

WAL★MART

Real Wage and Turnover Study

Commissioned by

**Wal-Mart Alliance for Reform Now (WARN)
Wal-Mart Workers Association**

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Wal-Mart Alliance for Reform Now (WARN) Wal-Mart (Florida Operations) Wage Analysis

November 17, 2005

BACKGROUND Through a public records request, WARN obtained copies of reports of employee quarterly earnings filed with the State of Florida by employers for purposes of determining unemployment compensation tax liability. Data provided was for the first quarter of 2005. The names of both the employees AND the employers are exempt from disclosure, but the number of employees and the distribution of their reported earnings alone provided sufficient information to allow WARN to infer which report was Wal-Mart's.

The data provided was simply a list of quarterly earnings as opposed to quarterly wage levels. The two differ in that many workers were not employed by the company for the entire quarter, workers logged different numbers of hours per week, some workers received salary increases, etc. The record did not provide any other pay-related information or demographic characteristics whatsoever, and that limited the analysis in some important ways. However, based on reasonable assumptions, information reported directly by the company, and other known factors (the minimum wage, the company's aversion to paying overtime, etc.), WARN was able to construct a wage profile of Wal-Mart workers that fits the available information, shining a clearer light on a number of the company's practices in Florida and corroborating what workers have reported anecdotally about those practices.

RAW EARNINGS DATA AND ITS IMPLICATIONS More than 113,600 Florida Wal-Mart workers had some earnings reported for the 1st quarter of 2005. Some 19,300¹ of these earned a total of \$1,000 or less during the entire quarter, which includes an estimated 2,800 seasonal or temporary workers. Another 1,300 such temporary workers are believed to have earned between \$1,000 and \$2,000 for the quarter.

Discounting these short-term workers, the average (median) total earnings of all Wal-Mart workers during the quarter was \$3,300. If such a worker were employed at 40 hours per week² for the entire quarter, his or her earnings would equate to a wage of \$6.35 per hour. However, because of Wal-Mart's unparalleled worker turnover rate (discussed below) and heavy reliance on part-time positions, it is clear that a substantial portion of the workers whose earnings were included in the calculation of the median did not work full-time for the full quarter. Therefore, although the precise characteristics of this "typical" Wal-Mart worker cannot be determined, one of two possibilities must hold: Either 1) he/she works full-time at a rate barely above minimum wage³ and, if a single wage earner, lives in deep poverty, or 2) he/she is a very recent hire and/or is working part-time - still at low wages - with few benefits. In other words, the backbone of

¹ Reported numbers of workers in various categories are rounded in light of the margin of error in the estimation process.

² Although Wal-Mart refers to 34 hours per week as full-time for purposes of determining eligibility for benefits, its common practice of restricting workers to fewer than 40 hours costs workers up to 15% of their income. The appropriate measuring rod for a full-time position is 40 hours.

³ The minimum wage in Florida is scheduled to increase from \$6.15 per hour (effective 5/05) to \$6.40 per hour (effective 1/06).

Wal-Mart's workforce is impoverished (unless they have an additional source of income) and/or has recently stepped onto the carousel of constant worker turnover. (See Chart 1)

Wal-Mart has also widely circulated a statement asserting that it pays an average wage of \$9.63 per hour, although it has clarified that this is a nationwide "average" and does not apply to individual states or local markets. WARN has long believed that this is not a median wage and so is, at the very least, skewed heavily by the "outlier" salaries of top management. In Florida, slightly more than one third (34.1%) of workers⁴ had earnings of at least \$5,008 during the quarter, which would be one's earnings if working 40 hours weekly at \$9.63 per hour throughout.

WAGE PROFILE In an effort to extend beyond the conclusions that can be drawn from the raw earnings data alone, WARN used that earnings data, along with other information and assumptions, to construct a wage profile for Wal-Mart in Florida. The wage profile reflects a number of other factors that place the earnings data in context, particularly the fact that many workers entered and/or left employment with the company during the quarter. For example, if a newly hired worker was paid \$1,200 for working only one month during the quarter, that worker would have earned \$3,600, had he or she had been employed for the entire quarter at that rate. That worker's position therefore paid an actual quarterly wage of \$3,600, although he or she only earned \$1,200 that quarter. It should be noted that although the assumptions used to create the wage profile could be varied to a limited extent, the company is nevertheless constrained in terms of how these earnings "pieces" fit together within its wage "puzzle."

PREPONDERANCE OF LOW-WAGE POSITIONS Based on the estimated wage profile, WARN found that 65,400 non-temporary workers were employed in positions that paid or would have paid \$4,000 or less in wages for a full quarter of work. In other words, 60% of workers in Wal-Mart positions would be paid \$16,000 or less on an annualized basis (whether full-time or part-time.) In particular, \$4,000 is the amount a full-time worker would earn at a fixed rate of \$7.69 per hour over the course of a full quarter.

The fact is, however, that many Wal-Mart workers are not employed on a full-time basis. The company has made headlines recently in its efforts to reduce hours to accommodate peak shopping hours, which in turn reduces the amount of wages paid and benefits provided to workers. Of these 65,400 non-temporary workers, the vast majority (more than 51,500) are believed to have worked in positions that paid no more than \$7.69 per hour for a maximum of 30 hours per week. Furthermore, 29,900 of these workers were in positions that paid up to \$7.69 per hour for a maximum of 20 hours per week. These could not possibly have been full-time positions, because the hourly rate for such positions would have paid well below the minimum wage. Rather, these positions, part-time and extremely low-wage, likely comprised more than a quarter of all positions within Wal-Mart's Florida staffing pattern. The distribution of wage rates of all workers in all non-temporary Wal-Mart positions during the quarter are displayed in Chart 2.

HIGH WORKER TURNOVER RATE Based on Wal-Mart's own reports about the number of workers it employed at various points during the quarter, WARN estimated that approximately 74,300 Florida Wal-Mart workers occupied their positions for the entire quarter. Another 15,500

⁴ Includes all workers with reported wages, excluding those believed to be seasonal or temporary.

positions turned over at least once during the quarter, while some 2,900 more were created as a result of the opening of new stores. This represents an alarmingly high quarterly turnover rate of 17.3% (see Chart 3). In other words, if that rate were valid at present, one could expect that at least one in every six faces you saw during a visit to Wal-Mart today would be different on a return visit three months from now. If the turnover calculation included consideration of every worker that occupied a position during the quarter (i.e., factoring in multiple turnovers), the annualized turnover rate would be 75%! This rate is far more brisk than at other large companies, even within the retail sector. For example, the turnover rate at rival Costco, as estimated by Smith Barney Citigroup Research, stands at only 23%⁵. And although such a turnover rate seems untenable, workers and former workers have told WARN that such turnover rates are the longstanding norm in many stores.

This continuous turnover does not come without a high price, even in an industry where relatively high turnover might be expected. Analysis produced by staffing.org found that each new hire costs a retailer \$2,379⁵. According to the wage profile, approximately 16,900 Florida Wal-Mart positions turned over during the quarter, excluding temporary workers and positions created through the opening of new stores. Therefore, turnover cost the company \$40 million extra in that quarter alone, and this is only in a single state. By way of comparison, Wal-Mart paid out slightly more than \$520 million in wages to Florida workers in the quarter, meaning that the company spent almost 8% of the amount paid in wages strictly for costs resulting from staffing turnover. If those funds alone could have been redistributed to a workforce experiencing limited turnover, each worker could have received more than 75 cents per hour more throughout the entire three-month period.

CONCLUSIONS Although the wage data available is quite limited, analysis of that data still reveals a great deal about Wal-Mart's practices in the areas of worker pay and retention. More precisely, the analysis corroborates oft-cited anecdotal conclusions about those practices.

1. Even under the most conservative assumptions, it is inescapable that the bulk of Wal-Mart positions pay extremely low wages and/or are part-time. Furthermore, the effective pay rates for Wal-Mart workers are significantly lower than the figures the company has repeatedly touted publicly.
2. Constant turnover is the norm for Wal-Mart's workforce. At current rates, as many as 3 out of 4 workers who began or will begin work with the company at some point during 2005 will no longer be with the company as of the beginning of 2006.
3. The combined effect of low wages, dependence on part-time workers and continuous turnover is that the typical Wal-Mart worker is either a recent hire and/or earns a poverty-level wage.
4. Turnover costs the company an astronomical amount of money (minimally \$150 million in Florida in 2005). Reinvestment of this money in wages would promote retention⁶ and significantly raise the income of thousands of Wal-Mart workers earning at or below the poverty level.

⁵ Source: Doug Shuit, "People Problems on Every Aisle", *Workforce Management*, February 2004.

⁶ Admittedly, the so-called "Susan Chambers Memorandum" casts serious doubt on the extent to which the company aspires to increase worker retention, at least over the longer term.

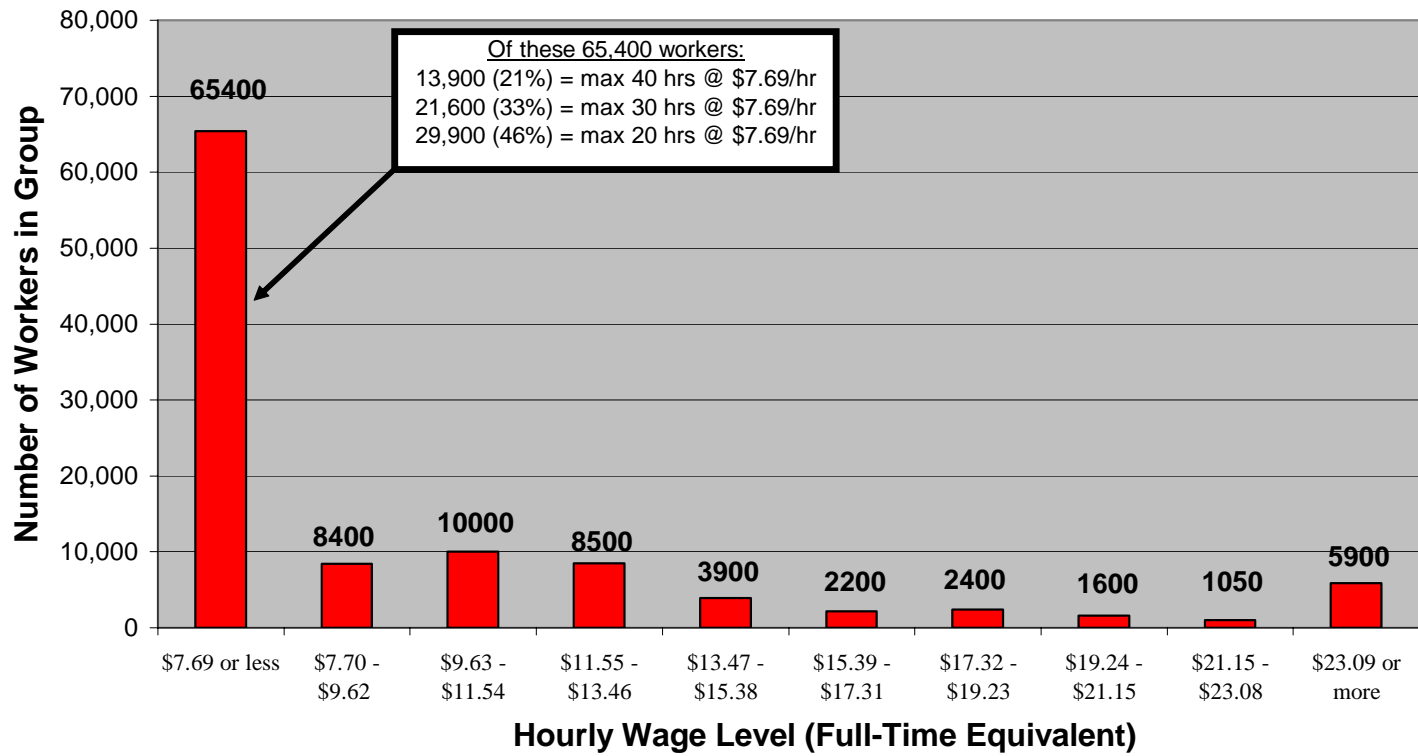
Wal-Mart in Florida

WAGES & JOB STABILITY BY THE NUMBERS

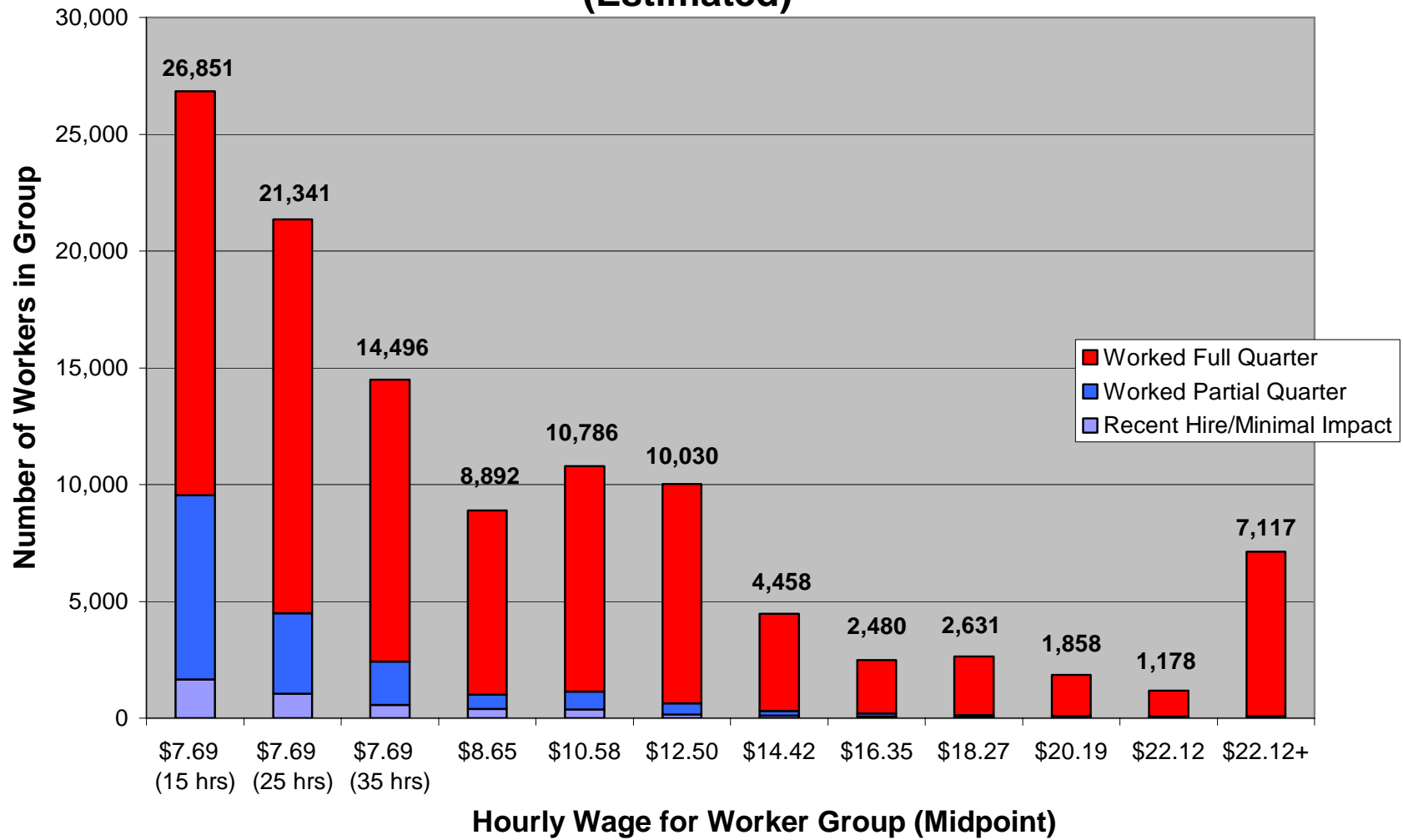
\$3,300	Median earnings for all Wal-Mart workers in the quarter.
\$6.35	Hourly wage of a “typical” (i.e., \$3,300 in earnings) Wal-Mart worker, if that worker was employed 40 hours per week for the entire quarter. As or more likely, the typical Wal-Mart worker worked either part-time and/or was recently hired, though still at a low wage.
\$6.40	Hourly minimum wage in Florida as of January 2006. (The minimum wage was increased to \$6.15/hr in 5/05)
60%	Percentage of Wal-Mart workers whose positions pay (or would have paid) \$16,000 or less per year.
60%	Percentage of the above group of workers in positions offering 20 hours or less each week and paying no more than \$7.69 per hour.
34%	Percentage of Florida Wal-Mart workers whose positions pay (or would have paid) at least \$9.63 per hour, which Wal-Mart reports as its average wage nationwide.
75%	Annualized quarterly (worker) turnover rate at Wal-Mart in Florida.
975,000	Number of people entering and leaving positions with Wal-Mart in the U.S. each year, if the national rate is comparable to Florida’s.
\$2.3 Billion	Amount of money Wal-Mart spends on hiring and training all of these new workers each year.

Estimates based on analysis of data determined to be Wal-Mart quarterly worker earnings (1st Quarter 2005).

Florida Wal-Mart Wage Distribution 1st Quarter 2005 (Estimated)



Florida Wal-Mart Wage Distribution (Estimated)



Wal-Mart Workers by Wage Bracket (Estimated)

