

Walmart Supercenters and Monopsony Power

How a Large, Low-Wage Employer Impacts Local Labor Markets

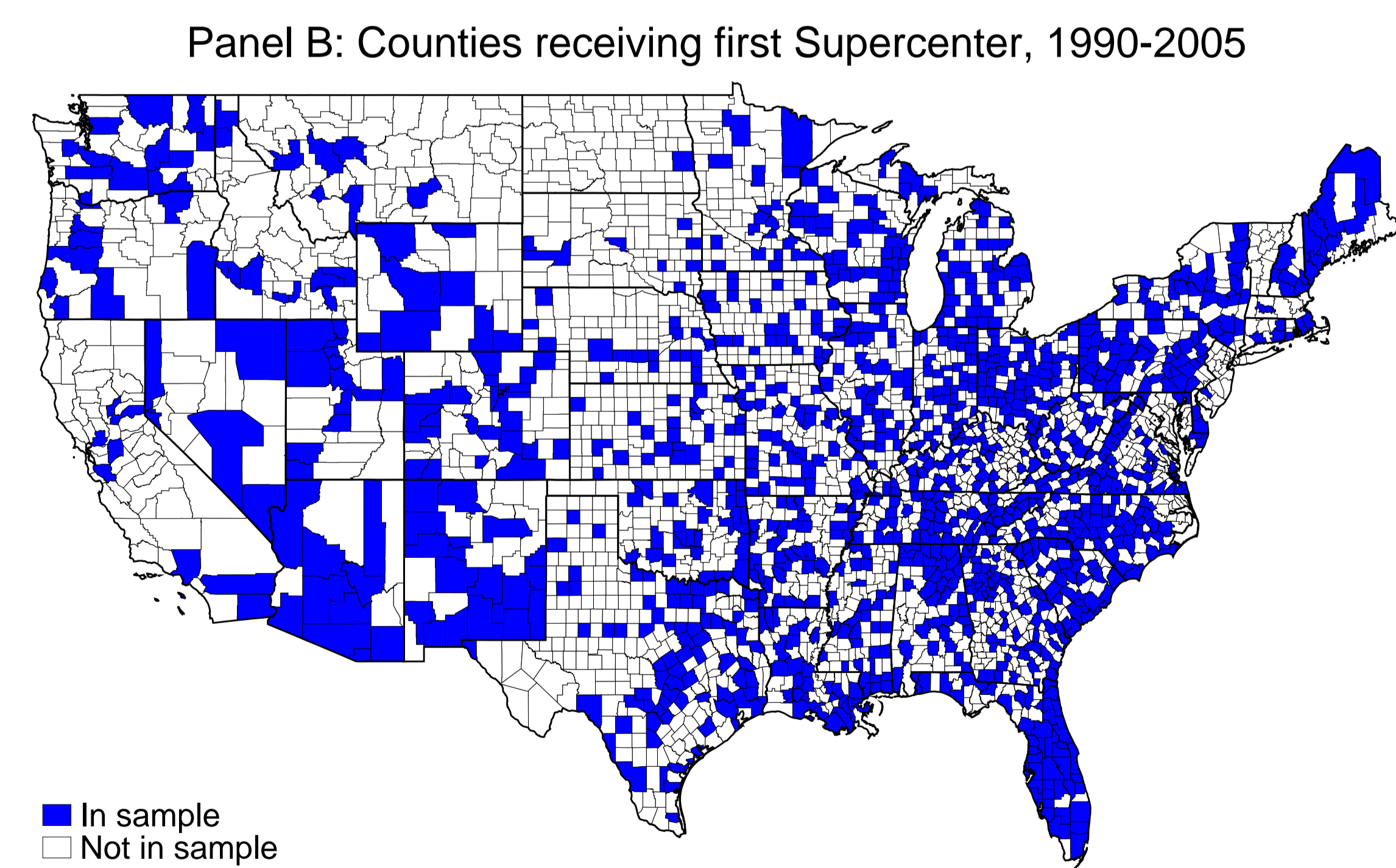
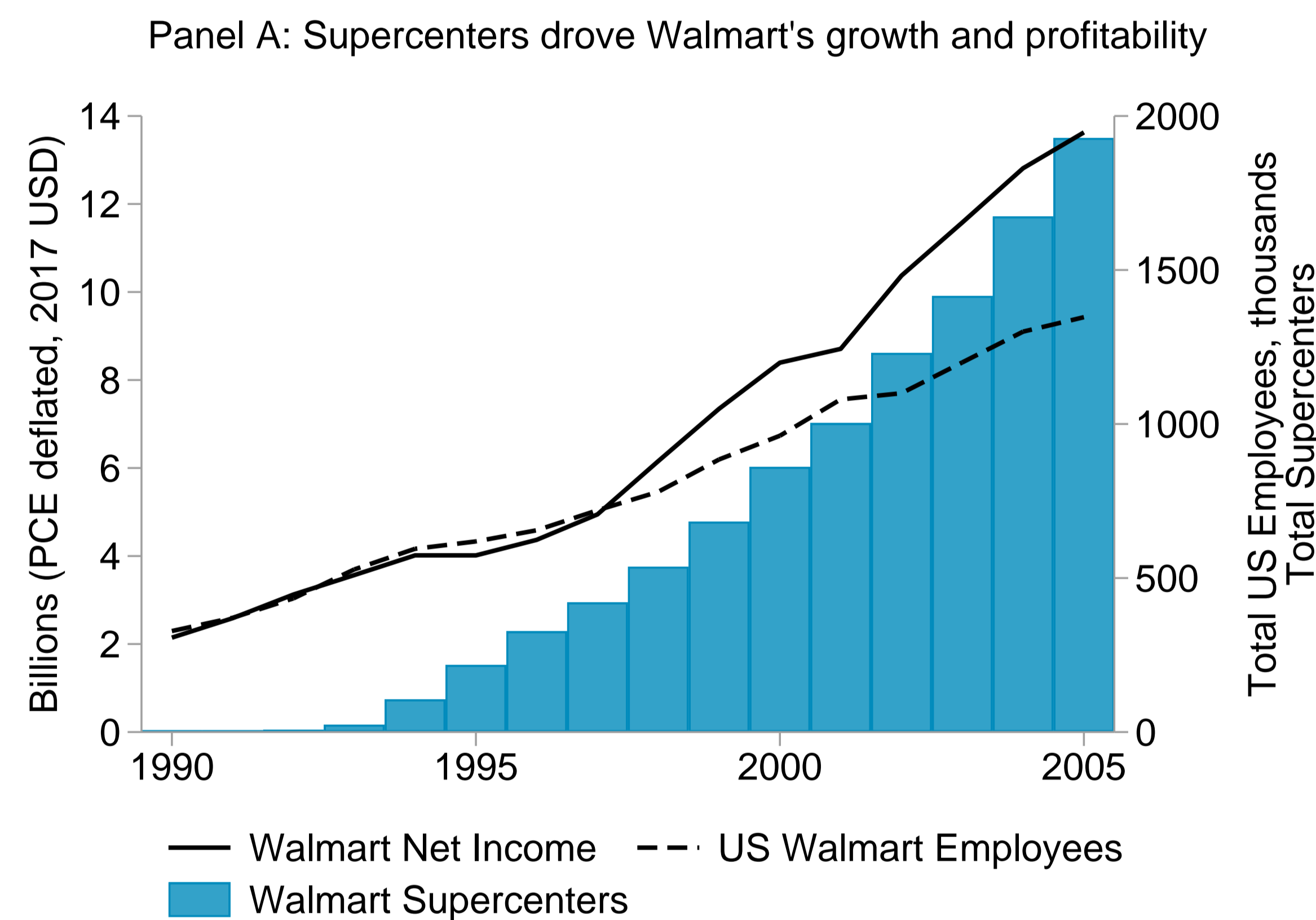
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Summary

- It's often claimed, without evidence, that Walmart exercises labor market power
- Little consensus on methods or results in earlier research on labor market effects
- I stack synthetic controls in event time to address concerns about biases from endogenous entry and heterogeneous treatment effects with staggered adoption
- Walmart Supercenter entry caused local employment and earnings to fall; minimum wage increases helped reverse the effects. This is monopsony power!

Introduction



- Through 2005 Walmart opened over 1,900 Supercenters in over 1,250 counties
- Each typically employed 350+ workers → 20% average county retail employment; 2.5% of average county total employment
- Workforce grew by over 1,000,000 employees through 2005 → 4% of total US employment growth. Also had 70% annual turnover → A lot of job openings!

Methodology

Estimate individual synthetic controls for each county with 5+ years of pre-/post-treatment observations. Stack in event time. Average treatment effects:

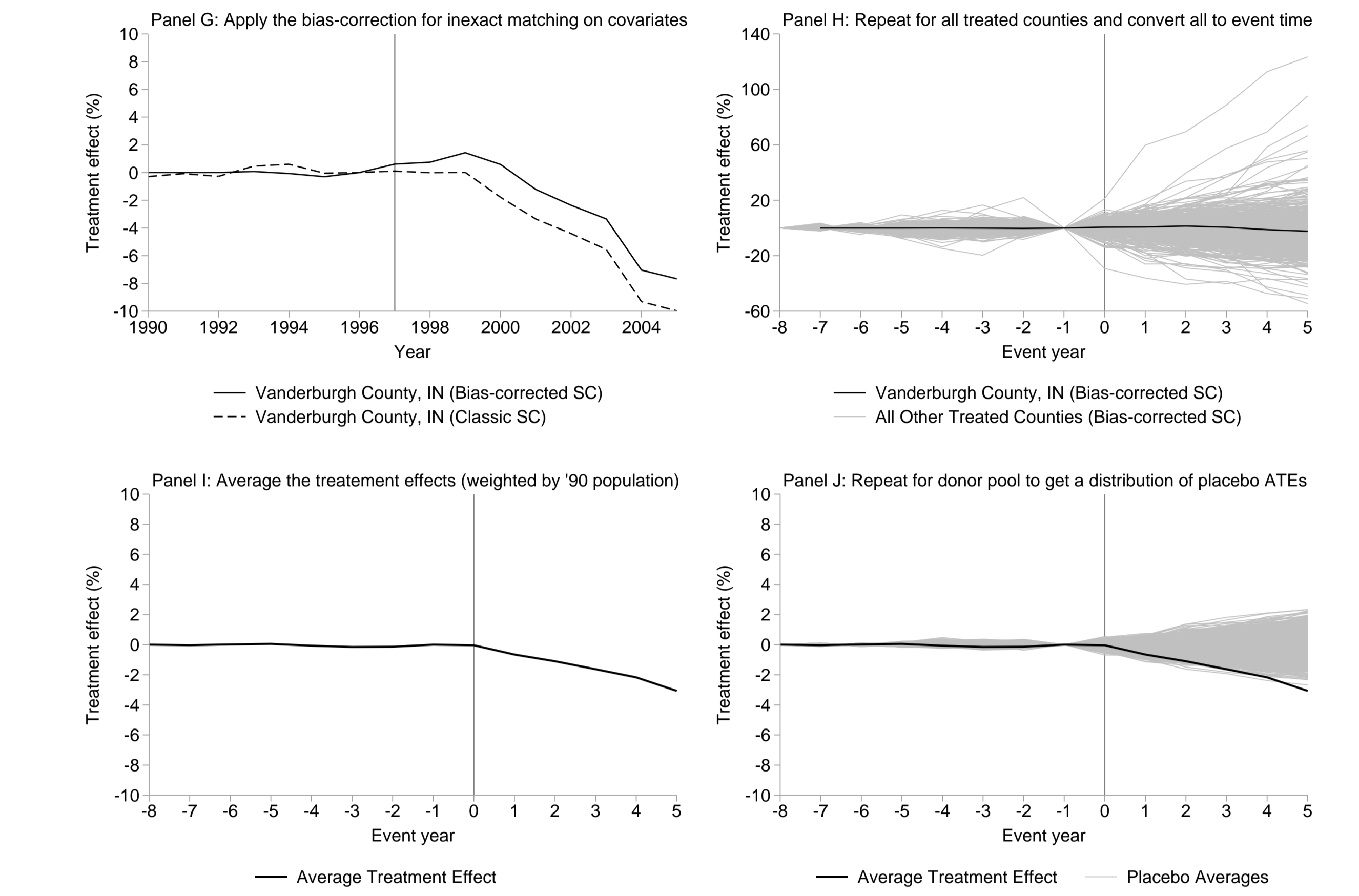
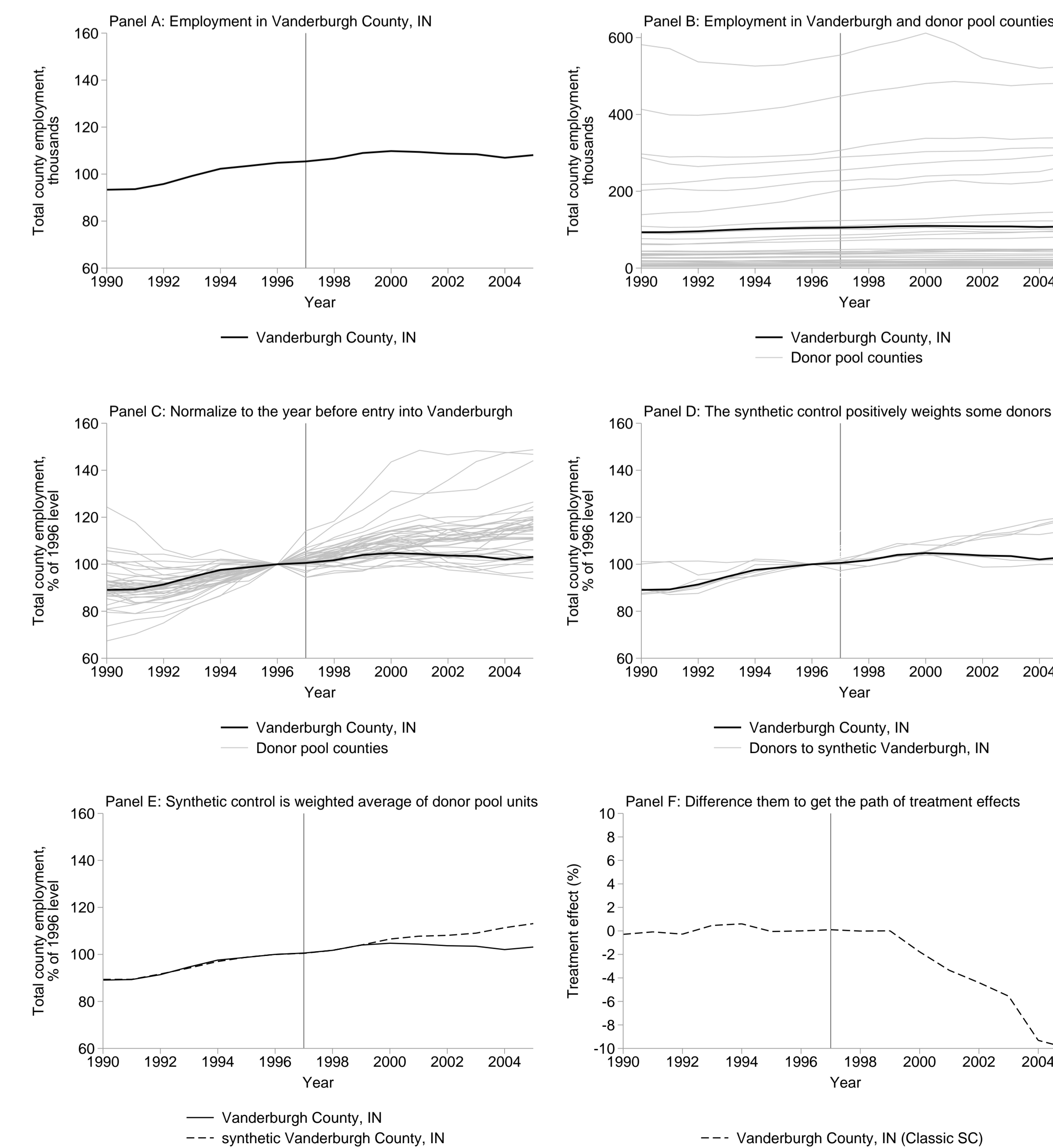
- **Identification:** Construct donor pools from counties where Walmart *tried* to build a Supercenter but was blocked. Same spirit as Greenstone et al. (2010)
- **Part A:** Estimate effects of Supercenter entry on employment, earnings, HHI
- **Part B:** Estimate effects of minimum wage increases on employment and earnings in counties that already had a Supercenter

Data

- QCEW: County × Industry × Year employment, compensation, establishments
- Walmart entry: Admin. records adapted, made available by Holmes (2011)
- Donor pool: I collected and confirmed using local council and media records

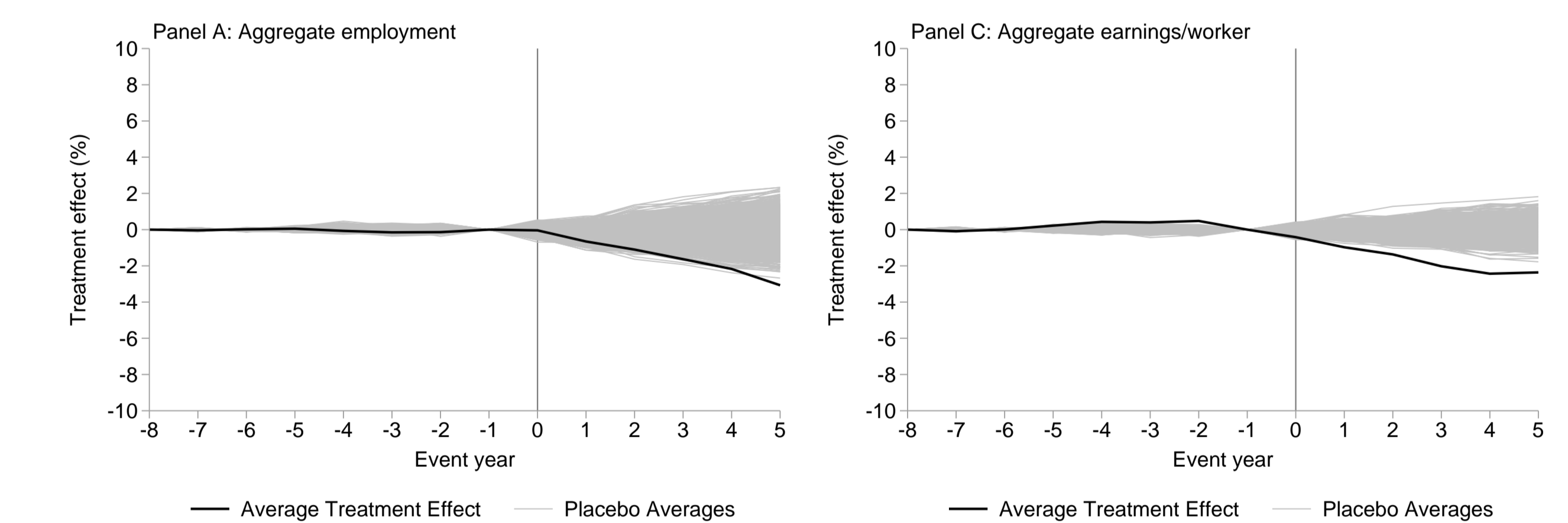
Step-by-step example: Focus on Vanderburgh County, IN

- Vanderburgh aggregate employment
- Donor pool aggregate employment
- Normalize to year before entry
- Synthetic control selects some donors
- Good pre-entry fit
- Difference to get % treatment effects
- Apply bias-correction
- Repeat for all other treated counties
- Stack and average in event time
- Compare to in-space placebo averages

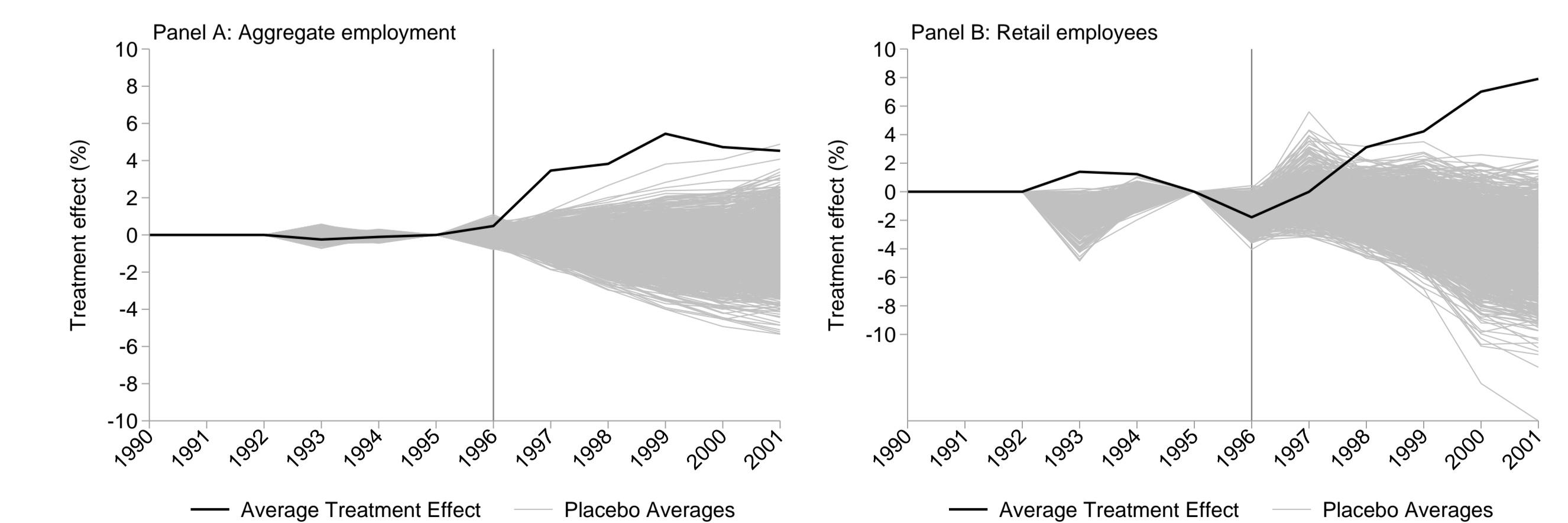


Main Results

Effects of Supercenter entry Aggregate employment and aggregate earnings per worker



Effects of 1996/97 federal minimum wage increase × Supercenter presence Aggregate employment and retail employment



Full Paper and References

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