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BIG BOX VETOED . . . WHAT'S NEXT? THE FUTURE OF LIVING WAGES IN CHICAGO

By **MICHELLE KAPLAN**

On September 11, 2006, Mayor Richard Daley exercised his first veto in seventeen years when he rejected the proposed “Big Box” ordinance.¹ Chicago’s “Big Box” ordinance, as it has become known to opponents, would have required retailers grossing more than \$1 billion in sales per year to pay their employees a minimum of \$10 per hour in wages plus \$3 in fringe benefits by the year 2010.² Despite its initial approval of the ordinance on July 26, 2006, City Council was unable to override the veto.³

Alderman Joe Moore proposed the ordinance to City Council in the hope that it would serve as a catalyst to spread living wages across the city.⁴ Moore said

in support of his proposal, “A job should lift a person out of poverty, not keep him in poverty.”⁵

Daley feared that, instead of bringing better wages, this regulation would drive “Big Box” retailers out of the city, depriving Chicago of much needed business, jobs and revenue.⁶ Daley said, “I understand and share a desire to ensure that everyone who works in the city of Chicago earns a decent wage, but I do not believe that this ordinance, well intentioned as it may be, would achieve that end.”⁷

Mayor Daley has promised to pursue this matter at the state and federal level.⁸ However, according to Alderman Moore, “Chicago residents cannot rely on the state or federal government to bring living wages. Even if the state or federal government were to raise the minimum wage, it would not be enough to bring living wages to the people of Chicago. It’s the city’s job to step in.”⁹

Politicians, community organizations and other Chicago residents committed to bringing living wages to the city’s low-income workers now are faced with the challenge of how to pursue this vision. The Economic Policy Institute (“EPI”) contends that Wal-Mart needs Chicago’s urban market for expansion as much as Chicago needs Wal-Mart for economic growth and lower priced goods, yet negotiating the Big Box ordinance seems out of the question.¹⁰

Supporters of the ordinance are reluctant to negotiate because they feel that Big Box retailers make so much money and receive so many tax incentives that asking these companies to pay decent wages is entirely reasonable.¹¹ “You are either making enough money to live or you’re not,” said Shirene Rattigan, Director of Special Projects at Association of Community Organizations for Reform Now (“ACORN”).¹² Proponents are backed by evidence from the EPI indicating that Wal-Mart can afford to better compensate their employees by slightly lowering its profit margin, from the “current 3.6 percent to 2.9 percent and raising prices by .7 percent less than a penny on a \$1 pair of socks.”¹³ Wal-Mart’s profit margin would nonetheless remain higher than key competitors.¹⁴

Wal-Mart, which opened its first location in Chicago on September 20, 2006, threatened to reconsider its future building plans if the city passed this ordinance.¹⁵ Mayor Daley campaigned against the Big Box proposal claiming it stood in the face of the company’s expansion into Chicago, driving jobs and

economic development away from much needed areas.¹⁶ Expanding into big cities is in itself a challenge for big retailers because land is expensive, taxes are high and the company has to spend money to redesign stores for tight urban spaces.¹⁷ According to a Wal-Mart spokesperson, "If this proposal becomes law. . . retail development will go to the suburbs."¹⁸ Wal-Mart justified its stance by promising to bring "valuable job opportunities, and increase savings for the residents of Chicago".¹⁹

Local politicians, community organizations and other Chicago residents are disappointed with Daley's decision to veto the ordinance, but they are not giving up.²⁰ After the November elections, the Services Employees International Union ("SEIU") will propose the "Chicago Vision" project to City Council expanding the current system that provides living wages and benefits to city employees to all employers that contract with the city of Chicago.²¹ This project will include the park district, transit authority, public schools and several other employment sectors.²² "Chicago Vision" also incorporates a set of policy recommendations that cover areas such as living wages, affordable housing, employment training, and re-entry programs.²³ Communications Director at SEIU Maryanne McMullen contends, "This project may be more viable than the Big Box ordinance because it expands on a concept that is already succeeding. It also has the potential to affect more workers than the Big Box proposal."²⁴

Alderman Moore plans to continue working with his coalition, comprised of various grassroots organizations, to reintroduce the proposal to City Council after the November election.²⁵ ACORN is reaching out to different communities, educating people about living wage issues and encouraging them to vote in the November elections.²⁶

As "Big Box" proponent Alderman Freddrenna Lyle said, "This is not a defeat, it's a delay."²⁷

NOTES

1 Gary Washburn & Dan Mihalopoulos, *Daley vetoes 'big box' law*, Chicago Tribune, Sept. 12, 2006, available at <http://www.chicagotribune.com/news/local/chi-0609120168sep12,1,2964947.story?coll=chi-news-hed>.

2 *Id.*

3 Randy Hall, *Chicago Council Unable to Resurrect 'Living Wage' Law*, Cybercast News Service, Sept. 14, 2006 at <http://www.cnsnews.com/Politics/Archive/200609/POL20060914b.html>.

4 Interview with Joe Moore, Alderman, 49th Ward, in Chicago, IL (Sept. 27, 2006).

5 Katrina Vanden Heuvel & Sam Graham-Felson, *Chicago's Living Wage*, *The Nation*, Sept. 25, 2006, available at <http://www.thenation.com/archive/detail/22256108> (last visited Nov. 24, 2006).

6 Washburn, *supra* note 1.

7 *Id.*

8 Gary Washburn & Mickey Ciokajlo, *'Big-Box' veto sticks*, *Chicago Tribune*, September 14, 2006 available at <http://www.chicagotribune.com/news/local/chi-060913big-box,1,5414066.story?coll=chi-news-hed&?track=sto-relcon>.

9 Interview with Joe Moore, *supra* note 4.

10 Jared Bernstein & Josh Bivens, *Wal-Mart Could Pay Workers More Without Big Price Hikes*, *Chicago Sun Times*, July 8, 2006 available at http://www.epi.org/content.cfm/webfeatures_viewpoints_walmart_wages; Annette Bernhardt & Nik Theodore, *How Large Retailers Can Be Neighborly*, *The Chicago Tribune*, June 25, 2006, available at http://www.brennancenter.org/stack_detail.asp?key=96&subkey=37111 (noting that on Chicago's South and West Sides, un-met consumer demand for retail is as high as 45 or even 60 percent).

11 Interview with Shiren Rattigan, Coordinator of Special Projects ACORN, in Chicago, IL (Sept. 28, 2006).

12 *Id.*

13 Jared Bernstein & Josh Bivens, *Wal-Mart Could Pay Workers More Without Big Price Hikes*, *Chicago Sun Times*, July 8, 2006 available at http://www.epi.org/content.cfm/webfeatures_viewpoints_walmart_wages.

14 Annette Bernhardt & Nik Theodore, *How Large Retailers Can Be Neighborly*, *The Chicago Tribune*, June 25, 2006, available at http://www.brennancenter.org/stack_detail.asp?key=96&subkey=37111.

15 Washburn, *supra* note 1.

16 Hall, *supra* note 3, at 2.

17 See Annette Bernhardt & Nik Theodore, *How Large Retailers Can Be Neighborly*, *The Chicago Tribune*, June 25, 2006, available at http://www.brennancenter.org/stack_detail.asp?key=96&subkey=37111 (noting that space and labor costs are higher in cities).

18 Bernstein, *supra* note 13.

19 Hall, *supra* note 3, at 2.

20 *Id.*

21 Interview with Maryanne McMullen, Communications Director, SEIU, in Chicago, IL (Sept. 29, 2006).

22 *Id.*

23 *Id.*

24 *Id.*

25 Interview with Joe Moore, *supra* note 4.

26 Interview with Shiren Rattigan, *supra* note 11.

27 Hall, *supra* note 3, at 2.