

# THE IMPACT OF WAL-MART ON THE RURAL RETAIL WAGE

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## ABSTRACT

This study uses panel data to test the impact of Wal-Mart on the rural retail wage. There are observations from 2,986 counties in the contiguous United States from 1990-2005. Previous studies have reported mixed findings of the impact of Wal-Mart on rural wages. Thus the impact of Wal-Mart on rural wages is indeterminate. Wal-Mart could increase rural retail wages if it is a large labor demander relative to labor supply, if it pays higher wages than other rural retailers, if it hires workers for more hours per week than other retailers (because it is open more hours). Wal-Mart could lower rural retail wages if it hires workers for fewer hours than other rural retailers, it hires a different skill mix (fewer managers per worker), it pays higher benefits that compensate for wages, or if it is a monopsonist. The Heckman two-step procedure is the empirical specification used to control for the non-random characteristic of Wal-Mart's location decision. A modified first difference model is used to test the impact of Wal-Mart on rural retail wages. The study finds that Wal-Mart selects counties where the retail wage is growing slowly, and that rural retail wages grow more slowly than urban wages. While the presence of Wal-Mart slows the growth of the overall average weekly retail wage, in rural counties it increases the growth of average weekly retail wage. With the given data set the reason for the increase in the growth of the rural retail wage could not be addressed.