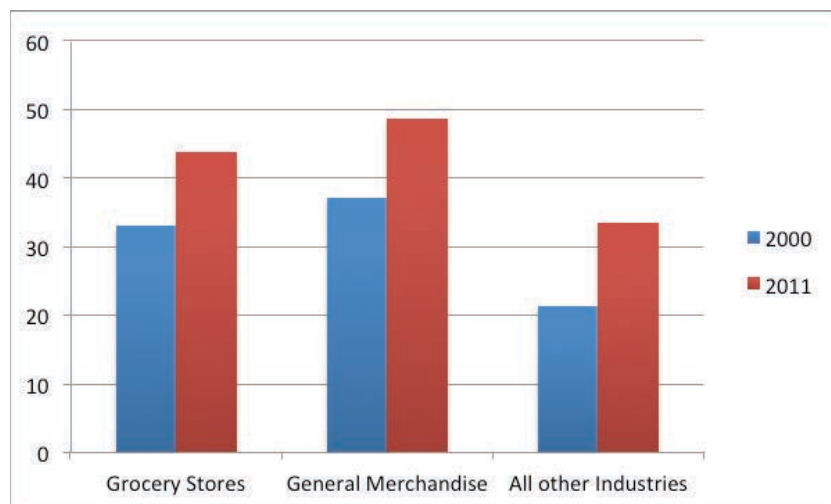
1. AGE

Based on our three-year data set ending in 2011, California food retail workers are younger on average than the overall labor force of the state, but still include relatively comparable numbers of adults. More than one-quarter of grocery store workers are between the ages of 16 and 24, more than double the percentage of all California workers in the same category. However, the numbers of adults aged 25-44 do not differ dramatically from those in the workforce as a whole (41.7% in grocery vs. 44.4% in general merchandise and 46.4% in all other industries).

2. RACE AND NATIONAL ORIGIN

More than 40% (43.4%) of grocery store workers and almost half of all general merchandise workers in California are Latino (48.5%), a markedly greater percentage than in the statewide workforce overall, which is approximately one-third Latino (33.5%). Comparing our three-year data set ending in 2011 to data from 2000, this proportion represents a substantial increase from 2000, when less than one-third of all grocery store workers were Latino. With more than 150,000 Latino workers in 2011, food retail is thus a critical source of employment for the Latino community.

Figure 4. Growth in Latino workforce in Food Retail vs. other Industries



Source: Census ACS 2011 3-year data

Grocery stores also employed a greater share of immigrant workers than in 2000. In 2000, only 30% of California's grocery store employees were foreign born, while employees of all other industries in the state were approximately 38% foreign born. In 2011, grocery stores surpassed the average of all other industries in their share of foreign-born workers, with 38.1% foreign born workers in grocery stores vs. 36.5% foreign born in all other industries.

With regard to race, while the food retail industry employs a higher percentage of Latino workers than other industries, people of color on the whole earn lower wages than white workers. This race differential exists among both union and non-union workers.

Table 3. Median Wage by Race and Unionized Status, 2010-12 (in 2012 Dollars)

	2010-	2012
	Union	Non-Union
Non-Hispanic White	\$14.33	\$12.16
People of Color	\$12.24	\$10.09

Source: CPS ORG 2010-12.

The negative effects of this differential are compounded by the fact that workers of color make up a far greater percentage of the lower paid, non-unionized grocery workforce than of the higher paid, unionized grocery

workforce; 73% of all non-unionized grocery store workers are people of color, whereas only 54% of all unionized grocery store workers are people of color.

Table 4. Racial Composition of Retail Grocery Workforce by Union Status, 2010-2012

	2010-	2012
	Union	Non-Union
Non-Hispanic White	46%	27%
Latino	48%	50%
Asian	5%	17%
Black	1%	7%

Source: CPS ORG 2010-12.

E. What do the Jobs Pay?

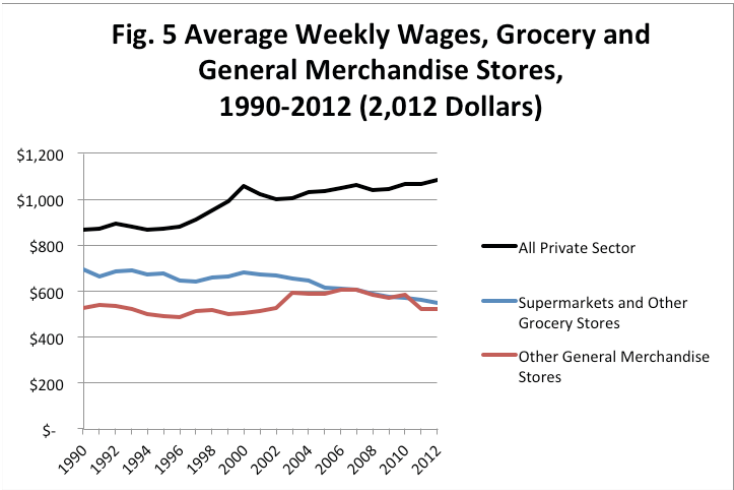
While California food retail industry employment has grown in the past decade, wages have declined. According to Census data, in 2010 dollars, median hourly wages of grocery store workers – the largest segment of food retail workers – fell from \$12.97 in 1999 to \$11.33 in 2010, a decline of 12.6%. Meanwhile, overall private sector median hourly wages rose slightly, from \$16 to \$16.16, an increase of 1%. Thus, by 2010, the median hourly wage for grocery store workers was about 70% of that earned by the workforce overall.

Moreover, the proportion of food retail workers earning poverty wages increased substantially, from 43% in 1999 to 54% in 2010. This means that in 2010, more than half of all food retail workers earned hourly wages so low that their annual income would have been less than \$22,458, the income needed to reach a low standard of living for a family of three in the Western U.S., if they worked full-time, year-round (2,080 hours).⁹³

Figure 5 demonstrates food retail workers’ decline in average weekly wages by market segment from 1990-2012.⁹⁴

⁹³ “Lower Income Standard Income Level Guidelines,” Employment and Training Administration, US Department of Labor, <http://www.doleta.gov/lisil/2013/2013llsil.pdf>.

⁹⁴ Most wage figures in this report are based on median wages—the wage at which half of workers earn more and half earn less. In some cases, however, we report mean or average wages when the median wage is not reported or calculable from available data.



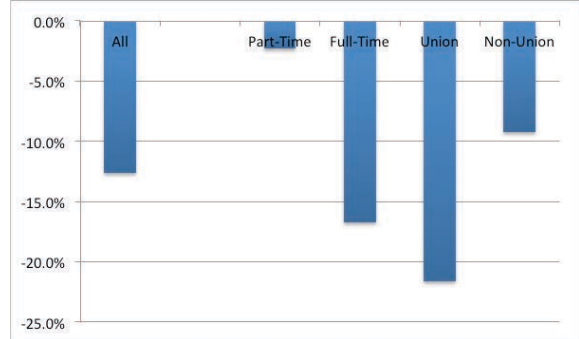
Source: California Employment Development Department, QCEW, 1990-2012

Figure 5 indicates that for the period from 1990-2012, as average weekly wages rose for the private sector as a whole, average grocery store workers' weekly wages declined by 21%, while weekly wages for general merchandise workers increased slightly. These trends are especially pronounced since 2000.

As shown in Figure 6, in 2010 dollars, grocery store workers experienced a median hourly wage decline of 12.6% from 2000 to 2010, and specialty food workers experienced a median hourly wage decline of 15.9%, while general merchandise store workers experienced a median hourly increase of 10% to their very low wages.

Among grocery store workers, the hourly wage decline was greater for full-time workers and unionized workers than for part-time and non-union workers, thus giving unionized workers a narrowed advantage. From 2000-2010, while part-time workers' median hourly wages declined by 2.3%, full-time workers' median hourly wages declined by 16.7%, and while non-union workers' median hourly wages declined by 9.3%, union workers' median hourly wages declined by 21.6%, more than twice that rate.

Figure 6. Wage Change Among Grocery Store Workers by Union and Full-Time Status, 2000-2010



Source: Annual Census (IPUMS)

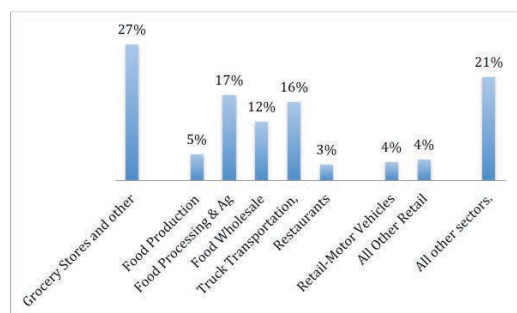
Overall food retail worker wage decline from 2000-2012 cannot be attributed to an increase in low-wage part-time work or a reduction in average hours, both of which stayed relatively constant during that period.⁹⁵ Instead, the overall decline in grocery store wages is attributable mainly to two factors: wages for the industry's full-time and unionized workers declined much further than those of part-time and non-unionized workers, and wages of the industry's large number of part-time workers remained much lower than those of full-time workers.

1. Decline in Unionization

Figure 7 and Figure 8 below indicate that changes in union status and the large numbers of part-time workers are likely related to the wage changes of grocery store workers in California. From 2000-2012, as grocery store workers' wages declined dramatically, the relatively high historic unionization rates among these workers were declining substantially as well. As seen in Figure 7, grocery workers as a whole are more unionized than other food system sector workers and other retail workers, and more unionized than the overall California workforce.⁹⁶ Not surprisingly, grocery store workers also

have much higher median hourly wages than workers in the two other largest sectors of the food chain – restaurant workers and farmworkers. These sectors are comparable to grocery store work in the lack of formal training or education required to obtain employment. While grocery store workers were 35% unionized and earned a median hourly wage of \$11.33 per hour in 2012, farmworkers were 5% unionized and earned \$9 per hour, and restaurant workers were 3% unionized and earned \$9 per hour as well – just one dollar more than the 2012 state minimum wage of \$8 per hour.

Figure 7. Grocery vs. Other Food Chain and Retail Sector Unionization Rates in California, 2010-12



Source: Current Population Survey-MORG 2010-12

California's non-union grocery store workers do not enjoy the same wages and benefits enjoyed by union grocery store workers. Government data indicate that union grocery store workers earn about three dollars more per hour than non-union grocery store workers (\$13.00 vs. \$10.00) and are slightly more likely to work full-time hours (74% vs. 70%).^{97,98} California's non-union grocery store workforce is also made up of a far greater proportion of people of color (73% of non-union workers are people of color as compared to 54% of union workers). Our survey data, described in Chapter 3, indicate that even greater advantages, both with regard to wages and with regard to other

elements of job quality, arise from having a union.

However, as described above, market forces such as the growth in general merchandise stores like Wal-Mart and Target have eroded job quality in the food retail industry as a whole, counteracting the benefits of relatively higher historical unionization rates in the sector.⁹⁹ Figure 8 shows that grocery store workers have more than double the unionization rate of general merchandise store workers (35% vs.17%), but that both grocery stores and general merchandise stores have experienced declining unionization rates over the last decade.

⁹⁵ Current Population Survey-MORG 2010-12.

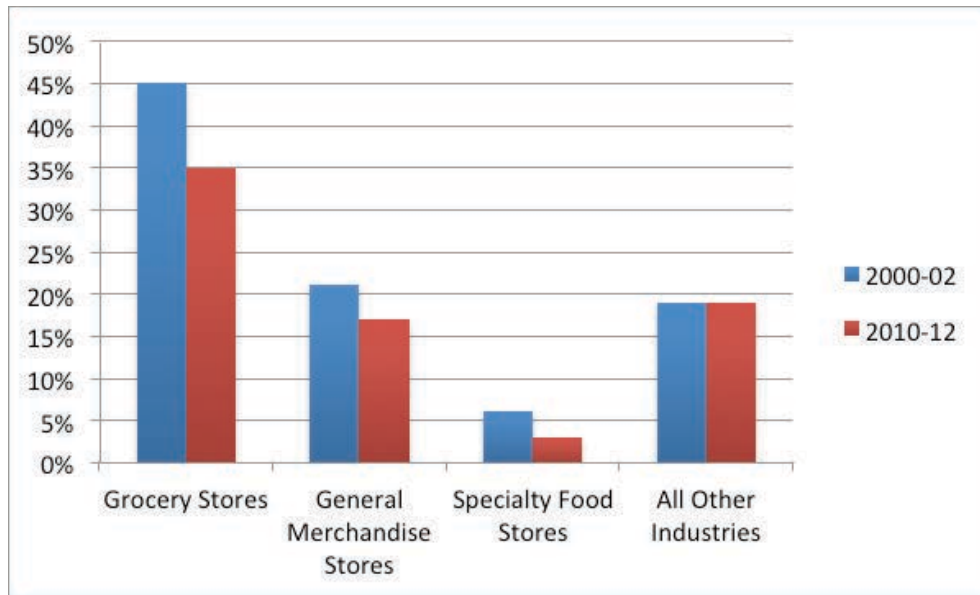
⁹⁶ Ibid.

⁹⁷ Ibid.

⁹⁸ All comparisons in this section are statistically significant at $p < .05$.

⁹⁹ Françoise Carré, Chris Tilly, and Lauren D. Appelbaum, "Competitive Strategies and Worker Outcomes in the US Retail Industry," Institute for Research on Labor and Employment, June 2010

Figure 8. Food Retail Unionization Rates, 2000-02 vs. 2010-12



Source: Current Population Survey-MORG 2000-02 & 2010-12

2. Large Numbers of Low-Wage Part-Time Jobs

A second factor contributing to low wage levels in the food retail industry is the comparatively large number of part-time jobs. Food retail workers are almost twice as likely as the overall workforce to work part-time (37% vs. 21%). This phenomenon is related to wages because part-time workers earn far less per hour than full-time workers. For example, the three-year average of the median hourly wage for part-time grocery store workers from 2010 to 2012 in 2012 dollars was \$9.50, more than \$3 lower than the median hourly wage for full-time grocery store workers of \$12.75. Part-time status is highly gendered: part-time grocery store workers

are much more likely to be female (53% of part-time workers are female as compared to 35% of full-time workers). It is also related to age: the median age among part-time workers is 28, while the median age among full-time workers is 37.

However, as mentioned above, the share of part-time work did not increase significantly enough over this time period to explain much of the observed decrease in wages. As Table 5 indicates, the share of part-time work remained fairly constant from 1999-2011, as did part-time workers' relatively lower wages.

Table 5. Change in Proportions of Part-time Work in Food Retail and Comparable Food Chain and Retail Sectors, 1999-2011

	1999	2011
Grocery Stores and Other Retail Food Outlets	32%	37%
General Merchandise Stores	33%	40%
Food Production	10%	12%
Food Processing & Ag Product Manufacturing	8%	10%
Food Wholesale	9%	11%
Truck Transportation, Warehousing & Storage	9%	12%
Restaurants	45%	54%
Retail-Motor Vehicles	9%	11%
All Other Retail	29%	38%
All Other Sectors.	17%	21%

Source: Annual Census (IPUMS)

The fact that wages for full-time workers in the retail food industry declined at a greater rate than they did for part-time workers, combined with the fact that the wages of the large number of part-time workers remained consistently much lower than those of full-time workers, contributed to the overall decline of grocery

store wages and the descent of more grocery workers into poverty. Wages declined among full-time and part-time workers in both the union and non-union sectors, but unionized workers experienced more than three times the rate of decline suffered by their non-union counterparts.

Table 6. Median Wage by Union and Part-Time Status, 2000-02 and 2010-12 (in 2012 dollars)

	2000-2002		2010-2012		% Change	
	Union	Non-Union	Union	Non-Union	Union	Non-Union
Full-Time	\$19.38	\$12.73	\$15.17	\$11.82	-77%	-7%
Part-Time	\$10.97	\$8.95	\$9.45	\$9.35	-14%	4 %

Source: CPS ORG, 2000-02 and 2010-12

3. Comprehensive Wage Decline Analysis

Figures 1, 5, 6, 7, and 8 combined demonstrate three simultaneous trends: from 2000 to 2012, as the industry as a whole remained financially stable, general merchandise stores like Wal-Mart and Target grew by 200%. At the same time, the unionization rate among grocery store workers declined by almost one-quarter (22.2%), and weekly wages for grocery store workers dropped 21%, with full-time and unionized grocery store workers bearing the brunt of the wage decline.

Numerous researchers concur that these three simultaneous trends can be explained in large measure by the growth in food retail of non-union general merchandise stores like Wal-Mart and Target, which has had a negative effect on the union's bargaining power for unionized grocery store workers. Because they are much larger stores requiring many more workers, Wal-Mart, Target, and Costco stores command an increasing share of the grocery labor force, and unionized stores feel pressured to compete with Wal-Mart's well-known low-price model by mirroring its practices. In fact, researchers Dube, Lester, and Eidlin report that each time a Wal-Mart store opens, it creates competition for local retailers to offer lower-paying jobs. They estimate that between 1992 and 2000, the opening of a single Wal-Mart store in a county lowered retail wages in that county by between 0.5 and 0.9%, and that in the general merchandise sector, wages fell by 1%. According to these estimates, the greatest burden of this decline in wages falls on grocery store workers.¹⁰⁰ The reasons for this general reaction to the opening of a Wal-Mart store are many, but the largest reason cited is the competitive pressure created by Wal-Mart's low-price, low-wage model, which local rival grocers attempt to emulate by cutting labor costs for their unionized workforce.

F. Economic dynamism or dangerously low standards for California's food retail jobs?

The data presented in this chapter demonstrate the growth of the food retail industry in California and its importance to the state's economic well-being. However, they also call attention to the fact that recent growth of the food retail industry has been largely concentrated in general merchandise stores offering non-union jobs that do not support a family. The patterns observed in the California food retail industry are reflective of a broader phenomenon in the U.S. labor market.

According to a National Employment Law Project analysis, the Great Recession skewed job loss toward higher wage occupations, while job recovery has been skewed toward traditionally low-wage jobs in the retail and restaurant industries. The ever-increasing proportion of employment made up by the economy's lowest-wage jobs creates tremendous challenges for workers to support their families and also to consume in ways that will support overall economic growth.¹⁰¹

The food retail industry provides both an opportunity and a threat to California's economy. On the one hand, this industry can provide jobs to hundreds of thousands of Californians, and is a healthy, stable, growing industry. On the other hand, as lower-wage non-unionized segments of food retail increase their share of the state's total employment, the continued decline of wages in the food retail industry will threaten California's overall economic well-being.

¹⁰⁰ Dube, Lester, and Eidlin, "A Downward Push."

¹⁰¹ "The Low-Wage Recovery and Growing Inequality," National Employment Law Project, 2012, http://www.nelp.org/page/-/Job_Creation/Low_WageRecovery2012.pdf?nocdn=1.

CHAPTER 3:

WORKER'S PERSPECTIVES



CHAPTER 3. WORKERS' PERSPECTIVES

A. Introduction and Methodology

In surveys, food retail workers in California told a tale strikingly similar to that described in Chapters 1 and 2. A troubling degree of economic instability and limited opportunities for career mobility permeate the sector. While having a union has an important positive impact on food retail workers' lives, wages and job quality are low for both union and non-union workers. Almost half (46.4%) of California food retail workers report earning poverty wages, and almost all (99.3%) report earning low wages, with limited opportunities for career mobility and little economic stability.

Data in this chapter were drawn from the Food Labor Research Center's 925 surveys of food retail workers in four regions of California. Surveyors from the Food Chain Workers Alliance and the Food Labor Research

Center recruited workers outside workplaces, bus/metro stops near workplaces, at union offices, and other areas where food retail workers congregate. Surveys were conducted during respondents' non-working time. More in-depth interviews were conducted with an additional 20 food retail workers. Survey data were weighted to ensure appropriate regional and gender representation, as described in greater detail in the Appendix.

B. Earnings

According to our survey data, as mentioned, almost half (46.4%) of all workers report earnings that fall below the poverty line, and less than 1% receive livable earnings higher than 150% of the Western U.S. regional LLSIL.

Table 7 . Distribution of Survey Respondents' Earnings By Earnings Segment

Subminimum earnings (Below \$16,640)	12.0%
Poverty earnings (\$16,640-\$22,458)	34.4%
Low earnings (\$22,459-\$48,124)	52.9%
Livable earnings (Higher than \$48,124)	.7%

Source: Food Labor Research Center, UC Berkeley Survey Data

METHODOLOGY FOR DETERMINING EARNINGS SEGMENTS

Real earnings were determined by calculating workers’ gross earnings, including calculating average weekly earnings and dividing by the average number of hours worked per week or using their hourly wage. We then annualized the hourly wage. Earnings groups were then created using the California state minimum wage in 2013 and the 2013 Lower Living Standard Income Level (LLSIL) for a family of three. The 2013 annual LLSIL for a family of three in the Western U.S. region was \$32,080.¹⁰² All the surveys were conducted with workers within metropolitan areas. Poverty is considered less than or equal to 70% of the LLSIL for a given region, or

\$22,458. Workers earning above \$22,458 fell into either the “livable” or “low” earnings categories. The “livable earnings” level begins at 150% of the LLSIL for a given region, and “low earnings” is the category between the poverty level and the livable earnings level. Workers earning below \$22,458 fell into either the “poverty” or “subminimum” earnings categories. Subminimum earnings are earnings that provide an hourly wage that falls below California’s mandated minimum wage; poverty earnings are those that fall below \$22,458 but above the subminimum category.

Race is strongly related to California food retail workers’ earnings – people of color were three times more likely than white workers to report earning subminimum wag-

es, and nearly twice as likely to earn an income below the poverty level.

Table 8. Earnings Segments by Race

			Race	
			Non-Hispanic White	Person of Color
Wage Cat FT	Subminimum earnings (Below \$16,640)	% within POC	4.5%	15.1%
	Poverty earning (\$16,640-\$22,458)	% within POC	25.3%	38.6%
	Low earnings (\$22,458-\$48,124)	% within POC	68.8%	45.9%
	Livable earnings (Higher than \$48,124)	% within POC	1.4%	.4%
Total		% within POC	100.0%	100.0%

Source: Food Labor Research Center, UC Berkeley Survey Data

We examined whether this differential was associated with the fact that workers of color are less likely to belong to a union than white workers: 57.2% of all white workers reported being a member of a union, compared to 38.6% of all workers of color. We found that white workers reported earning more than workers of color among both union and non-union workers. However,

having a union makes a tremendous difference in reducing the percentage of people of color who earn below a subminimum wage level, and in minimizing racial differences generally. In sum, unions raise earnings for all racial categories, but the lower earnings of people of color cannot be attributed to lower unionization rates alone.

Table 9. Racial Earnings Differences Among Union Workers

			Race	
			Non-Hispanic White	Person of Color
Wage Cat FT	Subminimum earnings (Below \$16,640)	% within POC	4.8%	5.3%
	Poverty earning (\$16,640-\$22,458)	% within POC	18.7%	30.2%
	Low earnings (\$22,458-\$48,124)	% within POC	74.7%	64.1%
	Livable earnings (Higher than \$48,124)	% within POC	1.8%	.4%
Total		% within POC	100.0%	100.0%

Source: Food Labor Research Center, UC Berkeley Survey Data

Table 10. Racial Earnings Differences among Non-Union Workers

			Race	
			Non-Hispanic White	Person of Color
Wage Cat FT	Subminimum earnings (Below \$16,640)	% within POC	4.1%	21.4%
	Poverty earning (\$16,640-\$22,458)	% within POC	34.4%	44.0%
	Low earnings (\$22,458-\$48,124)	% within POC	60.7%	34.2%
	Livable earnings (Higher than \$48,124)	% within POC	.8%	.5%
Total		% within POC	100.0%	100.0%

Source: Food Labor Research Center, UC Berkeley Survey Data

Immigration status was also related to workers' earnings. Immigrant workers were more likely to earn less than the minimum wage, and less likely to earn above the poverty line. We also examined whether this difference was attributable to unionization of U.S.-born versus immigrant workers. Here, 46% of U.S.-born workers reported being in a union, compared to 37% of

immigrant workers. Similar to race, immigration status impacted earnings across both union and non-union workers, but immigrant workers who are union members have higher wages. Thus, unions help both immigrant and U.S. born workers, but lower earnings among immigrant workers cannot be attributed to unionization rates alone.

Table 11. Annual Earnings by Immigrant Status

		US Born	Foreign Born
Wage Cat FT	Subminimum earnings (Below \$16,640)	10.6%	15.1%
	Poverty earning (\$16,640-\$22,458)	34.5%	35.2%
	Low earnings (\$22,458-\$48,124)	54.0%	49.7%
	Livable earnings (Higher than \$48,124)	.9%	0.0%
Total		100.0%	100.0%

Source: Food Labor Research Center, UC Berkeley Survey Data

Table 12. Immigrant Earnings Differential Among Non-Union Workers

			US Born	Foreign Born
Wage Cat FT	Subminimum earnings (Below \$16,640)	% within birthplace	15.9%	21.4%
	Poverty earning (\$16,640-\$22,458)	% within birthplace	40.8%	46.9%
	Low earnings (\$22,458-\$48,124)	% within birthplace	42.7%	31.6%
	Livable earnings (Higher than \$48,124)	% within birthplace	.7%	0.0%
Total		% within birthplace	100.0%	100.0%

Source: Food Labor Research Center, UC Berkeley Survey Data

In general, having a union is clearly associated with workers' earnings. Non-union workers were almost twice as likely to live in poverty, with 59.4% of non-

union workers reporting subminimum wage or poverty level earnings, and only 30.2% of union workers reporting the same.

Table 14. Earnings Segments by Union Status

	Union	Non-Union	All
Subminimum earnings (Below \$16,640)	5.2%	17.4%	12.0%
Poverty earnings (\$16,640-\$22,458)	25.0%	42.0%	34.4%
3.00 Low earnings (\$22,459-\$48,124)	68.9%	40.0%	52.9%
4.00 Livable Earnings (Higher than \$48,124)	.9%	.5%	.7%

Source: Food Labor Research Center, UC Berkeley Survey Data

Despite the earnings differential between union and non-union workers, “low wages” was ranked as the highest priority issue workers were concerned about among union and non-union workers alike. Almost one-third of all workers (31%) rated it as the top issue concerning them. Among union workers, 27.3% chose

“low wages” as their top priority issue, 15.6% chose “too few hours” as their highest priority, and 7.6% chose “benefits not sufficient.” Among non-union workers, 34.9% chose “low wages” as their top issue, 11% chose “too few hours,” and 8.8% chose “not enough jobs available.”

Table 15. Priority Issues Chosen By Union and Non Union Workers

	Union Status		Total
	1 Union	2 Non-Union	
Low wages	27.3%	34.9%	31.5%
Too few hours	15.7%	11.0%	13.1%
# of Jobs Available	7.2%	8.8%	8.1%
Few Advancement Opportunities	5.8%	8.4%	7.3%
Stress	8.1%	6.1%	7.0%
Unpredictable Schedules	7.2%	5.7%	6.3%
Benefits Not Good Enough	7.6%	5.0%	6.1%
Physical Demands	5.6%	6.1%	5.8%
Workplace Morale	5.1%	5.1%	5.1%
Other	4.6%	4.8%	4.7%
Harassment	2.1%	1.7%	1.8%
# of Full Service Grocery Stores	2.1%	.9%	1.4%
Safety	.9%	1.1%	1.0%
Retaliation	.5%	.2%	.3%
Access to Full Service Grocery Stores	.2%	.4%	.3%

Source: Food Labor Research Center, UC Berkeley Survey Data

The top two priority issues among union and non union workers alike, “low wages” and “few hours,” are related to one another, since part-time workers reported earning far less than full-time workers. Workers earning less

than 35 hours per week reported a median wage of \$10 per hour, while workers working 40 hours per week or more reported a median wage of \$15 per hour. Concerns about part-time work are discussed in Section C below.

Table 16. Estimated Median Annual Wages by Part-Time Status

Union	Median
1.00 Less than 35 hours a week	10.0000
2.00 35 to 39 hours a week	12.0000
3.00 40 hours or more a week	15.0000

Source: Food Labor Research Center, UC Berkeley Survey Data

In interviews, many workers also reported fluctuating hours, which made it difficult to plan, pay bills, and maintain economic stability. One male worker in Southern California reported that one of his biggest concerns was “Big bills! Big bills. But you know we get bills, and we just do the best we can to pay them. That’s all we can do.”

Poverty-level earnings make it difficult for many food retail workers to provide for themselves and their families. The generally accepted standard on housing affordability is that rent should be no more than 30% of income. According to the National Low Income

Housing Coalition (NLIHC), the fair market rent for a two-bedroom unit in California is \$1,353. A full-time food retail worker, working 40 hours per week, would have to earn \$54,120 annually to afford the two-bedroom unit. As seen above, less than 1% of all food retail workers in California earn this much. Table 17 shows the fair market rent for a two-bedroom unit in the most populous counties in California, and the annual salary needed in each to afford such an apartment. Half of the counties require salaries higher than the LLSIL “living wage” standard described above, which less than 1% of workers in our survey reported earning.

Table 17. Fair Market Rent by County

County	Fair Mkt Rent for 2-BR	Annual Salary Needed
LA County	\$1,147	\$45,880
San Diego County	\$1,905	\$76,200
Orange County	\$1,652	\$66,080
Riverside County	\$1,149	\$45,960
San Bernadino County	\$1,149	\$45,960
Santa Clara County	\$1,623	\$64,920
Alameda County	\$1,402	\$56,080
Sacramento County	\$1,021	\$40,840

¹⁰² “Lower Income Standard Income Level Guidelines,” Employment and Training Administration, US Department of Labor, <http://www.doleta.gov/llsil/2013/2013llsil.pdf>.

About half of all workers also reported a lack of pay increases; 49.2% reported not having received a raise in the last year. In addition, higher-wage workers were more likely to receive a raise than lower-wage workers; 57.7% of workers earning “low” and “living wages” (categories above \$22,458 annually, or about \$10.80 an hour for a full-time worker) reported receiving raises, while 42.3% of workers earning “poverty” and “sub-minimum wages” (below \$22,458 annually) reported receiving a raise. This difference raises concerns about the ability of workers in low-paying jobs to advance out of poverty. In addition, in interviews, workers reported that full-time workers receive raises more regularly

than part-time workers, which raises concerns about the number of part-time employees in the industry, as described below.

Among non-union workers, we found a substantial difference between white workers and workers of color reporting that they had received a raise. In the union workforce, there was no significant difference between white workers and workers of color reporting that they had received a raise. Thus, having a union improved all workers’ ability to receive raises, and reduced the race differential with regard to receiving a raise.

Table 18. Received a Raise by Race

		Race	
		Non-Hispanic White	Person of Color
Raise	Yes	66.1%	48.4%
	No	33.9%	51.6%

Source: Food Labor Research Center, UC Berkeley Survey Data

C. Scheduling and Hours

As described above, insufficient hours was the second-highest ranked concern for all California food retail workers, for both union and non-union employees. In our surveys, almost half (45%) of all workers surveyed reported being “part-time.” About 40% of all workers

(41.1%) reported typically working less than 35 hours per week, and one in five (21.2%) reported typically working less than 30 hours per week. These survey results align with food retail worker surveys in other parts of the country.¹⁰⁶

Table 19. Worker Reports of Hours Worked

	Mean	Median	Standard Deviation	Minimum	Maximum
Hours Worked in Typical Work Week	34.5	37	7.4	10	70
Hours Worked in Last Two Weeks	63	66	23.5	8	120

Source: Food Labor Research Center, UC Berkeley Survey Data

¹⁰⁶ Puget Sound Sage, “Short-Shifted: How Big Grocers and Retailers Are Making Workers’ Jobs Unstable and Unpredictable,” August 2013, <http://www.pugetsoundsage.org/downloads/PSS%20Scheduling%20Brief%202013%200807-1.pdf>.

On average, workers reported that in their typical work week, they worked 34.5 hours; this figure was fairly consistent between union and non-union workers. When asked how much they worked over the last two weeks, however, a greater difference appeared between union and non-union workers. On average, workers reported

working about 63 hours over their last two weeks of work, or just over 30 hours per week. This was substantially higher for union workers, who reported working 68 hours in the last two weeks, compared to non-union workers, who reported working 59 hours over the same time period.

Table 20. Hours Worked By Union Status

Union Status		Hours Worked in Typical Work Week	Hours Worked in Last Two Weeks
Union	Mean	35.7332	67.78
	Median	40.0000	76.00
	N	433	428
	Std. Deviation	6.98473	18.572
	Range	37.00	99
Non-union	Mean	33.4486	58.79
	Median	35.0000	60.00
	N	536	540
	Std. Deviation	7.55229	26.173
	Range	70.00	496

Source: Food Labor Research Center, UC Berkeley Survey Data

As discussed in Section A above, part-time workers in our survey reported earning less than full-time workers. They also reported having less access to health care benefits and higher rates of public assistance, particularly publicly subsidized health care, than full-time

workers, as described later in this report. This is particularly concerning given that while part-time workers were younger than full-time workers, more than half were above age 24.

Table 21. Age of Part-Time Workers

	Less than 35 Hours Per Week	35 Hours and Greater
16-24 years old	49.4%	23.7%
25-44 years old	33.6%	45.9%
45-64 years old	14.2%	29.7%
65 and older	2.8%	0

Source: Food Labor Research Center, UC Berkeley Survey Data

A little more than half (50.6%) stated that they would like to work more hours to earn more pay; this finding was consistent across gender and age categories. Workers aged 16-24 were only slightly more likely to desire more hours than workers above 25. One female worker in the San Francisco Bay Area stated, “I think part-time workers definitely want more...There’s definitely people who want to work more.”¹⁰⁷ Another worker reported that having more hours was a reflection of one’s standing with management, and that employers frequently cut hours of workers who complained about working conditions. “[S]ome people are afraid of getting their hours cut. I think in my employer’s case, they don’t do that, but I think it is pretty common in the food retail industry to lose hours, or to lose, kind of, your standing if you complain.”¹⁰⁸

In interviews, many workers discussed the fact that while workers seek more hours, there seems to be a serious problem of understaffing among many food retail stores. A male worker in a large grocery store chain in Southern California reported: “When I came in, it was understaffed, 100%. The company has been understaffed, but it’s progressively getting worse...There’s a lot of guys that are just overwhelmed and stressed out and are completely giving up because they feel that they can’t do it. And because of that, it makes the job virtually impossible to do.”¹⁰⁹ This worker in particular described the food waste and poor customer service that occurs with understaffing:

“Here’s a great number for you. So we have what’s called periods, OK? In our department, a period is four weeks. We have review of our numbers in those four weeks. How much product did we throw away? How much profit did we make? How many hours did we use? Last period, we threw away \$1.2 million worth of meat. Now what you’ll notice is, within that period, there has been substantial changes that have happened. We have a new procedure to follow in filling out a cutting list every morning, a list in which they are trying to apply a mathematical formula and calculation on how to do the job every day. And they have also removed a lot of help from all the stores. Multiple stores that had two meat cutters in it now only have one. Now, as I sat down, there are 18 stores in our district. The average cutter makes \$21.25 per hour. If you were to add it up at 40 hours a week, for the entire district as a whole, its just over \$61,000 a month to put an extra cutter in, and make it so everybody only works 40 hours, the job is done correctly, and everything is run efficiently. But that’s not happening. So here’s the question: \$1.2 million worth of stuff being thrown away because departments are understaffed and people are stressed out, or \$61,000 because we need the extra help?

Then there’s time[s] when I come in and, you know, because of understaffed departments, orders won’t be completed and we’ll be out of a lot of product, and you know you’ll deal with angry customers all day. And that makes for a really hard day, and you know there are store managers that will come down and be frustrated and asking what’s going on, and there’s nothing you can do. And everybody’s kind of angry, and it makes for a very, very bad, very hard day. That’s pretty much what it is. It’s kind of a day-to-day thing.”¹¹⁰

(Male worker, Southern California)

¹⁰⁷ Interview with female Bay Area non-union food retail worker.

¹⁰⁸ Interview with female Southern California non-union food retail worker.

¹⁰⁹ Interview with male Southern California union food retail worker

Predictability was also a concern, both in terms of the total number of hours and in terms of workers' schedules. More than a third of all workers surveyed (34.2%) reported that they are often scheduled fewer hours than they would like. Almost one-third (32.9%) reported not having a set minimum number of hours per week, and a similar percentage (30.6%) reported also not having a set maximum number of hours. They reported that their hours fluctuated from week to week, and thus so did their income. A male worker in Southern California

described being labeled as "part-time" even when he worked full-time hours, which allowed the company to change his hours constantly. "According to my [schedule], I'm listed as part-time, meaning that if [the work] were to slow down or something, I could [work], I believe, it's 24 hours a week or more. But because we are understaffed, I am working a full 40 hours a week. Now if I was listed as full-time, I would get paid for 40 hours a week regardless of how many hours I worked... I would much rather be full-time."¹¹¹

Table 22. Scheduling Practices*

	Percent of Workers who Reported Practice Occurred 'Very Often,' 'Often' or 'Somewhat Often'
Guaranteed a Set Minimum of Hours	32.9%
Guaranteed a Set Maximum of Hours	30.6%
Scheduled Fewer Hours Than Would Like	34.2%
Schedule Varies from Week to Week	46.8%
Must be Available for "On Call" Shifts on the Same Day	24.7%
Manager Changed or Reduced Hours Without Asking	14%

*Worker reported these practices occurred "Very Often," "Often," or "Somewhat Often"

Source: Food Labor Research Center, UC Berkeley Survey Data

Almost half (46.8%) reported that their schedule varies "often" or "very often" from week to week, and almost one-quarter (24.7%) reported "often" or "very often" having to be available for "on call" or unexpected shifts on the same day. Fourteen percent reported that their manager "often" or "very often" changed or reduced their hours without asking them. Exactly half (50%) of

all workers reported not knowing their schedule at least one week in advance, and almost one-third (31.1%) did not know their schedule even four days in advance. One female non-union worker reported, "[T]hey only give you the schedule the Friday before that week, so it's not a lot of time in advance. I would prefer to know my schedule for two weeks..."¹¹²

¹¹⁰ Ibid.

¹¹¹ Interview with male Southern California union food retail worker.

¹¹² Interview with female Southern California non-union food retail worker.

Table 23. Scheduling Practices By Union Status

	Union	Non-Union	Total Percentage of Workers Who Reported Practice Occurred "Very Often," "Often" or "Somewhat Often"
Scheduled Fewer Hours Than Would Like	30.8%	37%	34.2%
Guaranteed a Set Minimum of Hours	84.2%	44.9%	62.3%
Guaranteed a Set Maximum of Hours	53.6%	68%	61.6%
Schedule Varies from Week to Week	44.1%	48.2%	46.8%
Must be Available for "On Call" Shifts on the Same Day	22.9%	26.2%	24.7%
Manager Changes or Reduces Hours Without Asking	14%	14%	14%

As can be seen in Table 23, compared to union workers, non-union workers suffered from slightly less predictability and fewer hours than they would have preferred. Despite the greater predictability of schedules for union workers, both union and non-union workers both cited predictability as a serious problem. However, union workers were almost twice as likely to have a minimum number of hours scheduled per week (83% vs. 43.8%).

One key area of difference between union and non-union workers emerged with regard to worker input over their schedule. Almost half of all workers surveyed (49%) reported having little or no input into their schedule, but more than half of all non-union workers (52.4%) reported having little or no input, while less than half (44.7%) of all union workers reported having little or no input.

Table 24. Worker Reports of Input Over Schedule by Union Status

	Union	Non	Total
No input	24.8%	28.9%	27.1%
Little input	19.9%	23.5%	21.9%
Some input	28.7%	24.4%	26.3%
A lot of input	26.6%	23.2%	24.7%

Source: Food Labor Research Center, UC Berkeley Survey Data

The combination of insufficient hours and unpredictable schedules make it difficult for part-time workers to find second jobs, which they often must do to make ends meet. One female worker in a non-union grocery store in Southern California reported, “The one [job] at the store is only about 22, 23 hours a week, so I have the rest of that time to do a second job. But it has to be really flexible with the hours...I had to find another job to make enough money to pay the rent.”

Although sufficiency of hours was the second-highest ranked concern for workers surveyed, less than one in 10 (8.6%) reported having another job. As one would expect, part-time workers were more than twice as likely as full-time workers to have another job, but the rates of having another job were low across both categories (11.3% of part-time workers vs. 5.1% of full-time workers).

The vast majority of these workers worked only one food retail job and clearly hoped to obtain more hours – or enough pay – in their store rather than seeking additional outside employment. As one worker stated, “I know people do have to work multiple jobs and then, in doing that, you have to try to schedule different things, and if you have a family that’s even harder, so I think if people were able to live off of one job, then they wouldn’t have to...struggle so much with to...try to make ends meet that way. But then also, like, that brings up an issue of, like, cutting hours and things like that or cutting back on people so that could mean, maybe, more work so...a simple answer is [raising] low wages.”¹¹⁴

STUDIES ON SCHEDULING

The retail industry has been the subject of numerous studies on the impact of unpredictable schedules on workers and their families, taxpayers, and even employers. Several of these studies have shown that low-wage, hourly workers in industries like food retail have borne the brunt of scheduling challenges and exercise the least control over their schedules.

Numerous studies by University of Chicago Professor Susan Lambert have noted that daily accountability requirements pressure front-line retail managers to make last minute adjustments to worker schedules. She argues that frequent last minute changes to schedules are a typical employer strategy for managing fluctuations in customer demand. With her co-authors, Professor

Lambert has reported that while flexibility in scheduling is often heralded for allowing working families to create work-life balance, in reality unpredictable scheduling has serious negative consequences, especially for low-income families.¹¹⁵ She reports that “workplace flexibility” is a concept shaped by the experiences of professional workers, who benefit from flexible hours in balancing work and family life. For low-wage workers, “flexibility” means they are much more likely to be paid hourly, work less than full-time, and have erratic schedules with little advance notice. “Just-in-time” scheduling, in which workers are told their schedules within hours or days of having to work, can complicate child care arrangements, transportation, and eligibility for both employer-sponsored and government benefits.

¹¹³ Interview with female Southern California non-union food retail worker.

¹¹⁴ Ibid.

¹¹⁵ Susan J. Lambert, Anna Haley-Lock, and Julia R. Henly, “Schedule flexibility in hourly jobs: unanticipated consequences and promising directions,” *Community, Work & Family* 15, no.3, (2012): 293-315.

STUDIES ON SCHEDULING CONT.

However, Professor Lambert's work is not limited to examining the needs of workers; she has examined how policies could meet the real needs of retail managers while simultaneously meeting worker needs. She pioneered The Scheduling Intervention Study: a cluster-randomized experiment designed to assess the effects of greater schedule predictability on daily family practices and workers' health and well-being. It was intended to balance managers' goal of tightly linking staffing levels to variations in consumer demand with employees' goal of working enough hours at preferred times. She has argued for posting schedules further in advance, introducing a "daily minimum wage" to reduce incentives to employers for sending workers home early without pay, cross-training employees, guaranteeing a minimum number of hours per week, decreasing the number of work hours for benefit eligibility, taking into account income variability when calculating public benefit eligibility, and allowing more worker input into scheduling. She argues that such policies will increase stability, predictability and flexibility, serving low-wage workers' needs. The benefits for employers may include improved retention, reduced absenteeism, greater productivity and possible reductions in health care costs. Workers could also exert more control over childcare and family life.¹¹⁶ Public benefits could also better accommodate this new reality, as described in the benefits section later in this chapter.¹¹⁷

Similarly, author and business consultant Lisa Disselkamp argues that schedules biased toward business needs are less cost-effective because they lead to poor work outcomes and high turnover. She recommends posting schedules earlier, establishing predictable core hours or guaranteeing minimum hours. Disselkamp argues that for the worker, these scheduling benefits are a "form of compensation."¹¹⁸

The studies also show that part-time work and unpredictable hours are not universally inherent to the retail industry. Comparative studies have shown that retail job quality is very different in Europe and the United States. Jean Gadrey and Florence Jany-Catrice (2000) concluded that in the United States, competitive advantage depends on low compensation. US workers have less individual and collective choice, control, and advance notice of work schedules than their European counterparts.¹¹⁹ The overtime cost differential further contributes to the use of "time adjuster" part-timers and affects managerial scheduling decisions. German and Dutch work councils negotiate scheduling options that conform to worker preferences, while US managers ask employees to list the maximum and schedule to fit the convenience of the employer not employee.¹²⁰

¹¹⁶ Susan J. Lambert and Julia R. Henly, "Scheduling in Hourly Jobs: Promising Practices for the Twenty-First Century Economy." *The Mobility Agenda*, May 2009, pp. 6-10, <http://www.mobilityagenda.org/home/file.axd?file=2009%2f5%2fscheduling.pdf>.

¹¹⁷ Nancy K. Cauthen, "Scheduling Hourly Workers: How Last Minute, 'Just-in-Time' Scheduling Practices Are Bad for Workers, Families, and Businesses," *Demos Public Policy Research and Advocacy*, March 14, 2011, <http://www.demos.org/publication/scheduling-hourly-workers-how-last-minute-just-time-scheduling-practices-are-bad-workers>.

¹¹⁸ Lisa Disselkamp, *No Boundaries: How to Use Time and Labor Management Technology to Win the Race for Profits and Productivity* (Hoboken, NJ: John Wiley & Sons, Inc., 2009), Chapters 6 and 7.

¹¹⁹ Jean Gadrey and Florence Jany-Catrice. 2000. "The retail sector: Why so many jobs in America and so few in France?" *The Service Industries Journal* 20, no. 4 (2000): 21-32.

¹²⁰ F. Carré, C. Tilly, M. Van Klaveren, D. Voss-Dahm. "Retail Jobs in Comparative Perspective." Russell Sage Foundation, Low-wage Work Project, 2008.

D. BENEFITS

Workers in the California food retail industry reported having higher levels of access to benefits such as health insurance and earned sick days than other workers in the food system, likely due to the union presence in the industry. Seventy-eight percent of food retail workers surveyed reported having access to health insurance, compared to 42% of all food system workers surveyed by the Food Chain Workers Alliance in 2012.¹²¹

Almost three-quarters (74.1%) of all food retail workers who reported that their store did not offer health insurance worked in non-union grocery stores. Furthermore,

non-union workers were more than four times as likely as union workers not to have any health insurance at all (7.5% union vs. 32% non-union). These results aligned with food retail workers surveyed in other parts of the country.¹²² However, in interviews, even union workers reported that health insurance costs were prohibitive. The response of one part-time union worker in Southern California to the question of whether he could afford to pay for medical care was, “No, I can’t, because my wages have been the same since the ’90s, and I also have a daughter, so it’s very stressful...It’s a little tough sometimes.”

Table 25. Access to Health Insurance

	Union	Non-Union	All
Have Health Insurance At All	92.5%	68%	78%
Have Health Insurance Through Employer	67.8%	35.7%	50%

Source: Food Labor Research Center, UC Berkeley Survey Data

Non-union workers were far more likely to frequent free health clinics and/or go directly to the emergency room to receive medical care. Workers who reported using health clinics were almost seven times as likely not to be in a union (87.1% non-union vs. 12.9% union). Among workers who reported using the emergency room for medical care, respondents were 3.5 times as likely not to have a union (78% non-union vs. 22% union). These percentages are particularly notable given that non-union workers comprised 60% of all survey respondents.

Immigrant workers and part-time workers also reported lower levels of access to health insurance: 66.9% of immigrant workers reported having any health insurance, compared to 81.2% of U.S.-born workers. Similarly, 68.9% of part-time workers reported having access to health insurance, compared to 84.2% of full-time workers. The difference between full-time and part-time workers grew when looking at the proportion who received health insurance coverage through their employer; 75.8% of full-time workers reported obtaining health insurance through their employer, while only 32.3% of part-time workers reported the same.

¹²¹ Food Chain Workers Alliance, “The Hands That Feed Us,” 2012.

¹²² Puget Sound Sage, “Washington’s Changing Workforce: More Involuntary Part-time, Temp, & Contract Work,” July 2013, http://www.pugetsoundsage.org/downloads/Washington_s%20Changing%20Workforce%20Full%20Report%202013.pdf.

¹²³ Food Chain Workers Alliance, “The Hands That Feed Us,” 2012.

Part-time workers were more than twice as likely as full-time workers to report using Medicaid (12% vs. 4.8%). This difference is likely to become more pronounced as some employers reduce part-time workers' hours in response to the Affordable Care Act, in order to make them ineligible for employer-provided health insurance or avoid federal penalties for failing to offer it to them. Such activities will increase the number of workers relying on publicly funded health care programs, as described in greater detail in Chapter 6.

As with health care, on the whole, California food retail workers reported having higher levels of access to earned sick days than other food system workers. Almost two-thirds (61%) of the California food retail

workers in our survey reported having access to earned sick days, compared to 21% of all food system workers nationally who reported having earned sick days in the 2012 Food Chain Workers Alliance report, "The Hands That Feed Us."¹²³ However, among non-union workers, access to earned sick days was much lower – just over half the rate of union worker access. While 82.4% of union workers reported having earned sick days, only 43.7% of non-union workers reported having access to earned sick days, comparable to other workers throughout the food system who largely lack union representation. Immigrant workers were also less likely to have access to earned sick days; 54.3% of immigrant workers had earned sick days, compared to 62.9% of U.S.-born workers.

Table 26. Access to Earned Sick Leave

	Union	Non-Union	All Workers
Have access to earned sick days	82.4%	43.7%	61%
Used earned sick days (Among those who had sick days)	62%	60.5%	61.4%
Have worked when sick	74.4%	58.3%	65.4%

Source: Food Labor Research Center, UC Berkeley Survey Data

Among workers who had earned sick days, union workers were more likely to use them. Among all workers who had access to earned sick days and actually used an earned sick day, 60.5% were union workers, and only 40% were non-union, even though non-union workers comprised 60% of the survey respondents. Non-union workers reported in surveys and interviews that this was due to fear of retaliation for using benefits, given their relative lack of job security.

Even though food retail workers reported higher rates of access to benefits such as health care and earned sick days than other food system workers, they also reported higher rates of having worked while sick – 65% of all California food retail workers reported working while sick, and of those who reported working while

sick, almost 60% (59.5%) reported working while sick three days or more. **In interviews, workers indicated that these high rates of working while sick despite having earned sick days were a result of chronic and worsening understaffing in the industry.** The two most frequently stated reasons for working while sick were inability to afford to take the day off without pay and concern about creating an additional burden for co-workers. One non-union female worker in the San Francisco Bay Area described why she could not afford to take a day off: "You have to work full-time so long before you can start earning sick leave and stuff like that. I haven't gotten to that point. So it's like, if I take off sick, I'm just sick. I'm not going to lose my job or anything, but there's also no covering and I just lose that day's work."¹²⁴

Table 27. Reason for Working While Sick by Union Status

			Union Status	
			Union	Non-Union
Work Sick Reason	Couldn't afford to take the day off without pay	% within Union Status	20.3%	34.9%
	Concerned about being fired or penalized if didn't come to work	% within Union Status	9.6%	11.0%
	Concerned about creating additional burden for co-workers	% within Union Status	70.1%	54.1%

Source: Food Labor Research Center, UC Berkeley Survey Data

As described in Table 26 above, union workers were much more likely than non-union workers to report that they worked while sick out of concern for creating an additional burden for co-workers. Non-union workers were more likely than union workers to report that they worked while sick because they could not afford to take the day off without pay. One male union worker from Southern California described why he was concerned about creating an additional burden for co-workers, and how understaffing results in workers working while sick. “I have to be really, really sick to not go to work, because if I don’t go – the thing is, that the company

fails to understand, is that being understaffed is bad in the fact that if I don’t go to work because I have a cold that day and I’m feeling under the weather, I know that my cold could progressively get worse and put me down, but the thing is, if I don’t go, then the entire week will be messed up, because one cutter not there for four hours will mess up the entire system.”¹²⁵ While it is not desirable to have workers at work while sick, such quotes demonstrate that workers are committed to their co-workers and company, which benefits the business’ bottom line.

¹²⁴ Interview with female non-union Bay Area food retail worker.

¹²⁵ Interview with male union Southern California food retail worker.

E. MOBILITY & TRAINING OPPORTUNITIES

Workers perceive that there is significant opportunity to advance their careers in the California food retail sector. An overwhelming majority (79.1%) reported that there were opportunities for themselves and their co-workers to move “up the ladder” to better jobs in food retail. These workers identified a clear career ladder, as de

scribed in Figure 5 below, that they could climb without additional formal education. In fact, due to the higher union density in the sector, career development professionals have identified food retail as offering a relatively large number of “promising” occupations for people without a formal college education.¹²⁶

Figure 9. CAREER PATH IN GROCERY STORES

Department Managers –oversee departments, handle scheduling and orders for the department.	Meat Manager- supervises meat cutters, does inventory and places orders for merchandise.
Front End (Tier 2)	Back End (Tier 2)
Food Clerks/Cashiers- fill in as General Manager during holidays/vacations; stock shelves in the dairy, deli, and frozen department; serve as cashiers when the store is busy.	Meat Cutters- butcher meat for customers and for packaging.
Front End (Tier3)	Back End (Tier 3)
	General merchandise and specialty department Managers and Meat Clerks-serve as bakery, service deli, produce, general merchandise (HABA) and meat clerks. Cut fruit in produce department. Do some cashiering in specialty departments, not front end.
Front End (Tier 4)	Back End (Tier 4)
Clerk Helpers –handle customer service, price checks, put carts back, general cleanup, and return products to shelves.	

Source: Food Chain Workers Alliance, “The Hands That Feed Us”

Despite this, almost half (46.9%) of the workers surveyed reported that they had never received the training from their employer necessary to obtain a promotion. Among workers who said they did receive training, most workers reported that a manager on site conducted it while they worked on the job. A majority (52%) also reported that they had not had the opportunity to apply for a better job in the store. Even among the 48% that had the opportunity to apply for a better job, 42.3% did not actually receive any promotion.

These responses align with studies indicating that recent trends in the food retail industry – reflecting competitive pressures created by general merchandise stores such as Wal-Mart – are pushing the sector toward reducing various levels of management, higher-quality customer service, and specialized training.¹²⁷ Focus groups with younger food retail workers have shown that such elimination of potential upward mobility has reduced the desire among younger workers to stay in the food retail industry.¹²⁸

¹²⁶ L. Hachadoorian and L. Hirsch, “Employment in New York City Grocery Stores: Industry Group Profile,” New York City Labor Market Information Service, May 2009, http://www.issuelab.org/resource/employment_in_new_york_city_grocery_stores_industry_group_profile.

¹²⁷ Bernhardt, “The Future of Low-Wage Service Jobs and the Workers That Hold Them,” 1999.

¹²⁸ Tulchin Research, “Presentation of Findings from California UFCW Focus Groups,” April 11, 2013.

Table 27. Lack of Mobility

	Union	Non-Union	All
Received Training Necessary to Obtain Promotion	55.8%	51%	53%
Received New Skills Training to Move to Other Position	57.2%	55%	56%
Had Opportunity to Apply for a Promotion	55.1%	42.4%	48%
Received a Promotion	65.7%	49.1%	57.7%

Source: Food Labor Research Center, UC Berkeley Survey Data

As seen in Table 27 above, having a union substantially increased a worker’s chances for mobility. In particular, union members were far more likely to actually receive promotions than non-union workers. One male union worker in Southern California described how it happened to him: “Initially, I was a courtesy clerk up-front, so I was bagging groceries, and then I got an opportunity to be moved up, and I was asked where I wanted to go.”

More than 40% of workers surveyed (42.7%) reported that they felt that they or a co-worker had been unfairly passed over for a promotion to management, a better job, or better hours. Approximately one-quarter (23.5%) of those workers reported that the unfair promotion was due to race, approximately one-quarter (23.7%) reported that it was due to gender, and approximately one-quarter (23.5%) reported that it was due to age.

Table 28. Promotion Opportunities By Race

	White	People of Color	Total
Had Opportunity to Apply for a Promotion	57.8%	42.6%	48%
Received a Promotion	59.1%	56.8%	57.6%

Source: Food Labor Research Center, UC Berkeley Survey Data

F. EMPLOYMENT LAW VIOLATIONS

Again, most likely due to the higher union density in the food retail sector than other food system sectors, workers in food retail experienced lower levels of employment law violations than other low-wage workers. Nevertheless, workers we surveyed reported experiencing wage theft and other violations of their employment rights under federal and state employment laws.

About one in eight workers surveyed (12%) reported not receiving the minimum wage. In addition, California state law requires employers to pay workers for at least

two hours of work, even if they are sent home early, for having shown up to work. Almost one in twelve workers (7.7%) reported being sent home early from work with no pay.¹³⁰ About one in eight (12%) reported not receiving a 30-minute lunch break during a shift of five hours or more, as required by state law, and 7% reported not getting paid for all hours worked. All of these problems were more severe for non-union workers, but the union differential was greatest with regard to non-union workers not having received required lunch breaks.

Table 29. Employment Law Violations

	Union	Non Union	All Workers
Sent home early with no pay	7.6%	7.7%	7.7%
Worked off the clock	2.7%	3.4%	3.1%
No lunch break	12.6%	20.6%	13.6%
Not paid for all hours worked	5.7%	7.3%	7%

Source: Food Labor Research Center, UC Berkeley Survey Data

Race was related to worker experience of employment law violations. Blacks, Latinos, and mixed race workers reported the highest levels of employment law violations. Although survey respondents included a broader array of racial groups, Table 13 represents the racial categories with more than 50 workers surveyed. Blacks and mixed race workers reported the highest levels of being sent home early with no pay, while Latinos report-

ed the highest rates of working off the clock. Blacks and Latinos both reported not receiving state-mandated lunch breaks at much higher rates than others, with Latinos reporting not receiving lunch breaks at more than three times the rate of whites. Finally, Blacks and Latinos also reported the highest rates of not being paid for all hours worked.

¹³⁰ Throughout this section, workers responded to a Likert Scale, with the following options: “Always,” “Somewhat Often,” “Often,” “Rarely,” “Never,” or “Don’t Know.” We count that the worker responded positively to the question if the response was “always,” “somewhat often,” or “often.”

Table 30. Employment Law Violations by Race

	Asian	Black	White	Latino	Mixed Race
Sent home early with no pay	4.4%	9.7%	6.1%	7.9%	9.8%
Worked off the clock	1.2%	1.3%	1.4%	4.2%	5.5%
Not offered lunch break	8.8%	14.7%	5.7%	17.2%	7.5%
Not paid for all hours worked	2.5%	7.9%	3.5%	10.9%	5.4%

Source: Food Labor Research Center, UC Berkeley Survey Data

Most of these racial differences were substantially smaller among union workers, suggesting that much of the overall racial difference can be attributed to workers of color having less access to unions. However, a substantial racial difference remained among union workers with regard to having access to lunch breaks – even among union workers, people of color were more than twice as likely as whites not to receive a lunch break (13.4% vs. 5.5%).

Except for being sent home early with no pay, these conditions were much worse for immigrant workers. Immigrant workers reported working off the clock, not being offered state-mandated lunch breaks, and not being paid for all hours worked at almost twice the rate of non-immigrants. Again, this relationship is strongly related to immigrants having far less access to unions than U.S. born workers.

Table 31. Employment Law Violations by Immigration Status

	U.S. Born	Foreign Born
Sent home early with no pay	8.1%	6.8%
Worked off the clock	2.7%	5.5%
Not offered lunch break	11.2%	16%
Not paid for all hours worked	5.8%	11.7%

Source: Food Labor Research Center, UC Berkeley Survey Data

H. HEALTH AND SAFETY

Given their direct contact with the state’s food, California food retail workers’ health and safety should be of great concern to all consumers. Food retail workers

reported experiencing many injuries and other health impacts from work, including cuts, repetitive motion injuries, muscle fatigue, and headaches.

Table 32. Injuries and Other Health and Safety Challenges Faced by Food Retail Workers

	Frequency
Cut on the Job	39.2%
Muscle Stiffness	37%
Repetitive Motions	24.6%
Muscle Fatigue	24.3%
Headache	22.5%
Back Injury	17.4%
Stress	16.8%
Dehydration	12.5%
Burned on the Job	10.9%
Slip & Fall	9.4%
Exposure to Toxic Chemicals	3.8%
Other	6.6%

Source: Food Labor Research Center, UC Berkeley Survey Data

In interviews, several workers commented on how cost cutting had led to fewer workers and work speedup, increasing the risk of injury. These sentiments echo numerous studies examining recent trends in the industry, particularly with the growth of Wal-Mart and its counterparts.¹³¹ Wal-Mart workers themselves have reported

that increased workloads in Wal-Mart stores resulted in a higher rate of injuries.¹³²

One male worker from Southern California described how outdated equipment could also contribute to potential injury:

“I feel like some stores are safe and healthy, but I feel like the term “safe” is defined by the person who’s working the equipment. When it comes to having up-to-date equipment that’s kept in great mechanical condition – not at all. There’s a lot of stores that have saws that date back like 35 years. So you know you’re talking about equipment that is...for example, I’ve been to several stores where I’m working on a band-saw that cuts through bone, animal bone, steak bone, cow bones, and that saw will have uneven legs on the bottom, so it tilts, or the floor will be uneven, so we’ll put cardboard under one of the legs to make sure the saw doesn’t rock while you cut on it.”¹³³

This worker then went on to describe how many workers refuse to use poor equipment and instead purchase their own instruments: “And then the meat cutters pay for their own knives. There’s no company-provided knives. And if there are company-provided knives, we don’t use them because they are the equivalent of a butter knife.”¹³⁴

Even more concerning, 42% of workers surveyed stated

that they did not report an injury when it occurred. Of these workers, 14.9% said it was because they feared losing their job if they reported an injury, and 19.3% reported that it was because they feared having their hours reduced if they reported an injury. In both cases, non-union workers were twice as likely as union workers to report that these fears were the reason they did not report an injury. One male worker from Southern California described his experience reporting an injury:

“I tore my rotator-cuff on my right shoulder... in 2011, and I was out for three weeks. It kind of paints a target on your back, too. You don’t really want to do it. I had a lot of problems after I reported it. There’s also kind of a saying that meat cutters have: “If it’s not a big deal, you don’t want to say anything.” Because you know they are going to drug test you and interview you, and all kinds of stuff...It was actually four weeks. The first week I went unpaid. We’re on a week-to-week pay scale, so the first week I received my check from the prior week. The following week I didn’t get anything. The week after that, it was about a half-a-week, and then I finally got paid. Now this was a while ago so I have to jog my memory a little bit, but it was definitely stressful. It wasn’t like a rush to make sure, it was more of an accusation of, “Is he really hurt?”¹³⁵

In addition, 28.7% of workers reported not being properly trained, as required by law, in the store’s injury and illness prevention program.

Manager and co-worker verbal abuse also contributes

to a worker’s health and safety: 28.4% of workers reported that a manager or supervisor had treated them abusively, and 23% reported that a co-worker had treated them abusively. A vast majority – 69.4% – reported that a customer had treated them abusively.

¹³¹ Carré and Tilly, “Continuity and Change in Low-wage Work in U.S. Retail Trade.”

¹³² John Marshall, “High Price of Low Cost: The View from the Other Side of Wal-Mart’s ‘Productivity Loop,’” Making Change at Wal-Mart, 2011, p. 23.

¹³³ Interview with male Southern California union food retail worker.

¹³⁴ Ibid.

¹³⁵ Ibid.

I. TURNOVER

The poor wages and working conditions suffered by workers across the food system, as described in this chapter, are related to the length of time workers reported staying at a current job. Employee turnover can present tremendous challenges for both workers and employers. For workers, regular movement from job to job creates economic instability, and for employers, high rates of turnover impose tangible costs such as screening, hiring, and re-training costs, and intangible costs such as lessened employee morale and loyalty.

In interviews, workers reported that they felt turnover had increased in the recent past. One worker noted, “I’d say the turnover is a lot faster than it used to be. It used to be really hard to get into the grocery business because no one ever left. The money was too good, the benefits were too good. There wasn’t a whole lot of openings, maybe for baggers, you know, the bottom of the totem pole, because those are usually school-age kids that leave and go off to college or whatever, but now, there is a turnover, because they just don’t make what they used to. It’s almost like you could work just about anywhere else and make just as much if not more.”¹³⁶

A recent report by Cornell University’s School of Industrial and Labor Relations based on 1,100 surveys of restaurant employers nationwide indicated that

restaurant employers could cut employee turnover almost in half through higher wages and better benefits for workers. Employers indicated that they were well aware of the cost of turnover and of the relationship between employee wages and working conditions and their willingness to stay on the job; employers discuss this issue further in Chapter 4.¹³⁷ This relationship was also borne out in our surveys of workers throughout the food system.¹³⁸

In our survey of food retail employees, workers generally reported high turnover rates, with average tenure at a store being 1.75 years. Union workers reported slightly longer average tenure than non-union workers – 1.84 years vs. 1.67. As can be seen in Table 33 below, the higher the wage offered to workers, the longer they stay at one place of employment. Workers who reported earning a livable wage had stayed at their current place of employment for a median of 5.5 years (66 months), five-and-a-half times higher than the median number of months that workers earning less than the minimum wage had been employed at their job. Without further data, we cannot determine the extent to which workers stayed in their jobs longer because they earned higher wages versus the extent to which workers earned higher wages because they stayed in their jobs longer – we can only say that there is a correlation between worker tenure and wage levels.

¹³⁶ Interview with Female Full-time Worker, Union, Southern California Regional Chain.

¹³⁷ Rosemary Batt, Cornell University, “High Road 2.0,” January 2014.

¹³⁸ Food Chain Workers Alliance, “The Hands That Feed Us,” 2012.

Table 33. Food Retail Workers’ Tenure at Store of Employment, by Months

Wage Cat	Typical	Median
Subminimum wage (Below \$16,640)		12.0000
Poverty wage (\$16,640-\$22,458)		24.0000
Low wage (\$22,458-\$48,124)		60.0000
Living wage (Higher than \$48,124)		66.0000
Total		24.0000

Source: Food Labor Research Center Survey Data

Similarly, the Food Chain Workers Alliance’s report, “The Hands That Feed Us,” indicated that workers throughout the food system reported an association between other aspects of job quality and length of time on the job. Workers who stayed at one place for a longer period of time were less likely to report experiencing wage theft. Almost one-third of food system workers surveyed (30.9%) who stayed on the job for less than a year reported wage theft, whereas only 11% of the workers who stayed between 10 and 20 years reported wage theft. Frequency of reported wage theft generally decreased the length of time that workers stayed on the job. In general, workers who experienced wage theft

stayed on the job a median of 3.5 years, while those who did not experience wage theft stayed on the job a median of 5.12 years. Thus, workers’ experience of wage theft was correlated with their tenure at their workplace.¹³⁹

In interviews, several workers indicated that they took great pride in food retail and wished to stay in the industry, whether working in a small gourmet grocer or a large chain grocery store. One female non-union worker in an upscale grocer store in the San Francisco Bay Area described why she stays:

“I think that my favorite stories are just from regular customers that really love the food and love talking to us about the food. Like the whole part why I wanted to work there was because you get to talk to people about your food knowledge. So I read all these cookbooks and magazines and I cook all the time and watch cooking shows, and I have all this knowledge and it’s nice. I mean, there’s always people who come in and don’t care what you have to say—just don’t [care]. But when people come in and they see you as a peer or someone who also loves food and you can just chop it up about food it’s always really amazing... So I guess my favorite story is just any story that is about building a relationship with a customer, seeing them come in again and again and they enjoy the food and they take your recommendations and try new things because you’re like, “Hey I see you like this, you might like this also.” You just build that. It’s really nice. Food is something that should unite us really. Breaking bread with people is really important. So I just like any of those moments that bring me to a new relationship with somebody that I didn’t know before.”¹⁴⁰

¹³⁹ Food Chain Workers Alliance, “The Hands That Feed Us,” 2012.

¹⁴⁰ Interview with female Bay Area non-union food retail worker.

Another male union worker in Southern California working in a large grocery chain reported, “Well, it’s always good. There’s days when I come in, and it’s always good to be able to help customers out and provide customers

with great service and really be able to answer their questions and give them what they need. You know, make sure somebody has everything that they need for their family that day.”¹⁴¹

WORKER PROFILE: GIRSHRIELA GREEN

Girshriela Green is a mother of seven who began working for a Wal-Mart in Crenshaw, California in Jan. 2009 as part of the Welfare to Work program. She made \$8.20 an hour and because she was technically categorized as a part-time employee, she didn’t qualify for benefits. She said she actually worked at least 40 hours most weeks. The application to work at Wal-Mart included information about applying for food stamps and other government aid. “I thought it was kind of funny, because I came to Wal-Mart through the government program,” Green said, noting that she thought Wal-Mart probably got some government benefits itself from using the Welfare to Work program.

Green was promoted quickly and often, eventually becoming the manager of the health and beauty department, where she made \$9.80 an hour. Green’s department was frequently understaffed and she and her employees often had to work overtime to get their work finished. “I was told that [Wal-Mart] couldn’t give me any more hours to run my department,” she said. “We were all working overtime all the time.” Green reports she would sometimes work 13 hours a day, yet her overtime hours were inconsistent. “When everything was good, my hours got cut. I never win,” she said. “We worked overtime to make up for not having enough staff...We would probably lose our jobs if we didn’t work overtime.”

Often, that work occurred off the clock, meaning Green and her colleagues weren’t being paid for their extra work. “We came in early to be there before the customers and we’d stay after the clock. We couldn’t leave until we were finished, even if that meant working through breaks and lunch,” Green said. “I thought it must have been legal because I got approval for it from my manager.”

Still, Green never made enough money to really support her family. “I didn’t have enough money to put gas in the tank. After I paid my rent and bought food, there was nothing left.”

After one and a half years on the job, Green suffered an injury in her shoulder and neck from overuse. While Wal-Mart was initially accommodating of her injury, giving her lighter work and paying for a major surgery, she was terminated from her position for speaking out against her employer at a public rally.

Green’s anger toward her former employer has propelled her to work for OUR Walmart, an organization that promotes worker rights in the absence of a union. “It’s demeaning when you work all day, come home tired, and still don’t know how you’ll feed your children,” she said. “You miss birthdays, you’re late picking them up from school. I should be a proud associate if my company is the biggest in the world. Why am I not being treated with respect and dignity to provide for my family?”

¹⁴¹ Interview with male Southern California union food retail worker.

CHAPTER 4:

EMPLOYER'S PERSPECTIVES



CHAPTER 4. EMPLOYERS' PERSPECTIVES

Through in-depth interviews, 20 food retail owners and managers described the challenges they face. Employers generally agreed that the rate of employee turnover and productivity are critical to an establishment's success or failure. Many also asserted that fair wages, benefits, and opportunities for advancement are central to hiring and retaining the satisfied employees that will help drive a successful business. However, many also stated that it is rare to find these types of wages and benefits in the industry, and that violations of labor and employment laws are all too common. Finally, a few

employers we interviewed were able to build businesses that demonstrate that an alternative, profitable but higher-investment model is possible. These employers' business models embody a "virtuous circle" whereby a committed, productive workforce with low turnover rates enhances customer service and internal operations, thereby boosting profits and revenues.

The perspectives summarized in this chapter establish a framework for further study of the industry, setting the direction for future initiatives developed by workers and employers in partnership with one another.

Employer Interviews Generally Found the Following:

- **Corporate Consolidation:** Corporate consolidation is an important external factor impacting workplace practices, as local, independent grocers continue to feel the squeeze of competition and corporate management practices increasingly set both a floor and a ceiling on working conditions within the industry.
- **Local and Organic Foods:** In response to increasing consumer demand, local and organic foods have evolved from being a niche product to becoming a mainstream driver of growth and profit-making in the food and retail sector, serving as a powerful reminder of the major impact that consumer movements and preferences can have on the industry.
- **Contradictions in Theory and Practice:** While employers recognize that high levels of employee satisfaction are an integral part of maintaining high productivity and low turnover rates, in practice employers struggle with achieving these goals, citing low wages and hours, lack of benefits, and a preference for part-time over full-time employment as industry norms.
- **Alternatives to the Low-Price Model:** A few employers we interviewed invested in their employees as a practice to achieve profitability. These establishments served as living examples of the ways in which employers can achieve financial success by paying fair wages and providing workplace benefits, a safe working environment, and opportunities for advancement.

A. INTRODUCTION AND METHODOLOGY

In order to obtain a better understanding of factors that drive workplace practices, the Food Labor Research Center at the University of California, Berkeley conducted 20 in-depth interviews with food retail employers from September 2013 through April 2014. Researchers requested interviews from owners and managers of food retail establishments that were diverse in size, ownership structure, geographic scope, and customer base.

Using a structured guide, interviewers asked employers about industry trends, business strategies, and workplace practices. Table 34 shows the profile of the employers that we interviewed throughout the state. Ten of the 20 employers interviewed had over a decade of industry experience. The employer perspectives that were shared with us were based on 307 cumulative years of food retail industry experience.

Table 34. Characteristics of Interviewed Employers

Union	6
Non-union	11
Cooperative	3
Total	20

Local Company	7
Corporate Chain	13
Total	20

1 to 5 years	7
6 to 10 years	4
11 to 15 years	2
16 years +	7
Total	16

Source: Food Labor Research Center, UC Berkeley Employer Interview Data

In the following section, the voices of food retail employers are represented and the challenges they face are described. Employers often felt that employee turnover and productivity were pivotal factors in the food retail industry. Many employers asserted that setting fair wages and hours and providing sick leave and other benefits, regular schedules, and opportunities for advancement were essential for creating the employee satisfaction that results in a successful

business. Nonetheless, many employers also stated that these higher investment practices are not standard in the industry. Many described the general erosion in working conditions that they had seen over the course of their careers. Lastly, some employers described how they benefited from an alternative model that includes setting employment practices that create satisfied, productive workers who stay with their companies for longer periods of time.

B. EXTERNAL FACTORS AFFECTING WORKPLACE PRACTICES

To more fully understand the grocery and food retail industry, it is important to consider the major external pressures on the industry. The employers we interviewed referred to two major factors that shaped their workforce practices: corporate consolidation and the popularity of local and organic foods.

1. CORPORATE CONSOLIDATION

Employers asserted that corporate consolidation in the food retail industry has had a major impact on smaller retailers. The majority of the smaller employers we interviewed stated that they had adopted business strategies that would allow them to compete with the larger grocery chains on other dimensions besides price.

Heightened attention to quality customer service, which often went hand in hand with targeting an intensely loyal and local customer base, was one oft-cited strategy. As one manager at a small, regional union chain stated, “I feel like what we do better is customer service. We treat our customer like they’re our guest; we don’t treat them like a customer. We go above and beyond... as opposed to our competition. Our competition probably has better prices. And that is what we struggle with.”¹⁴²

Another strategy that smaller grocers used to distinguish themselves from larger competitors was to maintain a higher-quality selection of foods that were more likely to fetch premium prices. One manager at a local chain store explained how a smaller chain may have a competitive advantage in this area: “Being smaller gives us lots of nimbleness and insourcing ability; in our sector, artisan and specialty foods, there is a lot of deconsolidation and new entrants.”¹⁴³

In spite of these strategies, there is no doubt that smaller grocers continue to feel the squeeze from their large, corporate competitors. A majority of those interviewed cited high levels of competition, pricing pressures, and the disappearance of independent wholesalers as factors in forcing smaller retailers to rethink the viability of their business models. One manager at a single-store

location put it bluntly: “Right now we have started a newsletter, and we’re working on a website. It goes against my small, local shop idea, but time moves on and things are different now.”¹⁴⁴

Finally, as food retailers consolidate, corporate management practices become the norm, setting a simultaneous floor and a ceiling in the industry in terms of wages and working conditions. One manager at a regional chain bought by a national company said, “I think that the company has gotten way too big. You know, before, [regional chain] was a very small company...And then [national chain] bought it. As a corporation, as it gets bigger, the employees become numbers. It’s not as personable anymore.”¹⁴⁵ These sentiments echo the numerous studies cited earlier in this report that indicate that as corporate consolidation and management practices become the norm, it becomes increasingly challenging for smaller retailers to develop alternative business models, particularly when it comes to wages and working conditions.

The net effect is that several large corporations are increasingly setting working standards for an entire industry. Another manager of a local Bay Area chain noted that competition was stiffer because there were more competitors: “Everybody sells groceries now. I mean, you’ve got Target sells groceries. The guy at CVS down the street sells, you know CVS? It’s a drug store. CVS and Walgreens, they all sell groceries. So it’s everybody sells groceries now, so you have to be on the top of your game at all times to be competitive in the marketplace.”¹⁴⁶

Many of these larger competitors aren't unionized, which can further squeeze smaller stores. One manager at a small Bay Area unionized chain said, "The problem is that you got a lot of non-union competitors coming in. Target now sells groceries, you got Whole Foods, all these different ones, those actually take it into the market. If they don't have to pay as much as what we pay employees, that's why you see hours getting cut in stores like Safeway. It's where it gets tight, because now you're competing with them to keep your margins."¹⁴⁷

2. LOCAL AND ORGANIC

Consumers can be powerful drivers for institutional change. One of the most powerful transformations wrought in the food retail industry in recent memory has been the dramatic growth in demand for local and organic foods. What began as a niche preference among a smaller group of consumers with ties to the environmental and sustainable agriculture movements has become a mainstream preference among our nation's consumers.

The employers we interviewed – whether national, regional, or local, union or non-union – universally described the elaborate lengths to which they had gone to secure high-quality, affordable, local and organic foods on their store shelves in response to consumer demand. Approaches to satisfying consumer desires for local and organic foods ranged from carefully monitored local, national, and international distribution systems, to customized loan programs designed to bring local food products onto grocery shelves, as well as highly sophisticated internal and external audit procedures and carefully brokered relationships with an ever-expanding array of farms and wholesalers. "If you look at the ads in the market today, Whole Foods, these farmers, what do they talk about?" one manager at a Bay Area local chain said. "Organic, organic. It's healthier for you. Even

though it's a little pricier, it's definitely a trend that's going up."¹⁴⁸

These institutional strategies have expanded well beyond high-end specialty grocers to more conventional supermarkets. As one manager at a regional chain put it, "We are trying to get more organic foods. Because a lot of people are, you know, big on organic. So we're trying to expand, not just in our produce department, but throughout our store. We'll be carrying more organic, or gluten-free, all the things that people are asking for."¹⁴⁹

What is remarkable about these practices is that they have managed to take root in the industry during a period in which competition and price pressure among food retailers has remained intense. Clearly, for all the constraints food retailers face in their business model, consumers can drive dramatic change throughout all segments of the industry in what may seem in retrospect to be a breathtakingly short period of time. The most striking lesson of the organic foods movement for those seeking to transform industry workforce practices is the incredible responsiveness of the industry to shifts in external consumer demand. It teaches us that where there is a will among consumers, the industry will find a way.

¹⁴² Interview with male Southern California union food retail manager.

¹⁴³ Interview with male Bay Area non-union food retail manager.

¹⁴⁴ Interview with male Bay Area non-union food retail owner.

¹⁴⁵ Interview with male Southern California union food retail manager.

¹⁴⁶ Interview with male Bay Area non-union food retail manager.

¹⁴⁷ Interview with male Bay Area union food retail manager.

¹⁴⁸ Interview with male Bay Area union food retail manager.

¹⁴⁹ Interview with male Southern California union food retail manager.

C. STRATEGIES FOR PROFIT

Employers generally agreed that investing in human capital is necessary to address the external pressures and trends described above. Minimizing employee turnover and increasing employee productivity are critical for maintaining both long-term profitability and a sustainable competitive advantage.

1. Minimizing Turnover

Employers we interviewed unanimously asserted the importance of quality staff and were well aware of the harmful effects of high levels of employee turnover. They recognized that a consistently high level of customer service is critical for cultivating a loyal customer base, which in turn generates consistent profits.

As one manager at a regional chain told us, “There’s so much competition that the grocery stores do have to give great customer service.”¹⁵⁰ One manager at a regional chain maintained that not only are there financial benefits to retaining good employees, but there are also very real costs to losing them: “Because there’s so much turnover...[t]here’s no more long-term employees. You get somebody trained and then they’re gone. In my opinion, it’s a waste of time. That’s my biggest challenge, and it’s a waste of the company’s money.”¹⁵¹ Added recruitment, training, and other costs are all direct results of high employee turnover levels.

To combat persistent levels of high employee turnover, a minority of employers used various strategies. One successful national chain went so far as to “flip” the percentage of full-time vs. part-time positions in its workforce from 70% part-time and 30% full-time (the industry norm) to 70% full-time and 30% part-time. The company saw this as directly enhancing its workforce and its bottom line. A manager said, “Full-time workers, I’d say for the most part, maybe 85% of them

are typically more engaged with the company. They are overall more efficient, overall better with customer service, things like that. In addition, they are more knowledgeable about our culture, as well as the programs that we have, and the things that we do.”¹⁵²

Other strategies used by employers for minimizing turnover included training, promoting from within, paying decent wages and offering competitive benefits. Maintaining a positive work environment and stable scheduling were two additional approaches, with one manager maintaining it was as simple as allowing more flexibility in shift scheduling and asking employees about any pressing conflicts before finalizing shifts. “I know a lot of the managers do, they like to honor people’s schedules because they do have a private life outside their personal life,” said a manager at a local Bay Area chain. “My workers have the same days off every week because most of them like a set schedule, and most of the managers do the same thing. So they know week-to-week, you know what they can plan. It’s poor practice to bounce people around. That’s not good morale, and it’s not good for team-building if you’re just bouncing your people around. People have personal lives.”¹⁵³

2. Worker Productivity

The employers we interviewed universally agreed that a productive workforce was key to running an effective and profitable business. Many report that treating workers with dignity – offering decent wages, benefits, working conditions, and opportunities for advancement – is necessary for maintaining a productive workforce.

A male head butcher at a national chain stated it simply and memorably: “If you get paid to do your job, you’re more happy to do the job than when you’re getting screwed around or put aside for what you think you should make.”¹⁵⁴

D. CONTRADICTIONS BETWEEN THEORY AND PRACTICE

Many of the employers we interviewed asserted that there is a direct relationship between the financial success and sustainability of a business and the productivity and stability of its workforce. But employers also recognized that the more common approach in the industry is to pursue cost cutting workforce strategies that squeeze as much productivity from workers for as little compensation as possible.

Managers described a sharp contrast between the higher investment orientation to the food retail workforce that existed even a few decades ago, and the new low-cost orientation where working conditions are poor and both employee stress and turnover levels are high.

1. Wages and Hours

Many of the employers we spoke with described the steady erosion in wages and working conditions in the food retail industry that has both destabilized and deskilled the industry's workforce.

A number of managers decried the negative impacts of harshly negotiated contracts that created "two tiers" of workers – those workers who were protected by earlier contracts with more generous pay and benefits, and a newer workforce for whom wages and benefits were much lower.

One manager at a regional chain described the impact of a two-tiered workforce as follows: "I went through this strike, and our company took a total turn. I would

say, took a total turn for the worse. I don't like the direction our company is leading us. I don't like the fact that we have two different contracts. We have the old contract from before the strike, and we have the new contract for people after the strike. And you pretty much get what you pay for. For one of us, you gotta have five of the new hires because there's so much turnover."¹⁵⁵

This manager described how changes in his company's benefits policy had increased employee turnover: "[M]ost of the new contract [employees], they have to earn their holiday pay...For the old contract, you just got those when you were hired...Benefit-wise, they had to work a year in order to get health benefits. Back in the old contract, they had to only work three months to be eligible for health benefits. So you know, there's a lot of turnover."¹⁵⁶

As generally lower wages and benefits become the new norm in the industry, the nature of the workforce itself is being transformed, skewing toward hiring a younger, more inexperienced, and ultimately less skilled workforce. A head butcher at a national chain described the impact of the company's lower wage scale on hiring practices, "[T]hey're hiring a lot of young kids that they can pay less to do the job of people who have been there a long time. If they just gave a reasonable amount of raise, they could still keep their workers instead of having to pay two people to do the job that one person used to do."¹⁵⁷

As one manager put it simply, "There's a lot of turnover because there's really no reason for anybody to stay."¹⁵⁸

¹⁵⁰ Ibid.

¹⁵¹ Ibid.

¹⁵² Interview with male Bay Area non-union food retail manager.

¹⁵³ Interview with male Bay Area union food retail manager

¹⁵⁴ Interview with male Bay Area non-union food retail manager.

¹⁵⁵ Interview with male Southern California union food retail worker.

2. PART-TIME VS. FULL-TIME WORK

*As the business is today, there are not a lot of full-time workers. [Employers] don't really want full-time workers anymore. They want more part-time. So the full-time workers are pretty scarce at this point. And they would rather have part-time. Because you get less hours and they are not guaranteed much of anything.*¹⁵⁹

Manager, Unionized Regional Chain Store,
Southern California, Male ¹⁵⁹

Another striking transformation described by managers in the food retail industry is the industry's increasing reliance on a part-time workforce. This trend has reached the point where in many companies the majority of front line employees are now part-time.

Managers maintained that this shift to part-time work was taking place even though the majority of job applicants still preferred full-time work. One manager described it as follows: "I would say that the majority of people...want full-time. It is very difficult to juggle two jobs and we offer benefits to all of our full-time [staff] and that's obviously what a lot of people want."¹⁶⁰

Managers attributed the increasing reliance on a part-time workforce to the rise of computerized scheduling systems that place a premium on what is imagined as an infinitely flexible workforce that can be precisely calibrated to the shifting levels of consumer demand in a store.

One manager described the automated scheduling as follows: "It's all pushed by the numbers. There's

this thing called 'Sales Per Person, Per Hour,' which is basically an algorithm which explains, 'Okay, if we have so many bodies here in this store and we are doing so many sales per hour, how is that translating?...Do we have too many people in the store for how many sales we are making, or do we not have enough people because we are selling like crazy? That is how the schedule is determined. So somebody could have lots of availability, but if that's not the time when the store is busiest, they aren't going to get that many hours. They are going to get the hours when the store needs them.'¹⁶¹

Needless to say, workers' lives are not infinitely flexible in the ways demanded by the algorithm. One consequence of this shift to "just-in-time" scheduling is that some workers who are pushed into part-time work as a result must cobble together multiple part-time jobs in order to sustain a living. Although the vast majority of all workers sought more hours at the one job they had, only a small minority of workers we surveyed had multiple jobs, as reported in Chapter 3. One manager reflected on the challenges of working with this minority, who must juggle a complex schedule.

There's the part-timers that are juggling two jobs, and their challenge is we often have to work around another schedule that sometimes fluctuates, so their schedules are a little more fluid. In addition to that, my personal experience is a good percentage of them that are just generally tired. They may not have any days off during the week. They may have 16-hour days where they're working eight hours for someone else then coming to us for eight hours. So there's definitely some people that can handle that, but I notice just fatigue.¹⁶²

¹⁵⁶ Interview with female Southern California non-union food retail manager.

¹⁵⁷ Interview with male Bay Area non-union food retail manager.

¹⁵⁸ Interview with male Bay Area union food retail manager.

¹⁵⁹ Ibid.

¹⁶⁰ Interview with male Bay Area non-union food retail manager.

¹⁶¹ Interview with female Southern California union food retail shift leader.

¹⁶² Interview with male Bay Area non-union food retail manager.

3. BENEFITS

While acknowledging the importance of providing employee benefits, employers overwhelmingly reported that they were unable to provide health insurance and other benefits to all their employees – particularly to their part-time workforce, who in many companies constitute the majority of line-level employees. Employers uniformly reported the prohibitive cost of health care as being a large barrier to expanding benefits coverage for their part-time workforce, and expressed hope that the Affordable Care Act could improve employees' access to health insurance. One Bay Area local chain store manager said that many of his concerns were amplified by the recession, which hit his unionized store hard: "The economy took a crash in 2008 and it got a little tight...and just as a bottom line, you know, costs of health care goes up, 'cause their salary includes their health benefits, too. So, it kinda gets pretty fast out of whack."¹⁶³

4. PRODUCTIVITY AND MOTIVATION

[W]hat ever they are getting taught to do to us, whether it be audits, or threatening our jobs, or making us work faster, longer, and harder, it's actually changing the morale. We are starting to hate or dislike our company, instead of like our company.

Female shift leader, Regional Chain¹⁶⁴

As described above, employers reported that employee motivation is best achieved by providing training, mobility, and a positive workplace environment. Employers felt this combination of practices was most likely to result in retaining a skilled workforce with low turnover rates that could directly contribute to the employer's bottom-line. Despite the intellectual recognition of the benefits of this approach, many employers recognized that industry practice falls short of this ideal. Employers described working environments where the most common approach for securing employee performance was through monitoring and fear.

Perhaps not surprisingly, managers who were expected to directly implement these strategies recognized their ineffectiveness as well as the long-term damage they inflicted on the morale and stability of the workforce. One employer described how a CEO's strategy backfired: "[T]hen he tried to convince everybody in another letter that it was going to be fine and there was nothing wrong with what they were doing, and that we were basically lucky to have jobs. And we thought 'seriously?' We can go somewhere else. The reason that you want us here is because we are the best. Do you want us to go somewhere else? Keep doing stuff like that."¹⁶⁵ This manager's quote reflects the fact that while many people in management might recognize that higher wages and working conditions build employee investment and tenure, higher management's focus on short-term profits sometimes works directly against this shared wisdom.

¹⁶³ Interview with male Bay Area union food retail manager.

¹⁶⁴ Interview with female Southern California union food retail shift leader.

E. ALTERNATIVES TO THE LOW-PRICE MODEL

Despite the abundance of management practices that focus on cutting labor costs, and that come with the negative consequences described above, our interviews with employers demonstrate that there are still food retail establishments making significant investments in their labor force, with positive results. Bucking the industry trend, one manager at a national chain store maintained, “I won’t hire anyone if it’s going to take away someone else’s hours or if I won’t be able to give them enough hours to live by.”¹⁶⁵ Another spoke with pride of the above-average health benefits, pay, and safer working conditions that his establishment was able to offer as a unionized workplace. Finally, as described earlier, some employers are adopting the intentional strategy of shifting back to a frontline workforce that is majority full-time.

Employer perspectives illuminate many potential areas for improvement in the industry’s workforce practices that would benefit both employers and consumers. In particular, employers perceptively described how the industry’s shift to a part-time, low-wage workforce model enacts a modern day “tragedy of the commons” within the industry’s labor force. As a manager at a Bay

Area local chain store said, “You have to stay within the budget. Labor costs are your number one controllable expense in a grocery store.”¹⁶⁷ Under this model, when each individual employer pursues its own narrowly defined self interest by eliminating full-time positions in favor of part-time, low-wage work, food retail workers are forced into poverty, and many live on public assistance; a minority seek multiple part-time jobs with multiple employers. As a consequence, managers report that part-time workers have less loyalty and investment to any one particular employer, resulting in higher rates of employee turnover and an industry workforce that is becoming progressively less skilled over time.

Further study on the growing number of low-wage, part-time food retail jobs is needed to corroborate these observations and further explore their impacts on the industry and the economy as a whole. Additional research is also needed to better understand the economic and social impacts of alternate higher investment workforce strategies. Together, these approaches will help develop solutions to workforce challenges and support the food retail sector in realizing its untapped potential as an important driver of California’s economic development and health.

¹⁶⁵ Interview with female Southern California non-union food retail manager.

¹⁶⁶ Interview with male Bay Area non-union food retail manager.

¹⁶⁷ Interview with male Bay Area union food retail manager.

CHAPTER 5:

THE FOOD RETAIL INDUSTRY IN LOS ANGELES



CHAPTER 5. THE FOOD RETAIL INDUSTRY IN LOS ANGELES

A. Introduction and Methodology

As the largest metropolitan region in the state, employing more than one-quarter (25.5%) of California’s overall workforce and food retail workforce, Los Angeles merits special examination. In surveys, food retail workers in Los Angeles told a tale generally similar to that told by workers statewide, with some notable differences regarding wages, food security, and racial equity.

Data in this chapter were drawn from the Food Labor Research Center’s 295 surveys of food retail workers in the Los Angeles region. Worker surveyors and interns from the Food Chain Workers Alliance and the Food Labor Research Center approached workers outside workplaces, bus/metro stops near workplaces, at union offices, and other areas where workers congregate. Survey data was weighted to ensure appropriate regional and gender representation, as described in greater detail in the Appendix.

B. Earnings

Food retail wages in Los Angeles were somewhat skewed toward both the low end and the high end, with workers reporting both subminimum wages and living

wages at slightly higher frequencies than food retail workers statewide. We found this difference to be statistically significant.¹⁶⁸

Table 35. Earnings among workers in Los Angeles and Statewide

	Los Angeles	Statewide
Subminimum Wage (Below \$16,640)	16.2%	12%
Poverty Wage (\$16,640-\$22,458)	36.6%	34.4%
Low Wage (\$22,458-\$48,124)	46.0%	52.9%
Living Wage (Higher than \$48,124)	1.1%	.7%

Source: Food Labor Research Center Survey Data

According to the National Low Income Housing Coalition (NLIHC), fair market rent for a two-bedroom unit in the Los Angeles Metro region in 2013 was \$1,147. In order to afford such a unit, a food retail worker in Los Angeles would need to have earned \$45,880 annually, or \$22.06 an hour working full-time.¹⁶⁹ Our survey data show that 98.9% of Los Angeles food retail workers sampled reported earning less than this.

Having a union made a greater difference with regard to earnings for food retail workers in Los Angeles than for workers statewide. A full 70% of non-union workers in Los Angeles reported earning below the poverty level, as defined by LLSIL, compared to 59.4% of non-union workers statewide.

¹⁶⁸ Difference was significant at .013 level.

¹⁶⁹ Bravve, Elina, Megan Bolton, and Sheila Crowley. “Out of Reach.” National Low-Income Housing Coalition, 2013. <http://nlihc.org/or/2013>.

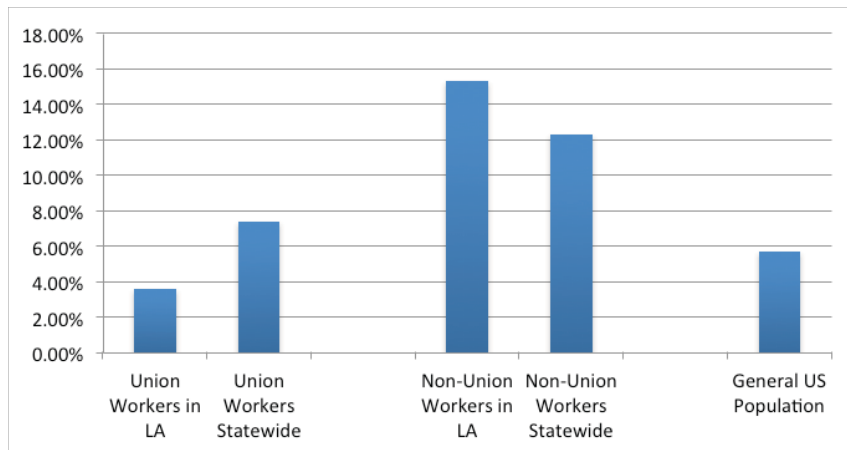
Table 36. Earnings by Union Status for Food Retail Workers in Los Angeles

	Union Status		Total
	Union	Non-Union	
Subminimum Wage (Below \$16,640)	6.3%	22.5%	16.2%
Poverty Wage (\$16,640-\$22,458)	19.6%	47.8%	36.9%
Low Wage (\$22,458-\$48,124)	73.2%	28.7%	45.9%
Living Wage (Higher than \$48,124)	.9%	1.1%	1.0%

Not surprisingly, as a result, non-union Los Angeles food retail workers also reported higher levels of food insecurity, or the inability to afford to purchase sufficient or appropriate food to eat, than workers statewide and the general U.S. population. As defined later in Chapter 6, 15.3% of non-union food retail workers

in Los Angeles reported very low food security, almost double the rate of workers statewide (8.8%) and three times the rate of the general U.S. population (5.7%). Only 3.6% of union workers in L.A. reported very low food security.

Figure 10. Rate of Very Low Food Security Reported by Food Retail Workers

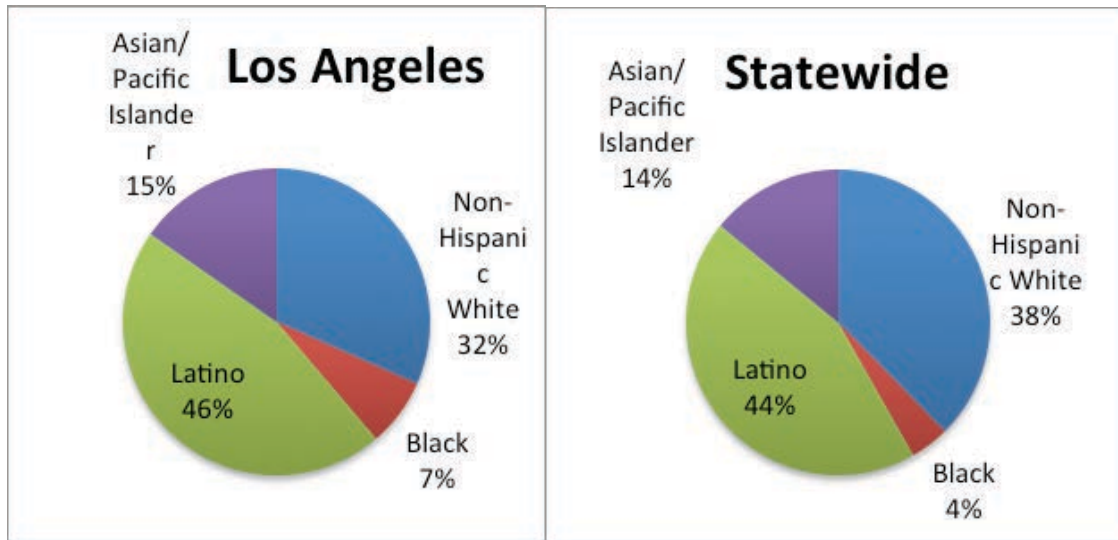


Source: Food Labor Research Center, UC Berkeley Survey Data/ USDA Economic Research Service, 2012 ¹⁷⁰

A. Racial Inequities

The racial demographics of Los Angeles food retail workers are comparable to those of food retail workers in the rest of the state, as seen in Figure 13 below.

Figure 11. Racial Demographics of Los Angeles Food Retail Workers vs. Statewide



However, race played a greater role in the working conditions experienced by Los Angeles food retail workers than it did for food retail workers statewide. For example, we found a statistically significant difference in the frequency with which white workers and workers of color reported they had received the training needed

to receive a promotion in Los Angeles, while we did not find a similar difference in the statewide workforce. As with the statewide workforce, in Los Angeles we also found a statistically significant racial disparity with regard to workers having the opportunity to apply for a promotion.

Table 37. Promotion Experiences by Race in Los Angeles

	White	Person of Color	Total
Received Training in New Skills Needed to Receive Promotion	62.3%	48.6%	52%
Had Opportunity to Apply for Promotion	51.7%	38.4%	43.2%

Source: Food Labor Research Center, UC Berkeley Survey Data

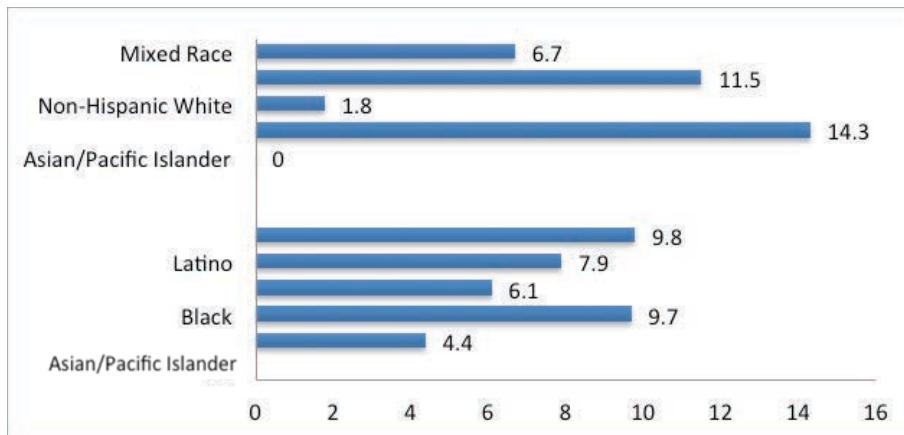
¹⁷⁰ Coleman-Jensen, Alisha, Mark Nord, and Anita Singh. "Household Food Insecurity in the United States in 2012." USDA Economic Research Service, September 2013.

In responding to several other questions about conditions of employment and employment law violations, workers also reported a greater differential by race in Los Angeles than statewide. While the number of Los Angeles workers surveyed (289) was too small a sample size to make any of these differences with statewide data statistically significant, they do raise important questions for further study.

For example, when asked whether they were ever sent home early without being paid for at least half of their

originally scheduled hours, as required by law in the state of California, 14.3% of Black workers, 11.5% of Latino workers, and only 1.8% of white workers in Los Angeles responded “very often, somewhat often, or often,” compared to 9.7% of Black workers, 7.9% of Latino workers, and 6.1% of white workers statewide who responded the same. This practice is not only illegal, but also creates tremendous economic instability for these workers, who received less than half the income they expected based on the schedules they were given.

Figure 12. Workers Being Sent Home Early Without Being Paid Half of Originally Scheduled Hours

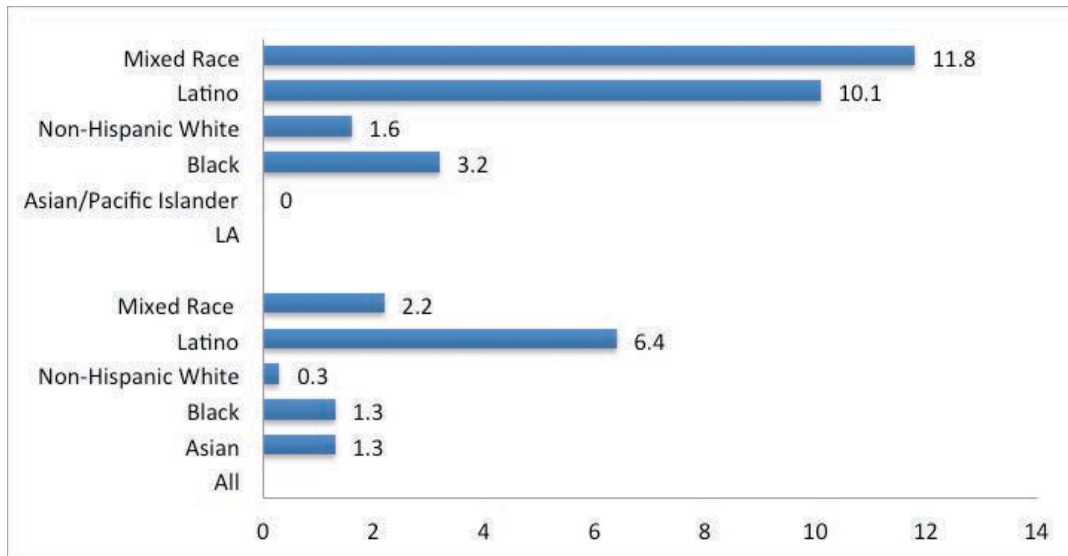


Source: Food Labor Research Center, UC Berkeley Survey Data

Similarly, the levels at which Latino and mixed race workers responded to the question, “Does your manager cancel your shift on the same day?” with “very often,” “somewhat often,” or “often,” were much higher in Los Angeles than they were statewide, both in absolute terms and in their percentage differences from the

responses of white workers. Mixed race workers – a substantial portion of our worker sample – responded affirmatively to this question in Los Angeles at more than five times the rate of mixed race workers statewide.

Figure 13. Worker Responses to “Manager Cancels Shift the Same Day”

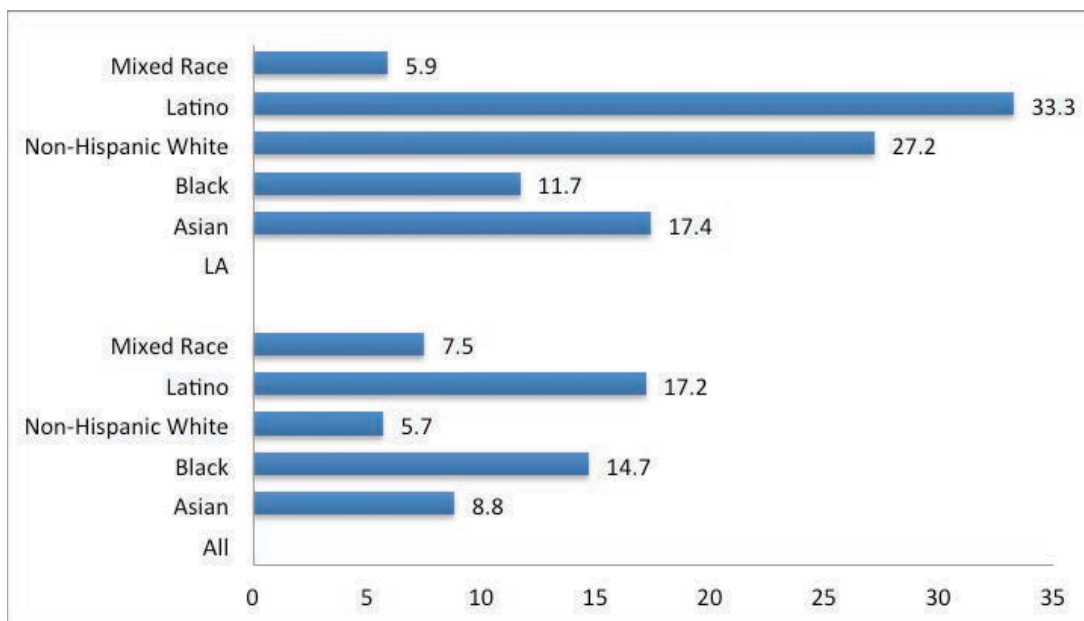


Source: Food Labor Research Center, UC Berkeley Survey Data

Los Angeles workers of color also responded affirmatively in larger numbers to experiencing other violations of employment law than their counterparts statewide. California law requires that workers receive a 30-minute

lunch break within five hours of work. Latino and Asian workers in Los Angeles responded at almost double the rate of Latino and Asian workers statewide that they did not receive a lunch break as required.

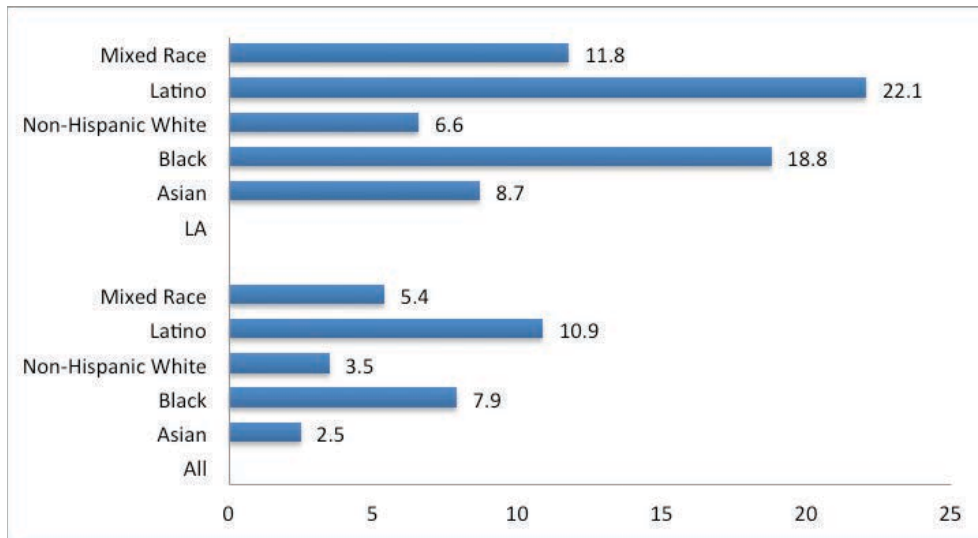
Figure 14. Workers Not Offered Legally Mandated Lunch Break



Finally, workers of color in Los Angeles also reported higher levels of not being paid for all hours worked, which too is illegal. Workers of all races in Los Angeles

reported experiencing this form of wage theft at twice the rate of workers statewide, with the highest rates of wage theft experienced by Latinos and Blacks.

Figure 15. Workers Illegally Not Paid for All Hours Worked



The greater racial differences in Los Angeles than statewide cannot be attributed solely to unionization rates among whites and people of color. In fact, as can be seen in Table 38 below, the disparity in unionization

rates between whites and workers of color is less in Los Angeles than it is statewide. More research is needed to understand the notable racial disparities among whites and workers of color in the Los Angeles area.

Table 38. Unionization Rates by Race in Los Angeles vs. Statewide

	<u>People of Color</u>	<u>White</u>
<u>Los Angeles</u>	<u>36.7%</u>	<u>46.7%</u>
<u>Statewide</u>	<u>57.2%</u>	<u>38.6%</u>

CHAPTER 6:

THE PUBLIC COST OF LOW-WAGE JOBS



CHAPTER 6. THE PUBLIC COST OF LOW-WAGE JOBS

Our research shows that when food retail workers suffer from low-wage jobs with unpredictable and insufficient hours, few benefits, and little mobility, consumers and taxpayers suffer as well. The public costs are significant, and fall into two major categories:

1. Public Cost: Our Health

As described earlier, while overall, food retail workers report relatively high levels of access to earned sick days and health care, the growing ranks of non-union workers in the sector are much less likely to have access to these benefits. The non-union food retail sector is thus endangering the public health. Low wages, combined with a lack of employer-provided health insurance and/or a lack of earned sick days, cause many workers to delay seeking primary or preventive medical care and to work while sick. For the same reasons, workers also send their children to school sick, as they are unable to care for them. All of this increases health risks to consumers and to society overall.

a. Food Safety Risks

Understaffing and work speedup associated with the growing “low-price” model in the food retail industry has an impact on consumer food safety. Workers reported being rushed and thus doing things, or not doing things, in ways that may have endangered the health and safety of customers. As noted in Chapter 3, understaffing also forces workers to work while sick, even if they have access to earned sick days.

2. Public Cost: Our Dollars

Low-wage jobs with little or no benefits cause increased health care and social program costs for society, as people rely on the social safety net to meet basic needs. Consequently, taxpayers end up bearing costs due to the low wages and meager employee benefits provided by multi-billion dollar companies. Nearly one out of 12 food retail workers in California (8.1%) receives some form of public health insurance, and this percentage is likely to grow due to employer responses to the Affordable Care Act.

a. Food Insecurity

California food retail workers report high levels of food insecurity, creating the terrible irony that the workers who sell us our food cannot afford to buy it themselves. Lack of sufficient nutrition has hidden health costs for the state, including, somewhat paradoxically, higher rates of obesity, as well as negative psychosocial outcomes for food-insecure children.¹⁷¹ Unfortunately, some attempts to address food insecurity in California have focused solely on drawing food retailers into low-income communities while failing to address the quality of jobs those retailers provide.

b. Declining Social Environments and Communities

The growth of poverty wage food retail jobs contributes to the growth of poverty and neighborhood degradation in California.

¹⁷¹ Adams, Elizabeth J., et. al. “Food Insecurity Is Associated with Increased Risk of Obesity in California Women.” *The American Society for Nutritional Sciences*, 2003.

¹⁷² Christine M. Olson, “Nutrition and Health Outcomes Associated with Food Insecurity and Hunger,” *The American Society for Nutritional Sciences*, 1999.

1. Public Cost: Our Health

The food retail industry endangers public health through low wages and the lack of employer-sponsored health insurance and earned sick days, particularly among employees of non-union employers. Public health is also put at risk through irresponsible food safety practices, often because workers are forced to commit hazardous acts or forgo appropriate precautions due to time pressure.

As mentioned in Chapter 3, non-union workers were more than four times as likely as union workers not to have any health insurance at all (32% non-union vs. 7.5% union). They were also nearly twice as likely not to have earned sick days. Not surprisingly, our research shows that when low-wage workers must choose between working while sick or staying home and losing much-needed income, these workers will often work sick. However, the impact of understaffing, driven by employers' efforts to cut costs, seems to force even union workers to work when sick. Union workers report that in the face of understaffing, they do not wish to burden their co-workers by staying home when sick. Thus, about two-thirds (65%) of all California food retail workers reported working while sick, and of those who reported working while sick, almost 60% reported working while sick for three days or more. The two major reasons that these workers go to work sick are the inability to afford to take the day off without pay (reported primarily by non-union workers), and concern about creating an additional burden for co-workers (reported primarily by union workers).

One male worker in a unionized regional chain reported, "I don't want to miss the pay, and it is my work ethic. But I have, this has happened more than once...not specifically with the boss I have now, but I have called in sick to work and I've been told 'I don't care if you're sick. I have a business to run.' You know, 'get in here.' A lot of times, store managers will say, 'I don't care how sick you are, unless you're on your death bed, you better get in here.'"¹⁷²

In Chapter 3, we saw another male worker in a unionized regional chain who worried explicitly about taking time off because his store is understaffed and his absence would have ongoing consequences. He reported, "I have to be really, really sick to not go to work, because if I don't go...then the entire week will be messed up."¹⁷³

A non-union male worker in a national chain reported, "Everybody goes to work sick.¹⁷⁴ It's just like the nature of it, unless I'm in bed or in the hospital, I'm going to go to work unless I was coughing or with the flu because that would be like I'm trying not to contaminate the food, and you know, I don't want to get everyone sick." As we know, illnesses like norovirus are easily passed along to others, with food as the vehicle.¹⁷⁵

In addition to working while sick, workers may involuntarily put the public's health at risk when time pressures prevent them from doing their work safely. More than one in 10 (11.6%) of all surveyed workers reported doing at least one thing in the last year under time pressure that might have harmed the health and safety of the customer.

¹⁷² Interview with male Southern California union full-time worker.

¹⁷³ Interview with male Southern California union part-time worker.

¹⁷⁴ Interview with male Bay Area non-union full-time worker.

¹⁷⁵ "For Food Handlers: Norovirus and Working with Food," Center for Disease Control and Prevention, 2013, <http://www.cdc.gov/norovirus/food-handlers/work-with-food.html>.

For example, 6% of workers reported that they or a co-worker had handled food without gloves. A worker who did not have enough time to don or change gloves might for the same lack of time put consumers at risk

of eating under-cooked or cross-contaminated food, or of having an allergic reaction. Other workers reported particular instances of poor food safety, some of which are noted in Table 39 below.

Table 39. Specific Instances of Lack of Food Safety Reported by Food retail Workers

- “Bad odor that comes from the butcher block because of poor maintenance.”
- “Cleaned with improper supplies”
- “Food not kept at proper temperature”
- “Food sits out for a long time”
- “Has seen termites get into the pizza, some of which was thrown out but some were served to customers”
- “Never enough gloves”
- “Not changing gloves between different tasks”
- “Not changing gloves often”
- “Occasionally expired food is sold accidentally but customer always returns it”
- “Out of date”
- “Cockroaches”
- “Served food that wasn’t at the right temperature”
- “Spraying chemicals near food”

Source: Food Labor Research Center, UC Berkeley Survey Data

As can be seen from the list above, many food safety risks arise from workers not having enough time to don or change gloves, ensure food is sold at the right temperature, and cull expired products. Workers’ lack of time to ensure food safety is in large measure attribut-

able to understaffing.

A male worker from Southern California described the impact on consumer food safety when shortcuts are taken, and workers are not properly trained.

“Now, from what I have seen up to this point, I know [meat] clerks that have been trained for less than a week and then put in the department and have been told to identify steaks, break load, throw out COO information. A COO is a Country of Origin, so where did the meat come from? It’s very, very important. People overlook it like it’s not important because we haven’t had anything serious happen. But say, for instance, there was a new bacterium that came in on a product and the Country of Origin information was not filled out correctly, it could make it so everything that the FDA has to do to protect the overall public health would be virtually impossible because we couldn’t look at the paperwork. For my position specifically, my training was a little better because I came from a different area and I came from an area where there’s guys who have been doing this for a long, long time. But down here, what I’ve seen is there’s a lot of guys that are being trained incorrectly and are being trained as little as four weeks, then being placed in and being told to almost virtually run the shop. And because they’re understaffed, they are not working with somebody who has experience who can correct them on their mistakes.”¹⁷⁶

2. Public Cost: Our Dollars

Low-wage, low-benefits jobs cause increased health care and social safety net costs for society. This report shows that non-union food retail workers who earn low wages are also less likely to receive workplace benefits such as the ability to earn paid sick days and employer-provided health insurance. Workers who do not have employment-based health coverage and cannot otherwise afford insurance tend to delay accessing medical treatment and tend to use emergency rooms for non-emergency care. Postponing care may lead to the development of more serious medical conditions requiring more costly medical care. Because food retail workers' low wages provide barely enough to survive, workers are generally unable to pay the cost of any medical care, which increases uncompensated costs in

curred by public and non-profit hospitals. In fact, two-thirds (66%) of workers who did not have any health insurance reported using emergency rooms or free/discount health clinics – which are frequently publicly subsidized – to obtain care.

Furthermore, when workers are unable to earn enough to support themselves and their families, they are forced to rely on public safety net programs to make ends meet. Government data show that more than one-third of California food retail workers rely on some form of public assistance, with a total cost to the state of \$662 million annually. Table 40 describes the different types of public assistance used.

Table 40 - Enrollment and costs of the public support programs for food retail workers*

Program	(1) Number of workers with families enrolled	(2) Percent of workers with families enrolled	(3) Average program costs per enrolled family	(4) Total cost across the five programs (millions)**
EITC	88,889	28%	\$2,237	\$189
Medicaid (adults)	54,748	17%	\$4,257	\$215
Medicaid/CHIP (children)	56,525	18%	\$2,902	\$153
Food Stamps	28,973	9%	\$2,610	\$72
TANF	9,693	3%	\$3,634	\$33
All Programs	114,457	36%	\$6,174	\$662

* According to our definition of “year-round” worker: 27 or more weeks and usual hours of 10 or more per week, taking all “year-round” workers in Grocery, Specialty Foods and General Merchandise

** Since many families have more than one worker per family, column (4) will not equal (1)x(3)

Source: UC Berkeley Labor Center calculations from 2008–2012 March CPS, 2007–2011 ACS, program administrative data.

Note: All costs reported in 2011 dollars.

¹⁷⁶ Interview with male worker from Southern California.

Part-time workers are even more likely to use public assistance, since they have lower wages and fewer benefits. In our survey, part-time workers reported a median hourly wage of \$10, compared to \$15 for full-time workers. It follows that part-time workers were almost twice as likely as full-timers to receive any form of public assistance (22.1% vs. 12.5%). In particular,

63% of workers who reported using Medicaid were part-time workers, even though part-time workers were only 45% of the total survey sample. Table 41 shows that part-time workers are less likely to have access to health care at all, and far less likely to have access to health care through their employer.

Table 41. Access to Health Care by Part-time Status

	Part-time	Full-Time
Access to Health Care At All	68.9%	78.9%
Access to Health Care Through Employer	32%	62.4%

Source: Food Labor Research Center, UC Berkeley Survey Data

Numerous studies attribute the prevalence of part-time jobs in the food retail sector to both employers' needs to respond to variable labor demand and, in the more recent past, employers' desires to cut workers' hours so that they are not eligible for health care benefits. This decision impacts workers, employers, and taxpayers.

A study of retail workers in New York City by Professor Stephanie Luce of the City University of New York and Naoki Fujita of the Retail Action Project found that reliance on part-time labor means workers are excluded from benefits, and employers accept higher turnover costs.¹⁷⁷ As described earlier in this report, researchers Carré and Tilly report that grocery workers report work speedup along with cut hours, which is justified by employers as necessary to stay competitive. In other words, part-time labor is coupled with understaffing and greater demands on a smaller number of employees.¹⁷⁸ These changes can be attributed in part to the growth of supercenters and warehouse stores, which are presenting a threat to traditional food retailers.¹⁷⁹

Numerous studies over many years have attributed the prevalence of part-time jobs in the food retail sector to employers' needs to respond to variable labor demand. More recently, several studies have suggested that workers' hours may be cut further due to employers' desires to evade providing these workers with employer-sponsored health care benefits under the ACA. This decision impacts workers, employers, and taxpayers.

A recent study of retail workers in New York City found that employers' reliance on part-time labor means workers are excluded from benefits and employers accept higher turnover costs.¹⁸⁰ As described earlier in this report, grocery workers have experienced work speedup along with reduced hours, which employers justify as necessary to stay competitive. In other words, part-time labor is coupled with understaffing and greater demands on a smaller number of employees.¹⁸¹ These industry changes can be attributed in part to the growth of supercenters and warehouse stores, which are presenting a threat to traditional food retailers.¹⁸²

¹⁷⁷ Stephanie Luce and Naoki Fujita, "Discounted Jobs: How Retailers Sell Workers Short," CUNY Murphy Institute and Retail Action Project, 2012, 14-15.

¹⁷⁸ Carré and Tilly, "Continuity and Change in Low-wage Work in U.S. Retail Trade."

¹⁷⁹ Timothy A. Park, "Evaluating Labor Productivity in Food Retailing," American Agricultural Economics Association (2007).

A seminal 2004 study by Arindrajit Dube and Ken Jacobs of the University of California, Berkeley measured the taxpayer impact of Wal-Mart's low-wage, low-benefit model. Wal-Mart then cost California taxpayers \$86 million annually, \$32 million of which were health care costs, due to its workers relying on public assistance. If other California food retailers adopted Wal-Mart's employment practices, it would have cost taxpayers an additional \$410 million per year.¹⁸³ As this study was conducted 10 years ago, these costs are likely much higher now. A related study examined the anticipated fiscal impacts on public benefit programs resulting from the two-tiered contract in union grocery stores that management imposed following the UFCW's Southern California grocery strike and lockout of 2004: "Because Southern California's 70,000 workers comprise roughly 58% of the unionized grocery workforce and are already subject to the contract's terms we can expect that their counties of residence would face between \$49 and \$70 million in additional health care costs over the next three years."¹⁸⁴ In that study, Dube and Lantsberg proposed assessing annual fees on large retail developments to help pay for the benefit costs shifted to counties. These analyses make clear the costs to taxpayers when retail employers replace full-time workers with part-time workers lacking benefits.¹⁸⁵

Recent Impacts of the Affordable Care Act

In 2010, the U.S. Congress passed the Affordable Care Act (ACA), intending to provide health care to millions of uninsured Americans. The law requires companies with 50 or more full-time equivalent workers to pay a penalty

to the federal government if they do not offer affordable health care coverage for employees working 30 hours per week or more.¹⁸⁶ The employer mandate was included in the ACA to prevent employers from dropping coverage for their employees, thereby forcing them to rely on government subsidies for private coverage; implementation of this provision has been postponed until 2015. Using a 30-hour threshold for the employer penalty may incentivize employers to push and/or keep workers below that cutoff.¹⁸⁷

As many as 2.3 million workers, of which 570,000 work in retail, are potentially vulnerable to cuts in hours due to employer responses to the ACA. The workers most vulnerable to suffer reduced work hours related to ACA implementation include those working 30-36 hours a week, with incomes below 400% of the federal poverty line, and no job-based coverage. Retail and restaurant workers account for nearly half of this most vulnerable group.¹⁸⁸

In response to the provisions of the ACA, Wal-Mart, Target, and Trader Joes eliminated health benefits for employees working less than 30 hours per week.¹⁸⁹ They did this expressly to take advantage of expanded eligibility for Medicaid and the new subsidized coverage options in the ACA, and to shift their costs onto state and federal taxpayers. Almost one in five (17-18%) food retail workers in California already use Medicaid for themselves or their children, with a total cost to the state of \$368 million (see Table 40); these numbers will increase as a result of these large retailers dropping coverage for their part-time employees.

¹⁸⁰ Luce and Fujita, "Discounted Jobs: How Retailers Sell Workers Short."

¹⁸¹ Carré and Tilly, "Continuity and Change in Low-wage Work in U.S. Retail Trade."

¹⁸² Park, "Evaluating Labor Productivity in Food Retailing."

¹⁸³ Dube and Jacobs. "Hidden Cost of Wal-Mart Jobs."

¹⁸⁴ Arindrajit Dube and Alex Lantsberg, "Wage and Health Benefit Restructuring in California's Grocery Industry, UC Berkeley Center for Labor Research and Education, http://laborcenter.berkeley.edu/retail/grocery_fullreport.pdf, (2004).

¹⁸⁵ Arindrajit Dube and Steve Wertheim, "Wal-Mart and Job Quality: What Do We Know, and Should We Care?" http://laborcenter.berkeley.edu/retail/Wal-Mart_jobquality.pdf, (2005).

¹⁸⁶ Karen McVeigh and Katie Rogers. "As companies reduce health benefits for hourly workers, help us tell your story." *The Guardian*, (September 13, 2013)

¹⁸⁷ This issue could have been resolved if the penalty was pro-rated by hour and applied to part-time workers as is done in San Francisco, and as was proposed in the House health reform bill, HR 3962.

To address these issues, California legislators introduced legislation in 2013 that proposed shifting the cost burden for part-time workers' reliance on public health care coverage and safety net services from taxpayers to employers. Assembly Bill 880 (AB 880) would have imposed a penalty on private employers with 500 or more employees who have non-disabled employees enrolled in Medi-Cal, California's major public health care program. Such legislation would have reduced the incentive for employers to increase part-time employment, since it would greatly decrease any cost-savings in hiring two part-time employees without benefits rather than a full-time employee with benefits. It would also address the loophole created in the ACA that places no penalty on employers for failing to contribute toward the health care costs of employees who work less than 30 hours per week. AB 880 would have forced large employers to pay the cost of their employees' reliance on public health care programs or simply provide health insurance to their employees, which might produce the added benefit of reducing employee turnover.¹⁸⁸

Several researchers have reported that providing full-time employment with benefits can reduce costly employee turnover and increase productivity, thereby benefiting employers. A number of them highlight Costco, a partially-unionized food retailer that universally provides union wages and benefits, as outperforming lower wage and benefit, non-union Wal-Mart and Sam's Club. Costco enjoys low employee turnover rates and high worker productivity.¹⁸⁹ A study commissioned by the Coca Cola Retailing Research Council found that the high cost attributed to employee turnover in the supermarket industry "exceeds the entire industry's annual profit by more than 40%."¹⁹⁰ The report suggests combating the high cost of turnover through management and organizational changes, collaborating with store-level workers to meet the demands of the workers.¹⁹¹ These studies demonstrate that policies like AB 880, which would remove perverse incentives for employers to deny their employees full-time jobs and health care benefits, could reduce food retail employee turnover and increase employee productivity, thus increasing profitability in the long run.

¹⁸⁸ "Which workers are most at risk of reduced work hours under the Affordable Care Act?" UC Berkeley Labor Center Data Brief, February 2013.

¹⁸⁹ Claire O'Connor, "Target Joins Home Depot, Wal-Mart, Others In Cutting Health Care For Part-Timers, Citing Obamacare" Forbes, January 22, 2014.

¹⁹⁰ Kelley Weiss, "Will Proposed Obamacare Fines Help or Hurt California Workers?" KQED State of Health Blog, <http://blogs.kqed.org/state-of-health/2013/06/13/will-proposed-obamacare-fines-help-or-hurt-california-workers/>, June 13, 2013.

¹⁹¹ Stanley Holmes and Wendy Zelner, "The Costco Way: Higher wages mean higher profits. But try telling Wall Street," BusinessWeek, April 12, 2004.

¹⁹² Blake Frank, "New Ideas for Retaining Store-Level Employees." A Study Conducted for The Coca-Cola Retailing Research Council, 2000.

a. Food Insecurity

In a terrible irony, an astoundingly high proportion of food retail workers, particularly non-union workers, reported not being able to afford enough food and/or healthy food (see Table 42). We used the United States Department of Agriculture’s short list of food security

questions to identify the level of food insecurity among food retail worker survey respondents. Table 42 describes the responses.

Table 42. Responses to Food Security Questions

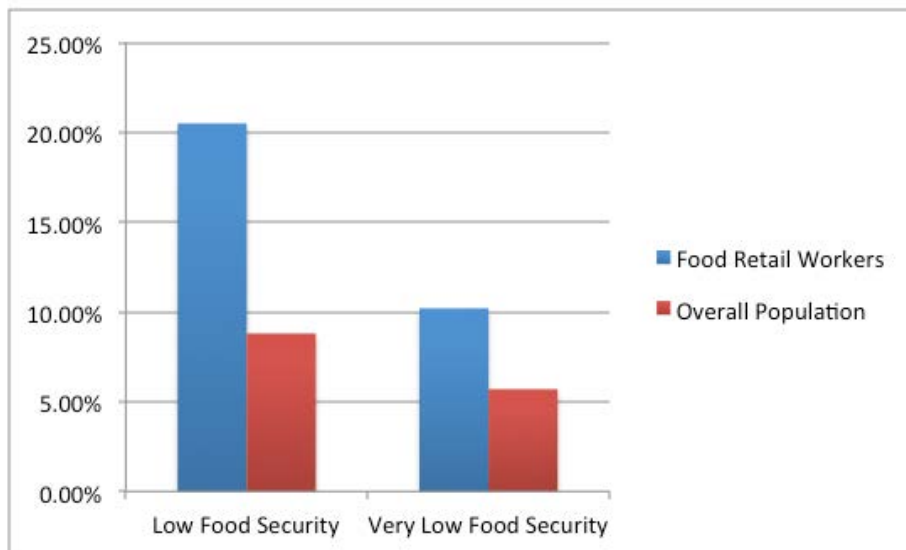
	Union	Non-Union	Total
Do Not Purchase Most Groceries at Work	27.9	35.2	32
“The food we bought just didn’t last, and we didn’t have money to get more”(sometimes or often)	28.1	40.1	34.8
“We couldn’t afford to eat balanced meals” (sometimes or often)	25.1	34.7	30.4
“In the last 12 months, we cut or skipped meals because there was not enough food to eat”	13.4	19.6	16.9
“In the last 12 months, we ate less than we thought we should because there was not enough money”	15.4	23.2	19.8
“In the last 12 months, we were hungry but didn’t eat because couldn’t afford food	8.6	17.1	13.3

Source: Food Labor Research Center, UC Berkeley Survey Data

These marked levels of inability to purchase food are particularly troublesome among workers whose occupation is to sell food. Among the almost one in five non-union workers who said that they skipped or cut meals in the last year because they did not have enough food to eat, more than one in three (37%) said that they skipped or cut meals “almost every month.” Malnutrition can have unobserved consequences that ultimately result in health problems for workers and their families. Especially among low-wage earners, these health problems can then pose additional burdens on the public health system and the public purse. These statistics are

even more alarming when we consider how food retail workers compare to the general population in the United States. As can be seen in Figure 16 below, food retail workers in California suffer from more than twice the level of low food security as the general U.S. population (20.5% vs. 8.8%), and almost twice the level of very low food security as the general U.S. population (10.2% vs. 5.7%). In other words, **workers who sell food in California are almost twice as likely as the general population to not be able to afford to eat the food they sell.**

Figure 16. Food Insecurity Among California Food Retail Workers vs. the General U.S. Population



Source: Food Labor Research Center, UC Berkeley Survey Data; USDA Economic Research Service 2012

These alarming findings make clear that physical access to a grocery store does not equate with financial access to healthy food; California's largely low-income food retail workers have access to a grocery store every working day, but suffer from twice the food insecurity of the rest of the U.S. population. Unfortunately, as mentioned in Chapter 2, efforts to address food insecurity have sometimes focused on attracting a food retail store to a low-income community without ensuring that the retailer provides livable wages and benefits to its workers. Besides sending a clear signal regarding the need to increase food retail workers' wages so that they can afford to eat, our findings emphasize that the mere presence of a food retail store is not adequate to address food insecurity.

b. Declining Social Environments and Communities

Numerous studies and books have documented the deleterious community impacts of Wal-Mart's entrance into a local community.¹⁹⁴ As mentioned in Chapter 2, University of California, Berkeley researchers Dube, Lester, and Eidlin report that each time a Wal-Mart store opens, it replaces other retail and grocery stores that pay more with Wal-Mart jobs that pay less, and creates competitive pressure for local retailers to offer lower-paying jobs. Between 1992 and 2000, the opening of a single Wal-Mart store in a metropolitan county lowered overall retail wages by between 0.5 and 0.9%, wages in the general merchandise sector by 1%, and wages for grocery workers by fully 1.5%.

¹⁹³ Ibid.

¹⁹⁴ Dube, Lester, and Eidlin, "A Downward Push."

These findings are particularly relevant with regard to food retail, given the growing efforts to overcome the genuine challenge of the dearth of accessible, affordable, healthy food options for residents in low-income neighborhoods throughout the United States. The California FreshWorks Fund was created precisely to address this need, providing incentive financing to food retail operations that agree to locate in low-income communities that lack a local grocery store. The Fund has already amassed \$264 million¹⁹⁵ to be used for public and private loans, grants, and tax credits that are available to food retailers and entrepreneurs seeking to provide access to healthy food in California. The Fund also seeks to boost economic development with grocery stores anchoring healthier communities.¹⁹⁶ As is the

case with numerous other state-supported economic development programs, one goal is to create jobs, but job quality as a criterion is not currently clearly defined in the FreshWorks Fund. It only requires that food retailers provide jobs that are on par with similar jobs in the area. If the typical area job is a poverty wage job, the Fund will support a new food retail establishment that provides such poverty wage jobs. Considering the detrimental impact that big-box general merchandisers can have on local food retail wages and a local economy, it is essential that publicly supported programs consider whether a food retail establishment provides livable wages, benefits, opportunities to advance, and other measures of job quality in awarding funding to food retailers willing to locate in underserved communities.

WORKER PROFILE: “JANE”¹⁹⁷

“Jane” is a Bay Area resident who has worked at a local unionized grocery store for a year and a half, supporting herself as she pursues her passion for art. She’s had the same job, working as a booth clerk, where she does bookkeeping and customer service.

Like many of the workers we surveyed, Jane works part-time, but would like to work more hours to increase her salary, which is minimum wage. “I would like more hours,” she says. “I asked to be trained in another department, but [her store’s managers] haven’t let me yet.” Jane would like to work as a cashier, who can make \$5 per hour more than she does in her current position.

“When they pay people to work, that comes out of their budget,” she said about her managers. “People are always complaining about how long the lines are at my store. If they actually were trying to staff the store properly, they would have more cashiers at the very least.” She says the store’s inability to hire more people in her section means she’s often the only one covering customer service.

The irony in Jane’s position is that while she wants more hours, she often has to work when she is unable to – or when she’s sick. She has said she’s worked when she had gastroenteritis and knows colleagues who have worked even with highly contagious illnesses like pink eye. “I was at work once and started throwing up. It happened without warning – right in the middle of talk to customers,” she said. “They wouldn’t let me go home. If I went home, there would be nobody there to close the store.”

Jane’s store is unionized, meaning she probably has it better than most. She at least is part of an organized group, looking out for each other and having a legal contract that details their rights. She told her union representative (aka “internal organizer”) about being bullied into staying at work and s/he told Jane that she should have gone home anyway. Jane feels protected knowing that her union is present and helping her and others to continually enforce their contract. “I definitely see benefits to having [a union]. Managers are more hesitant to bully around those of us who are active in the union.”

Jane wants her coworkers to get more active in their union – she thinks many of them are either unaware of the possible benefits of union action or skeptical about what they can actually do together. As the company reorganizes, Jane hopes her hours don’t get cut any further; meanwhile, her colleagues worry about pay cuts. The people who are really worried about the reorganization are the cashiers who have been there forever. “When you’ve got kids and you’re making \$21 an hour and suddenly you’re making \$16 an hour, I don’t know how you can survive on that,” she said.

¹⁹⁵ California State Treasurer, “About the California Healthy Food Financing Initiative.” <http://www.treasurer.ca.gov/chffc/>

¹⁹⁶ California FreshWorks Fund, <http://www.cafreshworks.com/>; US Health and Human Services Office of Community Services, “What is the Healthy Food Financing Initiative?” <http://www.acf.hhs.gov/programs/ocs/programs/community-economic-development/healthy-food-financing>.

¹⁹⁷ Name changed at subject’s request.

CHAPTER 7:

INVESTORS BEFORE WORKERS: “FINANCIALIZATION” DRIVES STANDARDS DOWN



By ‘financialization’ we refer to the general trend of allocating corporate resources to meet the short-term interests of shareholders as opposed to investing in improved products and services, operational innovation, or human capital.

CHAPTER 7. INVESTORS BEFORE WORKERS: “FINANCIALIZATION” DRIVES STANDARDS DOWN

As we have seen above, California’s food retail industry workers have suffered a dramatic deterioration of wages and working conditions over the past 15 years, led by radical reductions in standards for unionized and full-time employees. Analysts and advocates have focused on the growing share of retail food sales made by big-box merchandise stores such as Wal-Mart and Target as the driving factor in what has been seen as a near inevitable decline in unionization, wages, and working conditions. However, a closer look at the actions of traditional, unionized grocers shows that their own choices have played a large role in the decline of union density and standards.

- **First, an ill-conceived merger in one of the state’s three major union groceries led to massive unionized grocery job loss, at the same time that major job growth in the grocery sector occurred primarily in non-unionized discount/general merchandise stores (including but not limited to Wal-Mart and Target) and in natural/organic/gourmet markets.**
- **Second, while the three major unionized grocery chains – Kroger, Safeway, and Albertsons – have cited competition from growing general merchandise stores like Wal-Mart as the driver pressuring them to reduce wages and benefits, in fact these chains have chosen to spend large amounts of available cash on share repurchases, dividends, and debt repayment rather**

than higher wages and working conditions, and other strategic investments.

- **Third, during this same period, higher wage, partially unionized Costco has gained significant market share in California, becoming the state’s largest food retailer, and suggesting that California’s union sector is strongly positioned for future growth if union employers make different investments.**

A. The Size, Scope, and Nature of the Decline in Union Market Share

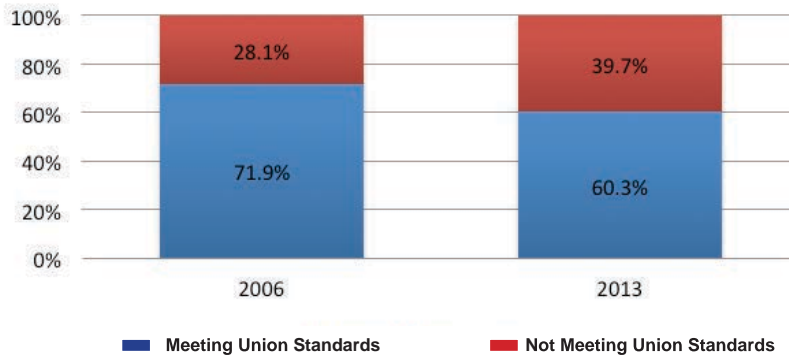
We saw in Chapter 2 that in the decade from 2000-02 to 2010-12, unionization rates among California’s food retail workers dropped across the board, falling from 45% to 35% in grocery stores, 21% to 17% in general merchandise stores, and 6% to 3% in specialty food stores.¹⁹⁸ However, the majority of food retail sales in California are still made by union grocers or by Costco, which is partially unionized but universally pays its workers union wages or better. Calculating union food retail market share on the basis of the total dollar volume of food sales made by union or Costco stores, we find that at the end of the period from 2006 to 2013, despite sustaining an 11% decline, from 2006 to 2013, grocers meeting union standards currently still make up more than 60% of our state’s food retail market.¹⁹⁹

¹⁹⁸ Current Population Survey-MORG 2000-02 and 2010-12

¹⁹⁹ The market share data presented in this section are derived from an analysis of the Metro Market Studies California Grocery Distribution Analysis and Guides for 2006 and 2013. Statewide market shares were computed based upon population weighted market shares of California metro markets which represent, in the aggregate, more than 95% of the state population. Store level unionization data was provided by the United Food and Commercial Workers union. For the purposes of this analysis all of Costco’s California stores are considered part of the “Meeting Union Standards” category, even though only a portion of these

Figure 17

California Food Retail Market Share by Union Standards, 2006-2013



Source: Metro Market Studies California 2006 and 2013 Grocery Distribution Analysis and Guides

Moreover, as presented in Chapter 2, neither Wal-Mart nor Target have succeeded in achieving strong market penetration in California's large, coastal metropolitan areas where union grocers are most highly concentrated. Researchers have posited that this relatively lesser rate of expansion can be attributed at least in part to significant protest from community groups and associations such as OUR Walmart that oppose Wal-Mart's low-wage model.²⁰⁰ Specifically, Wal-Mart – including its Sam's Club warehouse stores – and Target together make up less than 9% of the Los Angeles food retail market, and a great deal less still of the San Francisco and San Diego food retail markets.²⁰¹ In these areas especially, the two low-cost leaders do not pose a large enough threat to serve as the sole explanation for the kinds of reductions in labor standards that union workers have suffered in recent years.

Three things deserve special attention when examining the decline in food retail workers' wages and unionized grocery stores' market share. First, more than half of the decline in union market share is attributable to the closings of stores belonging to a single unionized chain, Albertsons, where significant indebtedness resulting from an ill-conceived 2006 merger reduced the company's ability to invest in its store infrastructure or maintain competitive pricing.²⁰² Second, the decline in unionization occurred almost entirely in traditional grocery stores, while industry growth occurred almost entirely in non-union discount/general merchandise stores and natural/organic/gourmet markets.²⁰³

stores are represented by the Teamsters, due to the fact that the nonunion stores enjoy the same wage and benefit levels established by the union Costco stores' collective bargaining agreement with the Teamsters. For more information see Moira Herbst, "The Costco Challenge: An Alternative to Wal-Martization?" The Labor Research Association, LRA Online, 2005. <http://www.d.umn.edu/~epeters5/Cst1201/Articles/The%20Costco%20Challenge.htm>.

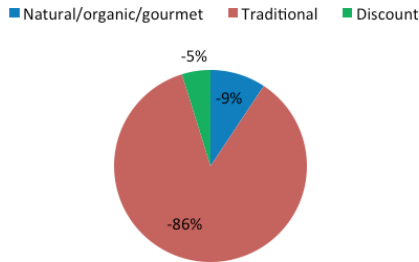
²⁰⁰ Ingram, Yue, and Rao, "Trouble in Store."

²⁰¹ Metro Market Studies California 2013 Grocery Distribution Analysis and Guide.

²⁰² Paul Davidson, "Albertsons deal makes Supervalu No. 2 grocery chain," USA Today, January 23, 2006.²⁰³ During the period from 2006 to 2013 companies in both the union and non-union segments of the California food retail industry experienced market share growth, while other companies in each segment experienced market share losses. The discussion of the gain and loss in each segment presented in this section are based on an analysis of the gross market share gains and losses in each.

Figure 18. Decline in Market Share Among Shrinking Unionized Chains, By Market Segment, 2006-2013

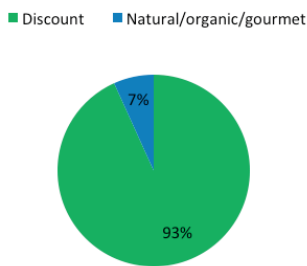
Union Decline by Market Segment



Third, over the same period of wage and union decline (2000 to 2010), high wage, partially unionized employer Costco gained 2.5% in market share, making it California’s single largest food retailer, with 13.3% market share statewide, and accounting for virtually all of the growth among stores meeting union standards.²⁰⁴

Figure 19. “Growth in Market Share Among Growing Unionized Chains, By Market Segment”, 2006-2013

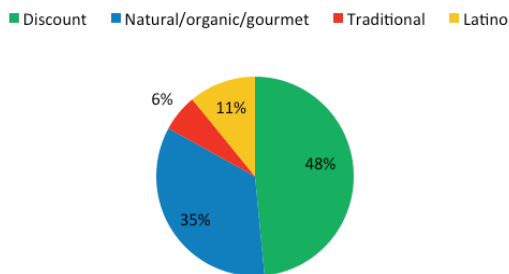
Union Growth by Market Segment



The growth of Costco, and that of non-union natural/organic/gourmet markets Trader Joe’s and Whole Foods reflected in the chart below – all of which operate differently than Wal-Mart and Target and pay higher wages²⁰⁵– suggest that successful business strategies are not inherently incompatible with good jobs, and that California’s union grocers are strongly positioned for future growth if they make different investments.

Figure 20. Growth in Market Share Among Growing Non-Unionized Chains, By Market Segment, 2006-2013

Nonunion Growth by Market Segment



Source: Metro Market Studies Grocery Distribution Analysis and Guides, 2006 and 2013

²⁰⁴ Metro Market Studies California 2013 Grocery Distribution Analysis and Guide.

²⁰⁵ Detailed breakdowns of proprietary wage data for Trader Joe’s and Whole Foods are not available, so wage data here are derived from the following sources: 1) Whole Foods: “100 Best Companies to Work For,” Fortune, February 4, 2013, which reports an average annual salary of \$27,033 for the most common hourly job classification. This is equal to approximately \$16.85 per hour, assuming the average hours worked per week is 30.86 (the 2012 average among grocery store employees according to the Bureau of Labor Statistics). <http://money.cnn.com/magazines/fortune/best-companies/2013/snapshots/71.html>; 2) Trader Joe’s: “The starting wage for full-time employees at Trader Joe’s is \$40,000 to \$60,000 a year, more than twice what some competitors offer.” Also from Zeynep Ton, “Why ‘Good Jobs’ Are Good for Retailers,” Harvard Business Review (January-February 2012).

Let us now consider the alternatives union employers have faced over recent years, and the questionable choices they have made.

B. California's Union Grocers: A Tale of Three Chains

Three large chains make up the bulk of California's unionized food retail sector. They are:

- Kroger (a publicly traded company operating as Ralph's and Food 4 Less);
- Safeway (a publicly traded company operating as Safeway, Vons, and Pavilions, now in the process of being purchased by private equity investor Cerberus); and
- Albertsons (part of the publicly traded national grocery chain Supervalu until 2013, when it was among the banners sold to Cerberus).

Kroger, the second largest food retailer in the US after Wal-Mart, has 346 stores in California, more than in any other state, accounting for over 14% of the company's 2,400 locations.²⁰⁶ Safeway, the third largest food retailer, counts 503 stores in California, representing more than 35% of its operations nationally, and three times the number in any other state.²⁰⁷ There are 214 Albertsons in California, more than in any other state.²⁰⁸ Collectively, these three national chains made up more than 32% of California's food retail market in 2013.

The large scale of California's food retail sector and the existence of collective bargaining agreements with all three of these employers have placed our state at the forefront of the battle to maintain employment standards for union grocery workers throughout the United States. Since the turn of the century, these companies have sought to lower wage and benefit standards nationwide, and Californians experienced contentious negotiations between these employers and the UFCW, which represents workers at the three companies. Tensions between the parties culminated in the Southern California strike of 2003-04, over the course of which more than 70,000 workers picketed some 900 stores across the region.²⁰⁹

²⁰⁶ "About Kroger: Locations," <http://www.thekrogerco.com/about-kroger/operations/locations>.

²⁰⁷ "Safeway at a Glance," <http://www.safeway.com/ShopStores/Investors.page#iframetop>.

²⁰⁸ Metro Market Studies California 2013 Grocery Distribution and Analysis and Guide.

C. The False Specter of Low-Wage Competition

During the 2003-04 grocery strike, union grocery chain executives cited the threat of competition from low-wage operators like Wal-Mart as their prime justification for the need to reduce labor costs.²⁰⁹ However, as we have seen, direct competition from Wal-Mart has amounted to a much smaller threat than was suggested. Ten years after the southern California grocery strike of 2003, the Los Angeles grocery market share held by Wal-Mart's Supercenters and its Sam's Club warehouse stores combined was little more than 5% (vs. over 57% for the six union chains Kroger, Safeway, Albertsons, Stater Brothers, Costco, and Gelson's).²¹¹ Additionally, Wal-Mart's national grocery market share has declined over the past five years, as the company struggles with declining customer service levels and increasing out-of-stock problems, which some analysts have attributed to its extreme low-cost labor model.²¹²

Meanwhile, a growing body of research has shown that the high-wage business model exemplified by discount retailers like Costco has performed significantly better than the business model adopted by its low-wage counterparts.²¹³ In fact, market share data in California demonstrate that partially unionized Costco, which has the highest wage standards in the industry, has gained significant market share not only compared with the declining market segment of traditional grocery chains, but also compared with Sam's Club, the Wal-Mart-operated chain of warehouse stores that it is its direct competitor.

Table 43.

California Food Retail Market Share		
	<u>2006</u>	<u>2013</u>
Costco	10.8%	13.3%
Sam's Club	1.9%	1.8%

Source: Metro Market Studies Grocery Distribution and Analysis Guides

²⁰⁹ Broder, "California Supermarket Strike Deters Shoppers."

²¹⁰ Ibid.

²¹¹ Metro Market Studies California 2013 Grocery Distribution Analysis and Guide.

²¹² Scott Mushkin, "Wal-Mart Stores, Inc.: Under Siege—Downgrading to Underperform," Wolfe Research, February 6, 2014.

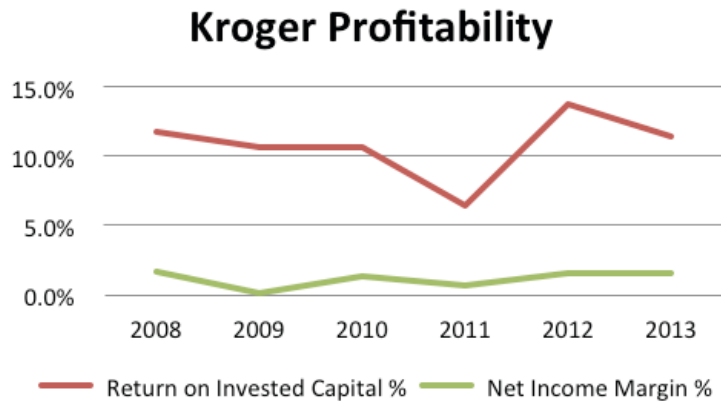
²¹³ See for example: Zeynep Ton, "Why 'Good Jobs' Are Good for Retailers," Harvard Business Review, (January-February 2012).

D. The Financial Capacity of Union Employers

Despite growing doubts about the sustainability of Wal-Mart's low-wage model as a strategy for future growth and Costco's successful counter-example, some commentators have suggested that union grocers are unable to pay higher wages due to the relatively low net income margins in an industry characterized by significant price competition and comparatively low barriers to entry. However, while net income margins in the industry are relatively low (averaging between 2 and

3%), the more important measure of investor profit is return on invested capital, which typically is much higher.²¹⁴ For example, over the past five years, the net income margin for Kroger, one of the sector's strongest players, has averaged just 1%, while during the same period its average return on invested capital was 10.6%.²¹⁵

Figure 21



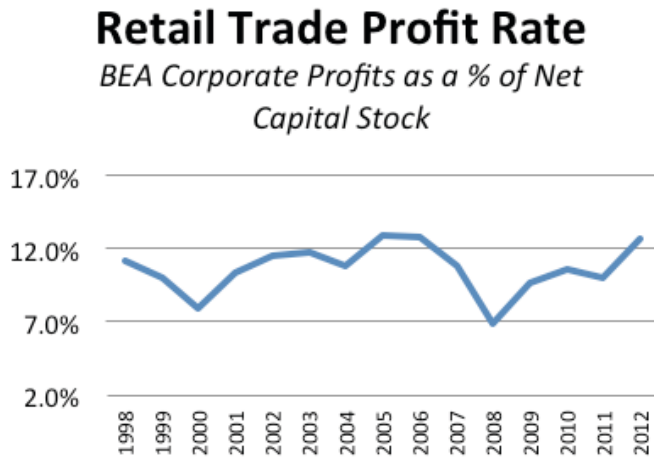
Source: S&P Capital Insight

²¹⁴ Return on invested capital is different from net income margin (also known as return on sales) and measures the rate of profit as a percentage of invested capital. As opposed to return on sales which measures profit as a percentage of sales, return on invested capital measures the amount of profit generated for each dollar contributed by investors. Invested capital is defined as the sum of common equity, long-term debt, capital leases and minority interest—in other words, the total of all claims on company assets.

²¹⁵ Most of the data presented in this section come from the consolidated financial statements of Kroger, Safeway and Supervalu, as no California specific data is available for these firms. However, in the case of at least one company (Safeway), equity research analysts have reported that profitability is higher in California than elsewhere in the US, and this level of profitability is expected to increase after the Cerberus acquisition of Safeway. (See Credit Suisse, "Safeway Inc.: Upgrade to Outperform," September 13, 2013; and Wolfe Research, "Top Reasons SWY/Cerberus Makes Sense," March 5, 2014.)

This firm level data is consistent with national data indicating that investors in the retail industry enjoy profits averaging roughly 10% per year.²¹⁶

Figure 22. Corporate Profits as a Percentage of Net Capital Stock, 1998-2012

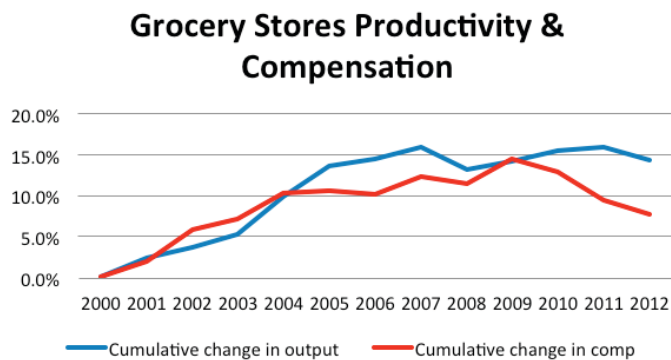


Source: Bureau of Economic Analysis 2012

Over this period, an important source of profitability in the food retail sector has been sustained growth in labor productivity. However, as the chart below illus-

trates, the increase in output per hour worked has not always been matched by the increase in compensation per hour worked.²¹⁷

Figure 23.



Source: Bureau of Labor Statistics 2013

²¹⁶ Source: Bureau of Economic Analysis, National Data Table 6.16D divided by current-cost net capital stock of private nonresidential fixed assets for Retail Trade. Government data does not provide profit and fixed asset data for the food retail subsector.

²¹⁷ Grocery Stores output per hour was calculated by dividing the Grocery Stores Value of Production by Grocery Stores Total Labor Hours. Value of Production was measured in 2002 dollars using the Grocery Stores Implicit Price Deflator. Grocery Stores compensation per hour was calculated by dividing Grocery Stores Labor Compensation by Grocery Stores Total Labor Hours. Labor Compensation was measured in 2002 dollars using the Consumer Price Index for Urban Wage Earners and Clerical Workers. All data is from the Bureau of Labor Statistics.

As the cumulative result of these trends, over the course of the five years from 2008 through 2012, each

of California's three largest union grocery chains has generated billions of dollars in available cash. ²¹⁸

Figure 24. Cumulative Cash from Operations, 2008-2012



Source: S&P Research Insight

E. Where Did All the Money Go? The Impact of Financialization

Possessing significant free cash flow and confronted with both increasing price competition and competitive pressure from expanding new market segments such as discount/general merchandise and natural/organic/gourmet, the traditional union grocers chose different paths. The largest of the three companies, Kroger, devoted approximately 62% of its free cash flow to reinvesting in stores and other infrastructure in the form of capital investment. The other 38% (more than \$6.5 billion) went to pay for dividends, interest payments, and share repurchases. Safeway, the second largest traditional grocer, was practically the mirror

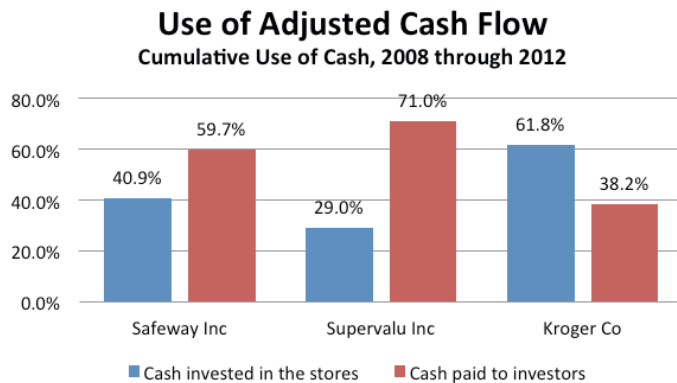
opposite, spending nearly 60% of its free cash flow on share repurchases, dividends, and debt repayments.

Albertsons/Supervalu was even more extreme, allocating over 70% of its free cash flow over these five years to paying investors. In the Supervalu case, most of the money went to servicing and repaying the significant debt the company took on when it acquired Albertsons in 2006. ²¹⁹

²¹⁸ Figures represent cumulative cash flow from operations for each company for the five-year period from 2008 through 2012. (Source: S&P Research Insight)

²¹⁹ Cash flow figures here are adjusted as follows: Total adjusted cash flow is equal cash flow from operations plus interest expense plus or minus the net change in cash so that Cash invested in stores plus Cash paid to investors is equal to 100% of adjusted operating cash flow. The percentages shown here represent the portion of cumulative adjusted cash flow over the 2008-2012 period allocated to investing activities (primarily capital expenditures) and financing activities (dividend payments, net share repurchases and net debt repayments) plus interest expense over the same five year period. (Source: S&P Research Insight)

Figure 25. Grocery Stores' Use of Operating Cash Flow, 2008-2012



Source: S&P Research Insight

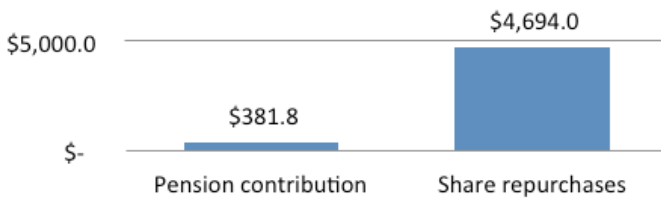
Thus, two of the chains (Safeway and Albertsons) pulled billions of dollars in surpluses from store operations and funneled them to debt and equity investors, while the third chain (Kroger) reinvested most of its surpluses in capital upgrades, but also reduced standards for its employees. Instead of allocating such large portions of free cash flow to investors, union grocery chains could have invested in growing and modernizing their businesses to capture more of California's growing discount and organic market segments; invested more heavily in lower prices to be more price competitive; increased staffing and compensation levels at existing stores

to improve customer service; or contributed greater amounts to the large underfunded pension and health care liabilities which the companies have accrued on workers' behalf.²²¹ Analysts have often bemoaned the multibillion-dollar unfunded liabilities carried by union grocers. However, as we have demonstrated, these liabilities are in large measure a function of grocers' choices, driven in turn by these same analysts' preferences to prioritize payouts to investors above all else. In the case of Safeway, share repurchases alone have amounted to more than 12 times the value of pension contributions during the five-year period from 2008 through 2012.²²⁰

²²⁰ Cash flow figures here are adjusted as follows: Total adjusted cash flow is equal cash flow from operations plus interest expense plus or minus the net change in cash so that Cash invested in stores plus Cash paid to investors is equal to 100% of adjusted operating cash flow. The percentages shown here represent the portion of cumulative adjusted cash flow over the 2008-2012 period allocated to investing activities (primarily capital expenditures) and financing activities (dividend payments, net share repurchases and net debt repayments) plus interest expense over the same five year period. (Source: S&P Research Insight)

Figure 26.

Safeway Inc.: Cumulative Share Repurchases and Pension Contributions 2008 to 2012 (millions \$)



Source: S&P Research Insight

The recent behavior of these grocery chains illustrates the significant impact of financialization on the food retail sector, defined as the growing influence of financial markets, including public and private equity investors, on the allocation of industry resources to investors at the expense of workers.

The significantly increased allocation of cash to investors by some of California's biggest unionized grocery stores has impacted workers indirectly as well as directly, by limiting the funds these firms have available to remain competitive in key markets and thus contributing to the reduction in union density. Among union grocers, as mentioned above, California market share losses

were heaviest by far at Albertsons, where an ill-conceived 2006 merger produced significant payouts to Albertsons' investors and executives at the cost of large numbers of store being forced to close. Thus, the growing influence of financial market imperatives has both consumed resources that could have been allocated to workers as well as jeopardized the long-term market position and financial health of union grocers. Notably, among publicly traded companies such as Safeway, the alignment of executive compensation structures with capital market priorities has been identified as an important explanation for the extremely large volume of share repurchases in recent years.²²¹

²²¹ Both Safeway and Kroger enjoyed significant discretionary cash flow during this period, while Albertsons owner Supervalu struggled under the significant debt burden acquired as a result of the 2006 merger. Therefore, Supervalu's large allocation of cash to investors from 2008 to 2012 was necessary due to an earlier decision to dramatically leverage its balance sheet.

²²¹ Scott Thurm and Serena Ng, "As Companies Step Up Buybacks, Executives Benefit, Too," Wall Street Journal, May 5, 2013.

F. Back to the Future or a New Way Forward?

The food retail industry's generally stable cash flow, which has made it an attractive refuge for investors in the volatile financial climate since the Great Recession, has historically made it a good candidate for taking on debt and an attractive target for leveraged buyouts, as noted in Chapter 2.²²² In fact, the retail/wholesale sector is among the industries with the largest number of leveraged buyouts over the past 25 years,²²³ and Safeway's 1986 buyout by Kohlberg, Kravis, and Roberts, one of the largest at the time, was considered a classic success story.²²⁴ Unfortunately, the food retail industry's susceptibility to the risks of financial leverage and the cost cutting that follows leveraged buyouts has been felt most acutely among food retail workers. In a Pulitzer Prize-winning account of the human toll of the 1986 Safeway buyout, the Wall Street Journal found that 63,000 workers were "cut loose" from Safeway, and that, "while the majority were re-employed by their new store owners, this was largely at lower wages, and many thousands of Safeway people wound up either unemployed or forced into the part-time work force."²²⁵

A new round of financial speculation in California's food retail industry is all but certain as the first half of 2014 draws to a close. Today, Safeway and Albertsons, the second and third largest union grocers in California, are pursuing a new merger, in which Safeway shareholders will be bought out by Albertsons LLC owner Cerberus, a New York-based private equity firm, in a deal valued at more than \$9 billion and involving over \$7 billion in debt.²²⁶ Cerberus has been criticized by some union officials for liquidating the assets of a large number of its grocery operations by selling them for their real estate value;²²⁷ Albertsons LLC has vowed to invest in and continue to operate the stores it has acquired since the 2006 transaction.²²⁸ As the Safeway-Albertsons merger plays out, the actions of policymakers and workers' advocates will have much to say about whether this buyout will simply repeat the bloodletting of the past, or whether smarter approaches can forge a new and better way forward.

²²¹ Scott Thurm and Serena Ng, "As Companies Step Up Buybacks, Executives Benefit, Too," Wall Street Journal, May 5, 2013.

²²² See for example, Justin Bachman, "Going Shopping for Safeway's Steady Cash Flow," Bloomberg Businessweek, February 20, 2014.

²²³ Chen Liu, "Debt Structure, Private Equity Reputation, and Performance in Leveraged Buyouts," Queens University, December 20, 2013. Available at SSRN: <http://ssrn.com/abstract=2312150>.

²²⁴ Fisher, "Safeway Buyout: A Success Story." 1988

²²⁵ Susan Faludi, "The Reckoning: Safeway LBO Yields Vast Profits but Exact a Heavy Human Toll," Wall Street Journal, May 16, 1990.

²²⁶ Cerberus entered the grocery business in 2006 in connection with the Supervalu acquisition of Albertsons Inc., which at that time was the second largest grocery chain in the US with approximately 2,500 stores. Supervalu, a publicly traded food wholesale distributor with a small retail operation, sought to boost its retail footprint with the Albertsons banners (including Albertsons, Acme Markets, Bristol Farms, Jewel-Osco, Shaw's and Star Markets). However, over 600 of the Albertsons stores Supervalu did not want were sold to a Cerberus-led consortium, which ultimately sold off over two-thirds of the failing stores for their real estate value. In March of 2013, after struggling under the significant debt burden created by the 2006 Albertsons buyout, Supervalu sold all of the old Albertsons stores it still owned to the Cerberus investor group, along with the other Albertsons Inc. banners Supervalu still owned, nearly 900 stores in all.

²²⁷ Ron Lind, "Group trying to take over Safeway has a bad history," Oakland Tribune, February 26, 2014.

²²⁸ Audrey Dutton, "A fresh start for Boise's Albertsons chain," Idaho Statesman, November 19, 2013.

CHAPTER 8:

POLICY RECOMMENDATIONS



CHAPTER 8. POLICY RECOMMENDATIONS

Our research demonstrates that the food retail industry, a large and rapidly growing sector of California's economy, does not currently provide many of its hundreds of thousands of employees with livable wages and good opportunities to support themselves and their families. Unfortunately, the declining market share of union stores, the growth of non-union stores, and the financialization of the industry are all undermining employment standards for union and non-union workers alike. While improving wages, benefits, and working conditions will help responsible food retailers to ensure the long-term sustainability and profitability of their businesses, we cannot count on employers' enlightened self-interest alone to stem the declining job standards of grocery workers. Both the expansion of collective bargaining and additional public policy measures are necessary to help the food retail industry fulfill its potential to provide quality jobs.

Most importantly, policymakers should:

1. Raise wages for food retail workers. Food retail workers should not live in poverty and should be able to afford sufficient, healthy food to eat. Expanded collective bargaining would enable significant wage gains for food retail workers across the wage spectrum; increases in California's and the federal minimum wage are required to lift the floor as well.
2. Reduce incentives for employers to cut workers' hours and pay poverty wages. Legislation requiring employers to pay appropriate penalties for all their employees who rely on publicly subsidized health care and other public assistance programs for low-income individuals and families would help close ACA loopholes and reduce employers' incentives to cut workers' hours and pay poverty wages. Additional legislation could help maximize the availability of full-time employment by requiring benefit parity for part-time workers and mandating that employers offer part-time incumbents increased hours in jobs for which they are qualified before hiring additional part-time workers.
3. Publicly support organizing efforts among food retail workers, create a level playing field for unionized employers, and ensure the best use of taxpayer dollars by predicated government subsidies on the provision of quality jobs. Understanding the tremendous benefits to consumers of higher quality service and food safety, governments, employers, and non-governmental social sector organizations should foster and support organizing among food retail workers to improve wages and working conditions in their workplaces and publicize the benefits to the public of these collective actions. They should also predicate the provision of taxpayer-funded financing, tax breaks, zoning assistance, Cal FreshWorks Fund loans, and other siting support for grocery stores on the provision of quality full-time jobs with livable wages and benefits, and ensure that agreements made by food retailers as a condition of receiving such support have strong penalties for retaliation against workers who seek to organize.

In addition, policymakers should:

4. Enact legislation and enforce current provisions to ease the hardships caused by workers' lack of schedule control. Measures could include requiring minimum advance scheduling notice and setting a minimum number of hours of work, per week and per shift. Beyond these measures, some states and localities are also considering "right to request" legislation that would require employers to consider employee requests regarding their hours, schedules, work location, and/or the amount of notification they receive regarding their work schedule assignments. State child care assistance policies could allow parents to keep their children in a regular child care arrangement even if the parents' work hours vary, rather than only providing assistance to cover those hours the parent works in a particular week, which makes it difficult for parents with irregular schedules to retain a child care slot.

5. Support job training programs that promote higher standards for the health and safety of food retail workers and consumers, while also helping all workers – and especially workers of color who disproportionately have been denied training opportunities – gain the skills needed for higher-wage jobs in the industry. Policymakers could: require that all workers handling food or alcohol obtain food handling or alcohol sales certification; support training for workers and employers in food retail regarding the nutrition, health, and environmental impacts of food sales in the state of California, and/or require a nutritionist be present in every major grocery outlet; provide incentives to employers that provide on-the-job or off-premises training of this nature; and provide targeted funding and support for training programs geared to help underrepresented populations obtain the skills necessary to advance to living-wage positions in the industry.

6. Protect workers from violations of federal, state, and local wage and hour, health and safety, and equal employment opportunity laws. Policymakers should require

that employers comply with such laws in order to obtain California business, operating, health and sanitation, and/or liquor licenses, typically reserved for responsible businesses. They should also assist advocates engaged in litigation and campaigns against such illegal practices through intervention and mediation, encouraging employers to change their illegal and irresponsible practices.

7. Establish a statewide standard that allows workers to earn seven to nine job-protected paid sick days each year to be used to recover from their own routine illness, access preventive care, or provide care for a sick family member. The lack of benefits such as paid sick days has a negative impact on both food retail workers and all consumers of food. Requiring all employers to provide a minimum number of paid sick days would level the playing field for responsible employers who currently provide these important benefits.

8. Initiate and support further academic and governmental study and dialogue about discrimination and other challenges faced by food retail workers, as well the true cost of the low-cost model to taxpayers and consumers, and the social and economic benefits of higher road alternatives. Discrimination is a complex and intricate issue, and it deserves ongoing examination and discussion by workers, employers, and policymakers alike. More detailed information is needed regarding the public cost of discrimination and other aspects of the low quality job model, as well as the social and economic benefits of responsible food retail industry practices.

As the largest provider of food to the nation, California should provide workers who sell groceries good jobs – jobs that will allow their families to purchase and enjoy that food themselves, and allow them to work in an appropriately staffed, healthy, and safe environment, free from discrimination and abuse. Retailers that offer workers such an environment are the most successful in California; others should follow their example.

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APPENDIX: DETAILED SAMPLING METHODOLOGY

The sample was stratified to ensure that the workers surveyed were as representative as possible. To add to the rigor of the survey design and administration, we weighted the data according to proportions of food retail workers by California region and by gender to appropriately reflect the actual distribution of positions in the industry. Resulting statistics were analyzed using statistical data analysis software. Results from this survey refer to the weighted figures unless otherwise stated.

Because there is no government data source listing individual food retail workers and how to contact them, it is impossible to conduct a strictly random sample of this industry. Thus, we conducted a convenience sample survey consisting of quotas of workers that agreed to be surveyed within target quotas based on region, union status, gender and race/ethnicity derived from census analysis. We under-sampled workers in the San Francisco Bay Area and women, then weighted our responses so that our overall results were representative of the California food retail industry.

More specifically, we used Census data to identify the proportions of workers by region, union status, race, and gender. We also attempted to follow company market share within each region in our survey collection. We then weighted our responses so that each key region gender represented the same share of our overall sample in the industry as a whole based on government data. Over a six-month period, interviewers contacted food retail workers for interviews outside their workplaces by approaching individuals in food retail store uniforms, by reaching out to their social networks, or simply by asking individuals if they worked in a food retailer. To create a diverse and representative sample, we limited the number of surveys to two per food retail store.

As with all methods, our sampling methodology has strengths and limitations. The strength of our outreach methodology is that it allowed us to include populations of workers typically underrepresented in the Census, such as immigrants. In addition, in-person surveys lead to high question-specific response rates.

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TABLE 1. UNWEIGHTED SURVEY DEMOGRAPHICS | SAMPLE SIZE=925

Unweighted Survey Responses By Various Demographic Categories

		Number	Percent
Sex	Male	492	53.2%
	Female	423	45.7%
	Other	1	0.1%
	Prefer Not to Say	4	0.4%
	Missing	5	0.5%
Age Group	16-24	313	33.8%
	25-44	369	39.9%
	45-64	200	21.6%
	65 and Older	13	1.4%
	Missing	30	3.2%
Race/Ethnicity	Non-Hispanic White	256	27.7%
	Non-Hispanic Black	71	7.7%
	Latino	392	42.4%
	Asian/Pacific Islander	70	7.6%
	All Other	107	11.6%
	Declined to State	29	3.1%
Place of Birth	U.S.	735	79.5%
	Foreign Born	152	16.4%
	Missing	38	4.1%
Educational Attainment	Some high school	101	10.9%
	High school graduate or GED	254	27.5%
	Some College	453	49.0%
	College Degree	93	10.1%
	Higher than a College Degree	13	1.4%
	Missing	11	1.2%
Region	Bay Area	133	14.4%
	Central Valley	165	17.8%
	Los Angeles	302	32.6%
	SoCal	324	35.0%
	Missing	1	0.1%

Source: Food Labor Research Center, UC Berkeley survey data

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