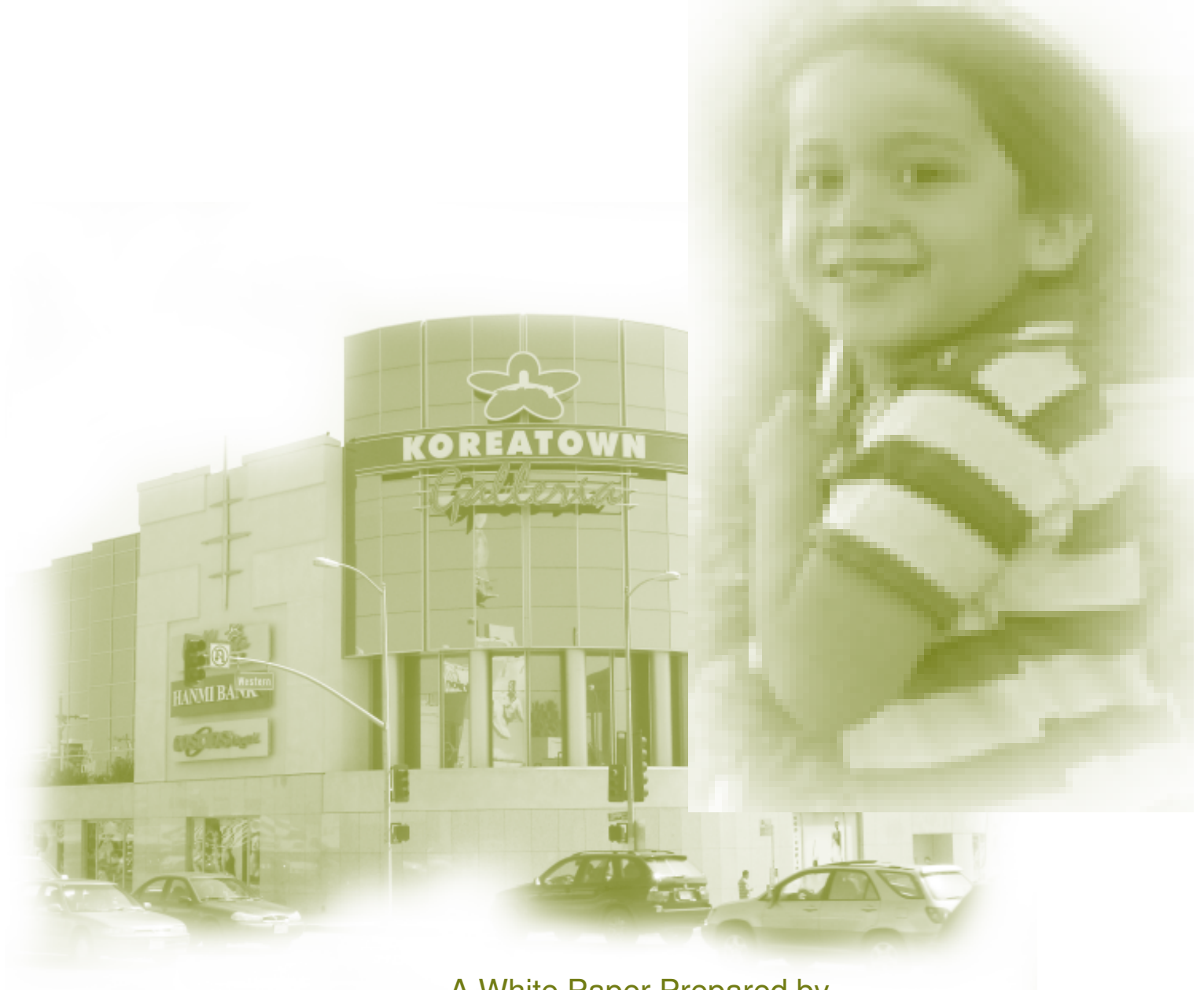


***Living Wages in Koreatown Supermarkets:
A Key Strategy in the
Community Fight Against Poverty***



A White Paper Prepared by
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Introduction & Executive Summary

In May this year the Korean Immigrant Workers Advocates reached an historic agreement with Young Jun Kim, the owner of Galleria and HK markets, to make a significant step toward paying living wages to his workers. After several months of negotiations with KIWA, Kim agreed to pay no less than \$8.50 to all workers in four of his markets, covering roughly 400 workers, and to adjust this wage floor annually to the Consumer Price Index.

The agreement is the first time to our knowledge that a business owner in Koreatown has voluntarily raised workers' wages on such a scale in direct response to a community problem. KIWA's position — one to which Kim responded positively — was that large local industries such as the Koreatown supermarket industry contribute to our community's crisis of poverty when they pay wages so low that people cannot provide their families with a decent life. We argued that markets could use their considerable economic influence to do the exact opposite if they chose. They could choose to pay workers a decent wage and thereby improve the socio-economic situation and significantly increase the buying power of over 1,000 community members. This would in turn have a positive ripple effect on the entire Koreatown community, which currently faces alarming levels of poverty.

This white paper is intended to further explore the concept of the living wage in Koreatown supermarkets as a targeted way to reduce poverty in the community. In addition, the white paper analyzes the markets economically to examine their financial capability to pay living wages without undue burden. The paper will also discuss recommendations for the implementation of an effective living wage agreement, based on initial results from the Galleria / Han Kook Living Wage agreements begun in May.

Given the local economy, it is in many ways logical to focus on Korean supermarkets as a strategic industry to begin raising wages and to address the problem of working poverty in Koreatown:

- **While a significant amount of the Koreatown economy is driven by capital from South Korea, supermarkets are one of the largest *locally-owned* industries.**
- **Korean supermarkets enjoy a stable niche customer base and make substantial profits, together taking in an estimated \$120 million annually. In fact, mainstream markets like Kroger take in only 1.1% of their earnings as net profit, but Koreatown markets can take up to 5% as net profit.¹**
- **In spite of their size and profits, Korean supermarkets all employ a non-union, low-wage immigrant workforce. According to a March 2005 KIWA survey, the average pay at Korean supermarkets before the Galleria / Han Kook Living Wage Agreement was only \$7.27 per hour – well below a living wage and well below the union wages paid by mainstream markets such as Vons and Ralphs.**

¹ Andy Potter, interview, October 17, 2005.

Executive Summary

The key points of this white paper are the following:

- **Koreatown is facing a crisis of poverty.** Over 150,000 residents are currently poor, many of them working two or three jobs to survive.
- **Living wage policies have been proven to be effective strategies against community poverty,** especially in immigrant communities, since poverty is often a result of low wages rather than unemployment.
- **Living wage policies can benefit employers as well.** They have been shown to improve the quality of customer service, decrease worker turnover and absenteeism, and increase efficiency and productivity.
- **Living wages would also benefit the entire surrounding community.** Higher wages for workers means community members have greater spending power to support local small businesses, buy homes, and be more independent of government subsidies.
- **Koreatown markets are in a key position to help fight community poverty by paying living wages.** They enjoy a stable niche market, take in extraordinarily high net profits, and employ a large number of local community members.
- **Galleria and Han Kook markets have already taken the leadership** by paying all workers no less than \$8.50 in a Living Wage Agreement with KIWA. Workers and customers have already experienced positive effects, though initial interviews with workers also show many improvements in their conditions still need to be made. The rest of the Koreatown industry should follow in Galleria and Han Kook's example by raising the industry's base wage to \$8.50.

Koreatown has the opportunity to address a poverty crisis that continues to undermine the future of the community, as wages diminish and housing and health care prices skyrocket. Supermarkets have the financial capacity to make a larger contribution. Supermarket owners can take leadership and make a real difference in our collective prosperity by paying a living wage to community members who work in their stores.

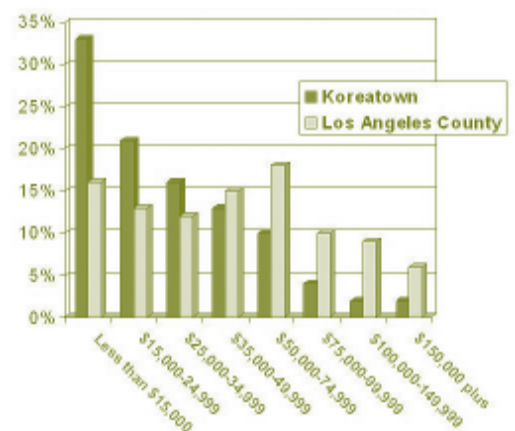
Low-Wage Work and the Crisis of Poverty in Koreatown

Behind Koreatown's nightclubs and fancy new condominiums, thousands of immigrant women and men are living in poverty and struggling to make ends meet to support their families. Koreatown is one of the poorest communities in Los Angeles.

- Using 200 percent of the federal poverty line (today widely understood as a more accurate definition of poverty) more than **70 percent of Koreatown residents are considered poor**. This means that more than 150,000 people in Koreatown are poor.²
- **Koreatown's median household income is \$23,000**, compared to \$42,000 in Los Angeles County.³
- Low wages and high cost of living in the area have had a severe impact on the quality of life for local families, particularly in the areas of **housing and health care**. High rents have created conditions of severe overcrowding – more than 40 percent of Koreatown families live in severely overcrowded conditions.⁴ Over 70 percent of low-wage Koreatown workers have no health care.⁵
- While it is a common belief in the United States that poverty is a result of lack of effort or laziness, **the primary cause of poverty in Koreatown is actually the predominance of low-wage work**, as it is throughout much of the City of Los Angeles.⁶
- Starting in the 1970s the **national economy has shifted** from unionized, good-paying manufacturing to low-wage service industries. During the 1990s overall employment in Los Angeles County increased from 1992 to 1998 by 11 percent, or almost 400,000 jobs; however, this was due to a gain in over 410,000 service sector jobs and a loss in almost 20,000 manufacturing jobs.⁷
- **In Koreatown today, the largest number of jobs are in the retail trades and restaurant industry.**⁸ Many who work in these industries have two or even three jobs to make ends meet.

More than 70 percent of Koreatown residents are considered poor. This means that more than 150,000 people in Koreatown are poor.

Median Household Income: Koreatown and Los Angeles County



² *Koreatown on the Edge: Immigrant Dreams and Realities in One of Los Angeles' Poorest Communities*. Korean Immigrant Workers Advocates, March 2005.

³ US Census 2000.

⁴ Ibid.

⁵ *Workers Empowered: A Survey of Working Conditions in the Koreatown Restaurant Industry*. Angie Y. Chung, Kyung Min Shin, Noemi Garcia, Jung-Hee Lee, Roman Vargas, November 2000.

⁶ *Examining the Evidence: The Impact of the Los Angeles Living Wage Ordinance on Workers and Businesses*. David Fairris, UC Riverside; David Runsten, UCLA; Carolina Briones, LA Alliance for a New Economy; Jessica Goodheart, LA Alliance for a New Economy, May 2005.

⁷ Daniel Flaming et al, Los Angeles Labor Market Action Plan (Economic Roundtable, 2001), 71.

⁸ US Census 2000.

Living Wages

Fighting Poverty and Strengthening the Economy by Taking the High Road

The modern living wage movement: A path to reducing poverty

In response to the flight of good paying manufacturing jobs across the country, as well as the failure of the minimum wage to keep up with inflation, communities nation-wide have advocated for living wage policies to address the poor quality of jobs.

- The “living wage” concept is based on the premise that **people who work full time should not have to raise a family in poverty**. The wage rates specified by living wage ordinances range from a low of \$6.25 in Milwaukee to a high of \$12 in Santa Cruz.
- **Wage increases make it less likely that families with a living wage worker will live in poverty**. Living wages are likely to help reduce urban poverty where they are adopted.⁹
- **Higher wages for workers directly translate to higher consumer spending for local small businesses since workers have more disposable income**. It was estimated that the Los Angeles City Living Wage ordinance would bring a 50.4 percent reduction in the amount of government subsidies received by affected workers and their families, as well as growth in spending, home ownership, and small business markets for areas of the city where affected workers are concentrated.¹⁰
- **State and federal minimum wages have become poverty wages**. They are not indexed to inflation and have steadily lost value since the 1960s, when they did represent a livable wage. The current minimum wage in California is \$6.75 per hour, or \$14,000 annually.
- Since the first living wage law was passed in Baltimore in 1994, living wage policies have been adopted by more than **120 local governments around the country**.
- **In 1997 Los Angeles became one of the first major cities to pass a living wage law for city employees and contractors**. The ordinance currently requires firms to pay either \$10.03 per hour, or \$8.78 with a \$1.25 per hour contribution to health benefits, and to provide 12 paid days and 10 unpaid days off per year.

⁹ *Do Living Wage Ordinances Reduce Urban Poverty?* David Neumark and Scott Adams, Michigan State University, March 2002.

¹⁰ Fairris et al, 2005.

Monthly Expenses for Family of Four in Koreatown:*

Rent	\$1200
Utilities	\$ 100
Telephone	\$ 100
Food	\$ 600
Clothes	\$ 200
Medical	\$ 200
Education	\$ 150
Transportation	\$ 200
Entertainment	\$ 200
Total	\$2950 (monthly)

**Gross annual income for full-time minimum wage earner:
\$14,000**

A family of four would need at least \$35,400 (annually)

* Expenses derived from worker focus groups.

Living Wages

Taking the High Road & Benefiting Employers

Living Wages: Taking the Economic High Road

The living wage movement is seen as part of a broader strategy to steer U.S. firms toward a “high road” form of economic development in the context of a globalized economy. As evidenced by rising income inequality and falling wages, most U.S. firms are on a low road, attempting to compete in the global economy by lowering costs in any way possible—often by reducing wages, health benefits, and job security.

In contrast, high-road firms compete by improving product quality, which requires innovation and productivity growth. High-road competition requires trained and motivated workers. Steering firms onto the high road requires public investment to “pave” it—with programs for education and training, improved basic research, high quality public infrastructure, and incentives to encourage highly innovative industry clusters and cooperative industrial relations.

As long as low-road firms can thrive on quick returns, with no regard for social costs, they will make it harder for others to risk an upfront investment in social capital. In essence, living wage policies are a strategy to close off the low road option.¹¹

Living Wages Benefit Employers

Research has shown that living wage policies have succeeded in focusing specifically on poor workers and reduce their poverty without causing significant reductions in employment levels. The policies have also been shown to benefit employers in specific ways.

- Employers report after the passage of living wage ordinances that although wages increased, these costs were absorbed by improvements in efficiency.¹²
- Food retail has some of the highest turnover in our economy - averaging around 100 percent each year.¹³ Experience in the industry shows that better compensation leads to lower turnover, better service, and higher productivity. This in turn decreases recruitment and training costs.¹⁴
- Most firms affected by the Los Angeles living wage ordinance have adapted to the law without eliminating jobs. In addition, employers recovered some of the increased costs of the living wage through reductions in labor turnover and absenteeism.¹⁵

¹¹ Carol Zabin and Isaac Martin, Center for Labor Research and Education, Institute of Industrial Relations, UC Berkeley, June 1999.

¹² Koreatown market manager, interview, September 28, 2005.

¹³ Leigh Dyer, “Retailers Continue to Deal with High Turnover.” Knight Ridder Tribune Business News, 5 April 2002, p. 1.

¹⁴ Based on Barry Janoff, op.cit.and National Grocers Association “Specialty Foods Survey 2003. “Survey of 140 specialty food retailers across the U.S. compiled by Dakota Worldwide Corporation. Available online: <http://www.nationalgrocers.org/nga/art/NGASpecialtyFoods.pdf>. *The Effects of the Living Wage in Baltimore*. Niedt, Christopher, et al. 1999. Working Paper No. 119. Washington, D.C.: Economic Policy Institute.

¹⁵ Fairris et al, 2005.

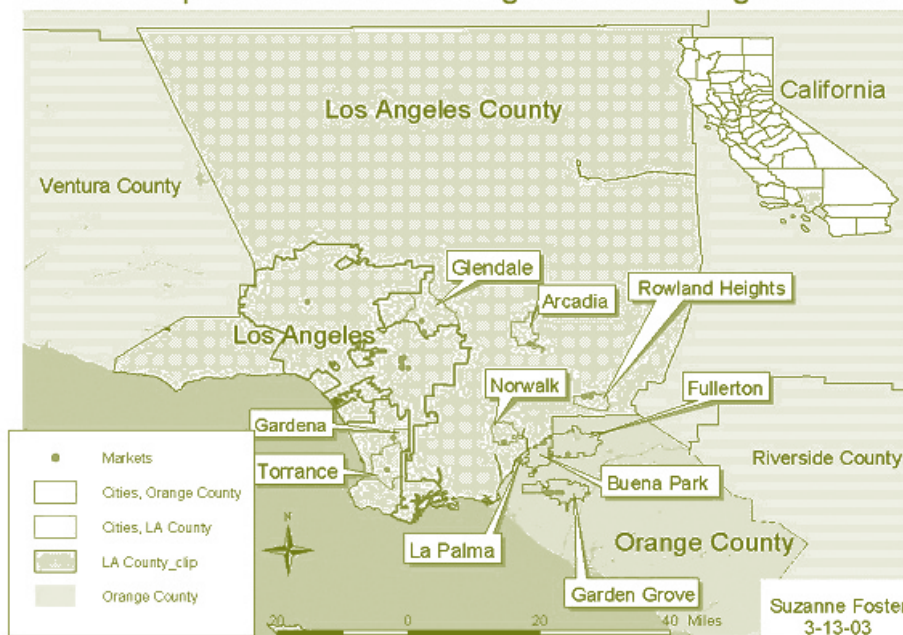
Supermarkets in Koreatown: A Strategic Industry in the Fight Against Poverty

While the national living wage movement has focused on passing legal ordinances, large private business could make a similar contribution to the community by voluntarily adopting such policies. Koreatown markets employ a large number of local residents. By agreeing to pay living wages to their workers, Koreatown supermarkets would be making a real dent in local poverty and set an example to other local businesses that taking the economic high road pays.

Koreatown supermarkets are in a unique position to help improve local conditions of working poverty. With an increase in the Korean population in the United States, concentrated in discrete geographic communities, large retail establishments have developed to meet the needs of the population and local residents. The demographic changes, combined with changes in the mainstream grocery industry over the past decade, facilitated the growth and dominance of ethnic Korean markets in Southern California, particularly in Los Angeles' Koreatown.¹⁶

¹⁶ Andy Potter, *Trends in Southern California's Korean-American Grocery Industry* (2005: University of California, Los Angeles).

Korean Supermarkets in Los Angeles and Orange Counties



Source: Suzanne Foster, UCLA Urban Planning, 2003.

Supermarkets in Koreatown: A Strategic Industry in the Fight Against Poverty

The Rise and Success of Korean American Supermarkets in Southern California

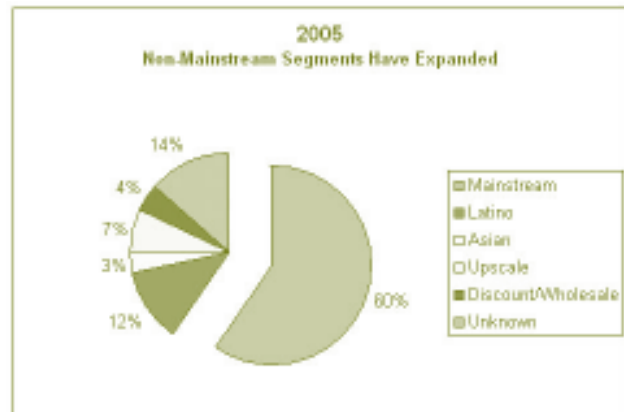
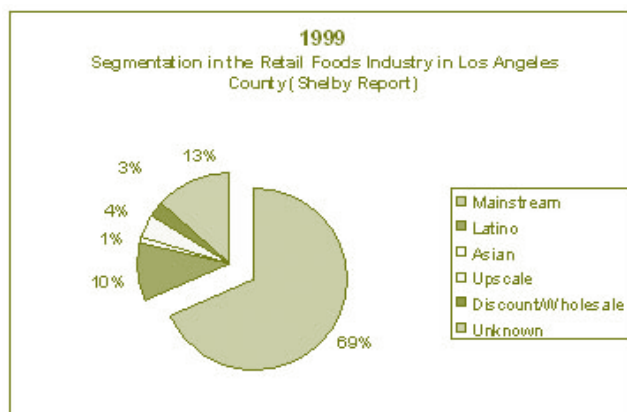
- Koreans are part of the fast-growing Asian American demographic group. The Asian American population is expected to grow from 4.2 percent to 8 percent by the year 2050. According to the 2000 Census Data, the Korean population in the United States is 1,228,427, comprising of 0.4 percent of the population nationwide.
- More Koreans live in Los Angeles/Long Beach than in any other city in the country, at 195,150. Of these, 21.5 percent, or 42,000, live in Koreatown. Koreans also make up approximately 20 percent of the population in Koreatown.
- More recently, Koreatown has witnessed a return of Korean immigrants. Those who helped form the community in the 1970s and 1980s, “but then left it for bigger homes and better schools in the suburbs,”¹⁷ are returning to Koreatown. In addition, Koreatown has attracted recent immigrants who arrive in Los Angeles on investment visas, which have been granted in higher numbers by the U.S. government to attract foreign investment.¹⁸ As a result, businesses have flourished, looking to meet the needs of the growing Korean community in Koreatown. Among these businesses, Korean supermarkets in particular have grown to meet the needs of the Korean community.
- As a result of the consolidation of mainstream supermarkets, the Big Three (Albertsons, Ralphs and Vons) has had “little flexibility to adapt to changing local neighborhoods.”¹⁹ This has allowed for the growth of independent grocers to open stores that meet the needs of local communities. Southern California’s retail food market witnessed a segmentation of the industry as supermarkets serving Latino, Asian, and upscale consumers expanded.

¹⁷ K. Connie Kang, “An Ethnic Center’s Pull,” Los Angeles Times, 15 December 2004, p. 1A.

¹⁸ Edward J.W. Park and John S.W. Park, *Probationary Americans: Contemporary Immigration Policies and the Shaping of Asian American Communities* (2005: Routledge).

¹⁹ Potter, *Trends in Southern California’s Korean-American Grocery Industry* (2005: University of California, Los Angeles).

Market Share and Segmentation, 1999-2005



Source: Andy Potter, *Trends in Southern California’s Korean-American Grocery Industry* (2005: University of California, Los Angeles).

Korean Market Expansion (1986-2005)*



* Korean market expansion based on markets with locations in Los Angeles and their branches across the United States.

Supermarkets in Koreatown: A Strategic Industry in the Fight Against Poverty

Koreatown Markets Can Afford to Pay Better Community Wages

- Altogether, Koreatown markets bring in an estimated **\$120 million** in sales annually.²⁰
- Today, **small family-owned groceries in Koreatown are virtually non-existent**, as six large Korean American supermarkets, dominate the industry: Assi Super, California Market on Western, Galleria Market, Han Kook Market, Hannam Chain, and Plaza Market. All but Plaza Market have chain stores throughout Southern California.
- With the concentration of the Korean population in Southern California, **Korean markets are virtually guaranteed a stable customer base, and, consequently, a stable profit margin.** A marker of the profitability of Koreatown markets can be seen in their expansion to include additional chain stores.
- While they are among the largest employers in Koreatown, these supermarkets employ a **non-union, low-wage immigrant workforce**, employing approximately 800 Korean and Latino workers. Due to language barriers and a lack of legal protections, these workers are forced to accept low pay and poor treatment in their workplace.
- **Koreatown market workers make an average of \$7.27 per hour,**²¹ while in mainstream unionized markets, workers can make up to an average of \$12.56 per hour.
- Current conditions allow the markets to increase their profit margins by **spending less than their mainstream counterparts in labor costs.** Studies have estimated that approximately 22 percent of the finances run by Kroger Co., which operates Ralphs and Food for Less stores, are used for overhead, almost all of which are labor costs.²² This leaves approximately 1.1 percent in profits. In comparison, Korean supermarkets spend approximately 11-18 percent in labor costs, and make approximately **4-5 percent in profits.**²³

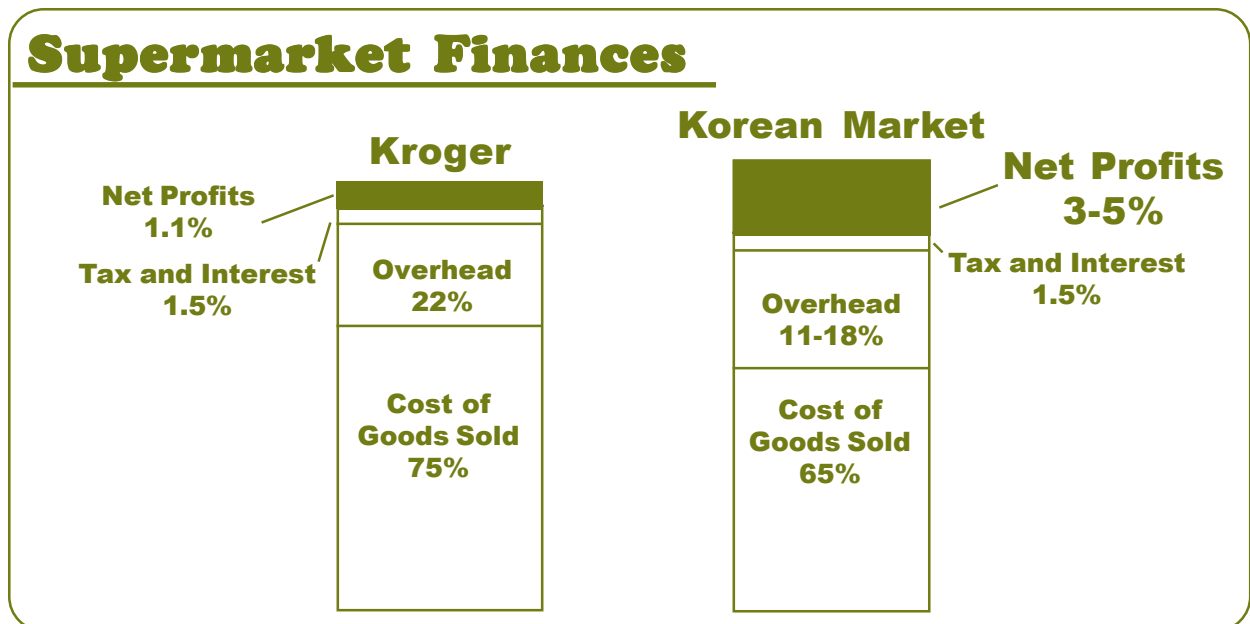
Mainstream Kroger takes in 1.1% net profits, while Koreatown markets take in an estimated 3-5% in net profits.

²⁰ Andy Potter, *Trends in Southern California's Korean-American Grocery Industry* (2005: University of California, Los Angeles).

²¹ Wage survey conducted before Galleria / Han Kook Living Wage Agreement

²² Potter, interview, October 17, 2005

²³ Ibid.



Source: Andy Potter, *Trends in Southern California's Korean-American Grocery Industry* (2005: University of California, Los Angeles).

Recommendations

on the Implementation of Koreatown Supermarket Living Wage Agreements

In May this year Galleria and Han Kook markets voluntarily adopted an Agreement to start paying all workers living wages. They raised their wage floor to \$8.50 per hour and committed to adjusting the floor to the Consumer Price Index each year, capping that annual adjustment at 3 percent. Galleria and HK markets have since emerged as a model of business-community partnership in the community and in the industry. At the same time, there are lessons from the implementation of the Galleria / HK Living Wage agreements that can assist other markets in the future.

Recommendations

At the same time Koreatown supermarkets agree to pay their workforce a living wage, they should also maintain their commitment to improving the working conditions across the board. Paying workers a living wage must also go hand in hand with maintaining a positive work environment. This can be done by ensuring the following:

- **Market employers should not reduce hours** that workers may work in order to compensate for their higher wages.
- **Market employers should not increase pressure on workers.** Such a sweatshop-like environment would not only create a difficult work environment, but it could also increase worker turnover and the number of injuries workers may suffer in their attempt to keep up with increased demands by management.
- **Market employers should not use employee evaluations** to systematically prevent workers from receiving their living wage.
- **Market employers should not create incentives when workers report fewer workplace-related injuries.** Workers may risk aggravating their injuries when they feel pressured not to report them as a result of policies “rewarding” departments with bonuses for having no reported injuries.

Worker Testimony

Mr. Lee, Korean Galleria market worker*

When I look back at my life, already past 50 years, it has been similar to the lives of others. Although difficult, I obtained a degree from college, worked as a manager for a well known corporation, and still had the ambition to operate my own business with a few dozens employees.

However, when I immigrated to the United States, I couldn't even think about the future dreams I had. First and foremost, I had to take on any jobs to sustain our lives and support my children who were still in school. The first job I had was a meat packing position at a Korean market meat department. After I gained some experience, I started to place ribs in the cutting machine, something I had never done in my life. After a few months of working in the cold meat department, I quit, seeking another job because the pay was minimal and disappointing. However, unable to find a job anywhere else, I went to work at another Korean market, working in the meat and produce departments and getting used to the life of a market worker. It has already been more than seven years, but my living condition has not changed much.

However, these days there have been some improvements in the workplace as a result of campaign by a community organization. The wages that I had received, never much more than the minimum wage of \$6.75, have been increased to better meet the needs of living costs.

At first, I was afraid of the unusual developments. I was afraid that my work hours were going to be reduced and reduce my income, or that I might be terminated because I had been working here for a long time. However, that has not happened. I now believe that we can achieve improvements by taking a step at a time, together, starting with myself and others who are concerned about working conditions at the markets and those who are concerned about the market workers.

* Due to Koreatown's common practice of blacklisting, names have been changed to protect interviewees.

Recommendations

on the Implementation of Koreatown Supermarket Living Wage Agreements

Recommendations

In addition, Koreatown supermarkets that make living wage agreements should follow the recommendations set forth below to ensure that their policies are implemented to improve workplace harmony:

- **Market employers should conduct evaluations** of the impact of the agreement on the workplace. Results of the evaluations should be made available to the community.
- **Market employers should use the first six months to one year of implementation of the agreement as a trial period**, during which time they should get anonymous feedback from the workers as to its impact on working conditions.
- Market employers should make themselves available to answer any issues or concerns regarding the implementation of the living wage agreement to a **community accountability board**, which would provide assistance in resolving any conflicts that arise out of the agreement.

Worker Testimony

Juan, Latino Galleria market worker*

I'm 31 years old. I'm from Mexico. I've been working in Koreatown's supermarket industry for four years, and living in Koreatown since 2001 when I arrived to this country. I'm currently working at Galleria Market in the produce department.

When I started working in the supermarket industry I was paid the minimum wage. After a year I got a 50 cent raise.

With the agreement between Galleria and KIWA my work hours remained the same. I work 6½ hours every day. This agreement economically benefited all workers at Galleria, especially new hires because they don't have to start with the minimum wage. They don't have to wait so long to get a better salary.

Now I'm making as much as when I used to work longer hours. I don't have to work long hours anymore. My coworkers are happier and more comfortable now that we all have a better wage. Before the agreement everyone was unhappy.

This agreement not only benefits the workers but the employer as well. Everyone seems more motivated to do their job. I feel that customers like to be treated really well, but when workers are not happy with their working conditions customers do not receive that treatment.

Customer Testimony:

Mrs. Kim, Koreatown market customer* — I am a house wife in my mid 40's and a mother of two. The first job my husband got after immigrating to the United States was at a market in Koreatown, in the grocery department, working 8 to 10 hours per day, 6 days a week. However, for a month of labor, he was paid about \$1,000.

The reality of making ends meet with about \$1,000 per month was depressing. The apartment we lived in was a two bedroom, one bathroom and the rent was \$890. The average cost for food for the four of us was about \$200 per week. At the time, it was painful that the income earned by the hard work of my husband, the head of the household, was barely enough to pay rent. Without any choice, I started working at a restaurant.

Recently, I was extremely glad and happy when I heard that the HK Market and Galleria Market owner announce living wages for their employees. I have informed everyone from friends, neighbors, coworkers, and even church members to shop at the HK and Galleria markets, which have chosen to share the struggle with workers. Furthermore, I hope other markets will join in on the movement to improve working conditions.

Koreatown Today & Tomorrow

Job standards are not just a workplace issue. How much someone makes at work directly translates to how much a family can spend on doctor's visits, school supplies, healthy food, decent housing, and how much time parents have to spend with their children. For employers and consumers, higher wages can mean better customer service, lower turnover and improved efficiency and productivity.

The national living wage movement has been proven to positively impact poor working families at a time when minimum wages have become poverty wages. At a time when Koreatown is facing alarming poverty rates, it is imperative that community members and local businesses take leadership to address this problem and explore such innovative economic improvement strategies as the living wage.

Koreatown supermarkets in particular are in a unique position in the fight against poverty. They are some of our largest employers. They are profitable and stable, enjoying an ethnic niche market. They can afford to pay higher than the minimum wages now prevalent in the industry.

Indeed, Galleria and Han Kook markets have taken the first step and raised wages to a minimum of \$8.50 per hour. In the few months since the Living Wage Agreement workers and customers are already experiencing positive effects, though much work still needs to be done.

That initial Agreement points the way to a voluntary living wage policy throughout the entire Koreatown market industry. Businesses and community now have the opportunity to help turn the tide of community poverty. The choice we make will shape the future of Koreatown.

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California Community Foundation
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Catholic Campaign for Human Development
Diane Middleton Foundation
Hill Snowden Foundation
Jewish Fund for Justice
Liberty Hill Foundation
Los Angeles Immigrant Funders Collaborative
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