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Hurting Wal-Mart's Employees **by Sheldon Richman**

Government is little more than a coercive transfer machine. If you can't acquire something through consent and exchange, you ask politicians to compel others to provide it. This goes on every day. Never was it more blatant than when the Maryland legislature passed a law to compel Wal-Mart to spend at least 8 percent of its payroll on health benefits or pay tribute to the state's welfare system.

The Maryland legislature did not name Wal-Mart in the bill. It imposed its requirement on all companies with more than 10,000 employees. But everyone knew that only Wal-Mart was affected. Of companies in the state with more than 10,000 employees, only Wal-Mart (with 17,000 at 40 stores) spends less than 8 percent on health insurance. (It reportedly spends close to that percentage.) Moreover, the most active backers of the bill were organized labor, which would like to unionize Wal-Mart employees, and the retailer's biggest rival in the grocery business, Giant Foods, which is already unionized.

Whatever one thinks of Wal-Mart (it really should disavow eminent domain), when government tampers with prices and wages, bad things happen to the supposed beneficiaries. If the law compels a company to provide health insurance, it will most likely do one or more of the following: hire fewer employees, lay off employees, reduce future cash wages, open fewer stores, or close stores. If someone works at Wal-Mart we can assume that, in his or her judgment, the job is the best available option. Anything else will be no better than second best. Wal-Mart has to pay what it takes to attract and keep good employees, consistent with keeping prices low. So, generally speaking, under current conditions the retailer pays its employees market-determined wages, which ultimately are set by consumer demand.

This is not to say that the market is free, that employees have the full range of opportunities they would have if it were, or that Wal-Mart does not benefit from government favors. Far from it. Taxes and regulation take a greater toll on small competitors, potential competitors, and would-be self-employers than on big companies. This reduces workers' options.

It's not impossible for a small company to grow big (Wal-Mart did it); but it is harder than it would be in an unfettered marketplace. Still, market forces operate to some extent.

Companies don't scrimp on medical benefits because they are stingy. They do so in part because medical care is increasingly expensive and workers may prefer cash to insurance. Government intervention is the reason. The best way to make health coverage cheaper is for government to quit inflating the price of medicine through burdensome regulation and competition-throttling licensing. As medical costs came down, so would the price of health insurance.

But we should go further. Were it not for the income tax there would be no good reason for employees to tether themselves to their bosses with health insurance. Better to take your compensation in cash and buy the health coverage best for you, than to let your employer make the decisions. But the tax laws push many people into often-lavish employer-provided insurance. This raises the price of medical care, pricing other people out of the market and leading to problems like "job lock," in which workers are afraid to change jobs because it might mean adverse changes in coverage. Working for someone else can be unpleasant enough. Why mix health insurance into the relationship?

Once again politicians have tried to fix a problem that they helped cause. The same people who made health insurance artificially expensive by mandating coverage for services most people don't want now are trying to force Wal-Mart to clean up their mess. When will they learn that, as Henry David Thoreau put it, "this government never furthered any enterprise but by the alacrity with which it got out of the way"?

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