

WALMART LIFTS ITS WAGE FLOOR TO \$9 AN HOUR

HALF-MILLION GET RAISE

Planning \$10 Minimum Next Year, a Laggard Becomes a Leader

By HIROKO TABUCHI

Walmart, the largest private employer in the country, said on Thursday that it would increase wages for a half-million employees, a move that comes amid persistent scrutiny of its labor practices and high employee turnover.

The retail giant, which for years has been the target of widespread criticism over its low pay structure and increasing reliance on part-time workers, said that all of its United States workers would earn at least \$9 an hour by April and at least \$10 by next February. Some labor advocates, however, who are demanding \$15 an hour for service workers, called the plan inadequate.

The pay raise also signals that a tightening job market — with the unemployment rate now at 5.7 percent, compared with 9.8 percent five years ago, is leading to higher wages. Walmart has had significant trouble retaining employees in a job market where its competitors like Costco Wholesale offer better wages.

The wage bump by Walmart, which has long been a pay laggard, could simply mean that wage increases are finally an inevitability for low-wage workers in America.

“We’re finally going to see a wage creep, and Walmart is trying to get out in front,” said Ann C. Hodges, a labor relations expert at the University of Richmond. “They’re thinking: We’re probably going to do this anyway.”

While the company said about 40 percent of its work force, including those at the wholesale Sam’s Club outlets, would be affected, many of those raises will amount to much less than a dollar an hour more. About 6,000 employees receive the federal minimum of \$7.25 an hour. Walmart says its part-time workers already earn an average wage of \$9.48, and full-timers an average of \$12.85.

Walmart lags behind major retailers like Gap and Ikea, which have moved recently to set hourly wages at or above \$9, to try to reduce turnover and attract more workers. Even those higher pay scales fall short of compensation offered by Costco, known to offer wages closer to \$20 an hour, or the Container Store.

But Walmart’s move could

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The frozen foods section of a Walmart in Washington, D.C. All United States workers are to make at least \$9 an hour by April.

Walmart Is Lifting Its Wage Floor to \$9 an Hour

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force other major retailers like Target and Home Depot to follow suit. Kroger pays its cashiers \$7.26 to \$11.99 an hour, according to PayScale, a company that collects data on salaries. Target pays its cashiers \$7.42 to \$10.09, and Home Depot pays its sales associates \$7.90 to \$11.16, according to PayScale. "Wage increases could be imminent for other companies," said Oliver Chen, retail analyst at Cowen & Company in New York.

Aside from competitive pressure to hire and retain low-wage workers, political pressure for higher wages has been building. Several states and cities have raised the minimum wage far beyond the federal minimum. Seattle, for example, raised its minimum wage to \$15 an hour, and San Francisco approved a tiered approach to reach \$15 in a few years.

Twenty-nine states now exceed the federal minimum, which has not risen since 2007, according to the National Conference of State Legislatures. President Obama has proposed raising it to \$10.10 an hour, but that effort has stalled in Congress.

A spokesman for the White House said, "Today's announcement is another example of businesses, along with cities and states, taking action on their own to raise wages for their workers, recognizing that doing so can raise productivity, reduce turnover and improve morale."

The National Retail Federation, an industry group representing the country's biggest retailers, welcomed Walmart's decision but also used the moment to lobby against legislation.

Matthew Shay, the group's chief executive, said: "Government mandates that arbitrarily require businesses to implement politically driven policy are unnecessary and, in fact, create hurdles to job creation, curtail capital investment and pose as barriers to a sustained economic recovery."

With a domestic work force of 1.3 million people, Walmart has long been a target of labor groups



The produce section at the Walmart in Washington. Some labor advocates said Walmart's move did not raise pay enough.

and some politicians. For years, protesters have demonstrated outside Walmart stores for higher pay and better hours, with a highly visible national campaign aided by labor groups that sought to keep an embarrassing spotlight on the retailer's treatment of employees. At one point, the

Pressure for raises has been building in parts of the country.

company was pilloried for setting out donation boxes to help some of its own employees on public assistance. Like fast-food workers who have lobbied for better pay, Our Walmart, an advocacy group for store employees, has demanded that the retailer pay at least \$15 an hour.

Christine L. Owens, executive director of the National Employment Law Project, credited the persistence of workers and supporters for influencing the outcome.

"Few could have envisioned a group of workers forcing Walmart, ruthlessly committed to

cost-cutting, to unilaterally raise wages," she said.

Still, she called the changes inadequate: "When compared to the \$16 billion in profit that the company rakes in annually, Walmart's promise of \$10 an hour — which even for a full-time worker is not enough to keep a family of four out of poverty — is meager."

Fatmata Jabbie, 21, a single mother of two who makes \$8.80 an hour as a cashier at the Alexandria Walmart store in Northern Virginia, said she had long requested to work 40 hours a week so she could afford new clothes and diapers for her toddler. But last week, she was assigned just 26 hours, and she has worked as few as 18. Her weekly take-home pay sometimes falls below \$200, a figure she did not expect to increase by much.

"It will have a bit of an effect," said Ms. Jabbie, who has worked at Walmart about a year. "But unless they give us more hours, it's not going to be very much."

After the pay increases, the average full-time hourly wage at Walmart will be \$13, while the average part-time hourly wage will be \$10. And by February 2016, current hourly workers would earn at least \$10. Walmart's work force of 1.3 million is split evenly between full-time and part-time

workers, it said, and that ratio will not change.

Holly Sklar, chief executive of the Business for a Fair Minimum Wage, a group of business leaders pressing to raise the minimum wage, called for further pay increases.

"It's important that our nation's largest private employer is finally beginning to follow many other companies in raising starting pay. But given that the buying power of the 1968 federal minimum wage is nearly \$11 adjusted for inflation, Walmart should be setting higher targets than \$9 in April 2015 and \$10 in 2016," Ms. Sklar said.

Nevertheless, in addressing other major complaints from workers, Walmart said it would work to make scheduling easier and more predictable and would improve employee training. Together with the wage increases, Walmart is investing \$1 billion more in its employees, the retailer said.

"We're providing an opportunity to earn more and have a long-term career with us, should they choose to," said Greg Foran, chief executive of Walmart's United States division.

The company on Thursday beat profit estimates for the fourth quarter, reporting earnings of \$1.61 a share. Analysts surveyed by Thomson Reuters had forecast earnings of \$1.53 a share.

Walmart's revenue was slightly lower than forecast, at \$131.57 billion, compared with an estimate of \$132.36 billion.

Closely watched comparable-store sales for the quarter, or sales at Walmart stores that have been open more than a year, rose 1.5 percent, above estimates of 0.7 percent. Walmart also recorded its first increase in shopper traffic in over two years, and it credited lower gasoline prices and milder weather. The fiscal quarter, which ended Jan. 30, is considered crucial for retailers because it includes the holiday season sales.

But investors appeared to interpret the results negatively, as Walmart shares closed down \$2.77, or 3.2 percent, at \$83.52.