

# LOW-WAGE RAGE:

How Walmart and the Walton Family  
Harm New York City's Workforce

OCTOBER 2014



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***The Walmart economy - in which a few make billions, while millions are paid so little that they are unable to feed and clothe their families - is central to the inequality problem in the U.S.***

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## OVERVIEW:

### WALMART HAS HURT OUR ECONOMY AND WORKING PEOPLE

Walmart is the largest private employer in the United States, the largest employer of women in the country and the largest retailer in the world. The company sets the standards for the U.S. retail industry, which employs more Americans than any other sector of the economy.

The biggest challenges facing working families today in New York City – low wages and part time hours, unpredictable schedules and temporary jobs – can be traced back to Walmart.

Despite residents' successful efforts to keep Walmart stores out, Walmart's business model has been adopted by many nonunion retailers and employers here. Low pay, part-time hours, and erratic schedules are increasingly common across the five boroughs. Nearly half of all residents are poor or nearly poor, a number that has increased significantly in recent years.<sup>1</sup>

This report looks at how Walmart's business model has hurt the national economy and New York City's economy. It concludes that Walmart can afford to treat workers better, and offers specific recommendations for reform that Walmart and the Walton family are urged to embrace.

The Walton family, the richest family in America, is the billionaire family that owns Walmart, and the Walmart heir, Alice Walton, currently lives in a luxury condo in midtown Manhattan.

### HOW THE WALMART BUSINESS MODEL CREATED THE WALMART ECONOMY

Walmart is notorious for its low pay. Walmart workers average just \$8.81 hour<sup>2</sup>, or an annual salary of \$15,576, based on Walmart's definition of full-time.<sup>3</sup> Studies show that Walmart does in fact pay less than other retailers. It's a wage that keeps workers in poverty.

A 2005 study found that Walmart workers earn an estimated 12.4% less than retail workers as a whole and 14.5% less than workers in large retail in general.<sup>4</sup> A 2007 study which compared Walmart to other general merchandising employers found a wage gap of 17.4%.<sup>5</sup>

One crucial part of the Walmart business model is asserting maximum control over the lives of employees—even outside of working hours.

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<sup>1</sup> Inae Oh. "Half Of New York City Is Living In Near Poverty." The Huffington Post. 2014.

<sup>2</sup> Making Change at Walmart. "Factsheet." <http://makingchangeatwalmart.org/factsheet/>.

<sup>3</sup> Walmart defines full-time employment as 34 hours per week. Making Change at Walmart. "Fact Sheet – Wages." <http://makingchangeatwalmart.org/factsheet/walmart-watch-fact-sheets/fact-sheet-wages/>.

<sup>4</sup> Arindrajit Dube and Steve Wertheim. "Walmart and Job Quality: What Do We Know and Should We Care?" Presentation at Center for American Progress. 2005.

<sup>5</sup> Making Change at Walmart. "Factsheet." <http://makingchangeatwalmart.org/factsheet/>.

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Walmart actually led the way with “flexible scheduling,” which the company began around 2006.<sup>6</sup> The approach subjects workers to a schedule that constantly changes.

At the same time, Walmart has increasingly shifted its workforce toward part-time and temporary work. Last year, the company intensified its hiring of temporary workers while continuing to deny full-time hours to many employees who want them.<sup>7</sup>

Current and former Walmart associates have come together as members of the Organization United for Respect at Walmart (OUR Walmart), to call for improvements at the company and respect on the job. They have repeatedly raised concerns about lack of full-time hours and Walmart’s unpredictable scheduling practices.

Walmart and the Walton family have also asserted political power to push wages down and worsen conditions for workers economically. Both have participated in the right-wing American Legislative Exchange Council (ALEC), which has been leading national campaigns against raising the minimum wage and providing workers with overtime and paid sick days.<sup>8</sup> Although Walmart later withdrew from ALEC under public pressure, the Walton Family Foundation, run by Walmart’s owners, has ignored calls to distance itself from ALEC.

Walton heirs Rob, Jim, and Alice control a majority stake in Walmart and have the power to turn 1.3 million jobs at the company into good jobs. Rob, Jim, and Rob’s son-in-law, Greg Penner, hold three seats on the company’s board of directors. Their own personal success has come at a price for America’s working people, who have become more and more impoverished. Recently, the Walton family tightened its grip when Walmart spent \$6.6 billion on stock buybacks, a maneuver that increased earnings on dividends and consolidated Walmart ownership for Walton family members.<sup>9</sup> This action occurred despite poor company performance overall, with six consecutive quarters of falling or stagnant same-store sales. In other words, Walton family members gave themselves a raise and asserted more power over a floundering company.

Simply put, the Walmart economy is an economy with diminishing security for workers, in the form of low pay and insufficient, inconsistent hours, in which owners like the Walton family are positioned to increase their wealth to the tune of billions while keeping millions of workers in poverty and thus creating deeper inequality.

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<sup>6</sup> Parija Bhatnagar. “Wal-Mart seeks to ‘organize’ labor its own way.” CNNMoney.com. [http://money.cnn.com/2006/04/25/news/companies/walmart\\_labor/](http://money.cnn.com/2006/04/25/news/companies/walmart_labor/). 2006.

<sup>7</sup> Dhanya Skariachan & Jessica Wohl. “Exclusive - Wal-Mart’s everyday hiring strategy: Add more temps.” Reuters.com. 2013.

<sup>8</sup> Gordon Lafer. “The Legislative Attack on American Wages and Labor Standards, 2011–2012.” Economic Policy Institute. 2013.

<sup>9</sup> Catherine Ruetschlin & Amy Traub. “A Higher Wage is Possible at Walmart.” Demos. 2014.

## THE WALMART ECONOMY'S IMPACT ON THE NATIONAL ECONOMY

### The Walmart Economy reduces wages and take-home pay as low-wage sectors grow

Real wages for U.S. workers have fallen since the 1970s, and the uneven recovery from the recent recession has accelerated already rising inequality. During the recession (2008-2009), the economy lost more middle- and high-wage jobs than low-wage ones. However, during the recovery (2010-2014), low-wage employment has led growth: almost half of new jobs have paid under \$15 an hour.<sup>10</sup> Jobs that pay over \$15 an hour with full-time hours and benefits have declined at least 10% for all workers since 1979. But for the youngest and least educated workers, a good job is almost non-existent: about 1% had access to one in 2010, down 86% from three decades earlier.<sup>11</sup>

Retail workers' wages are barely keeping up with inflation, and are even falling in some cases. Data from the Bureau of Labor Statistics' Current Employment Statistics show that between 1990 and 2013, inflation-adjusted hourly wages for production and nonsupervisory workers in the retail industry nationwide rose by barely 2% and the corresponding number for supermarket workers actually decreased by 8% in inflation-adjusted terms. Over the same period, the inflation-adjusted hourly wages for production and nonsupervisory workers in the entire private sector increased by 11%.<sup>12</sup>

### Involuntary part-time hours and unpredictable schedules lead to low earnings

One of the most disturbing trends for working families in poverty is involuntary part-time work. Across industries, but particularly in the retail sector, workers are increasingly facing part-time hours and unpredictable schedules. Since 2006, the retail and wholesale sector has cut one million full-time jobs while adding 500,000 part-time ones.<sup>13</sup> Part-time hours are not a choice for many people who seek full-time employment. Involuntary part-time employment increases poverty: in 2012, about 25% of part-time workers who wanted to work more hours

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<sup>10</sup> National Employment Law Project. "The Low-Wage Recovery: Industry Employment and Wages Four Years into the Recovery." National Employment Law Project. 2014.

<sup>11</sup> John Schmitt & Janelle Jones. "Where Have All the Good Jobs Gone?" Center for Economic and Policy Research. 2012.

<sup>12</sup> BLS CES data for real (inflation-adjusted) hourly wages (in 1982-84 dollars) of production and nonsupervisory workers in entire private sector, Retail Trade (NAICS 44-45), and Grocery Stores (NAICS 445100), available through database search on: <http://www.bls.gov/ces/>.

<sup>13</sup> Anna Haley-Lock, Charlotte Alexander, and Nantiya Ruan. "Address Working Poverty by Promoting Work Hour Security in Low-Wage Hourly Jobs." SpotlightOnPoverty.org. [http://www.spotlightonpoverty.org/users/spotlight\\_on\\_poverty/documents/Spotlight\\_Haley-Lock\\_3282014.pdf](http://www.spotlightonpoverty.org/users/spotlight_on_poverty/documents/Spotlight_Haley-Lock_3282014.pdf). 2014.

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***While most Walmart workers make less than \$25,000/year, the Walton family earns more than \$25,000/minute from their Walmart dividends alone.***

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resided in poverty, as compared to only 5% of full-time workers who live in poverty.<sup>14</sup>

Many hourly wage workers across industries also suffer from underemployment and unpredictable schedules, which are especially difficult for working mothers and fathers. A study by Susan Lambert at the University of Chicago found that low-wage workers are far more likely to face scheduling challenges compared to high-wage workers. Forty-four percent of retail workers do not have any control over their schedule, when only 18% of professionals face this problem. Half of retail workers receive their schedule one week or less in advance compared to 58% of professionals who receive a month or more notice of their schedule.<sup>15</sup>

Workers at Walmart face the same unfortunate reality of poverty wages and unpredictable scheduling that is throwing the entire economy off balance. This is why workers are calling on Walmart to commit to a minimum of \$25,000 a year and full-time work. Improving jobs at Walmart would strengthen the U.S. economy and open a path to the middle class for millions of working families.

**Growing poverty is a consequence of the Walmart economy. Wealthy families like Waltons are getting richer as women and people of color are disproportionately earning less.**

Across the United States, workers are harmed by the Walmart business model. Between 2009 and 2011, nearly one-third of Americans fell below the poverty line for at least two months. Fifteen percent of Americans, more than 46 million people, now live beneath the federal poverty line.<sup>16</sup> Millions more are relegated to low-wage, part-time jobs and struggling to make ends meet, just one paycheck or health emergency away from crisis.

Income inequality in the U.S. is now the highest since 1928. Following the recession, the middle class has increasingly disappeared from the U.S. economy. No family better illustrates this profound inequality than the Walton family, heirs to the Walmart fortune. Collectively, six Walmart heirs are worth \$146 billion, more than the worth of 43% of American families combined. While most Walmart workers make less than \$25,000 per year, the Walton family earns more than \$25,000 per minute from their Walmart dividends alone.<sup>17</sup>

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<sup>14</sup> Rebecca Glauber. "Wanting More But Working Less: Involuntary Part-Time Employment And Economic Vulnerability." University of New Hampshire. 2013.

<sup>15</sup> Susan Lambert, Peter Fugiel, & Julia Henley. "Precarious Work Schedules among Early-Career Employees in the U.S.: A National Snapshot." University of Chicago. 2014.

<sup>16</sup> Brad Plumer. "One in three Americans slipped below the poverty line between 2009 and 2011." The Washington Post Wonkblog. <http://www.washingtonpost.com/blogs/wonkblog/wp/2014/01/08/one-in-three-americans-slipped-below-the-poverty-line-between-2009-and-2011/>. 2014.

<sup>17</sup> Walmart1percent.org. "The Walton Family: America's New Robber Barons." Walmart1percent.org. <http://walmart1percent.org/how-rich-are-the-waltons/>.

The Walmart economy has also exacerbated wage disparities: women and people of color earn less than their white male workers. For example, in 2012, Florida women filed a class action suit against Walmart for pay discrimination and lack of promotions,<sup>18</sup> but Walmart has displayed a history of sex discrimination.<sup>19</sup> And 40% of African-American part-time retail workers would like to work full-time if they could get the hours. Walmart's low wages are not good for any workers, but minorities are disproportionately represented in low-paying positions. While people of color made up 37% of Walmart's US workforce in 2012, only 27% of first- and mid-level officials and managers were minorities.<sup>20</sup>

## THE WALMART ECONOMY IN NEW YORK STATE AND NEW YORK CITY

The consequences of the Walmart economy in New York are dire, as New Yorkers hold the dubious distinction of living in the state and city with the greatest income inequality in the country.<sup>21</sup> The Walmart economy is growing in New York, where part-time hours, low pay, erratic scheduling, and lack of opportunities are increasingly common.

Already Walmart is one of the two top retail employers in the state,<sup>22</sup> and it is growing. In six years, from 2008 to 2014, the number of Walmart stores (including Sam's Clubs) statewide increased by 18%.<sup>23</sup> Further underscoring the city's shift toward greater inequality, Alice Walton, Sam and Helen Walton's only daughter, now worth more than \$35 billion, recently purchased a \$25 million condo on the Upper East Side.

A consequence of such strident Walmart growth is that the New York state economy has added more and more low-wage employment. Low-wage jobs, most of which are in the retail and restaurant industries, "will make it hard to build a stable future for working New Yorkers."<sup>24</sup> In 2012, retail and food service work represented 20% of overall employment in the state, but workers took home less than 10% of total wages. By comparison, those in finance and insurance took home wages over three

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<sup>18</sup> Ariel Barkhurst. "11 Florida women sue Wal-Mart for discrimination." Sun Sentinel. 2012.

<sup>19</sup> Amanda Reed. "Walmart and Sex Discrimination." National Organization for Women. <http://now.org/blog/walmart-and-sex-discrimination/>. 2013.

<sup>20</sup> Making Change at Walmart. "Facts: People of Color." <http://makingchangeatwalmart.org/people-of-color/>. 2012.

<sup>21</sup> Fiscal Policy Institute. "Pulling Apart: The Continuing Impact of Income Polarization in New York State." Fiscal Policy Institute. 2012.

<sup>22</sup> New York State Department of Labor. "New York's Largest Private Sector Employers." NYS DOL. <http://labor.ny.gov/stats/nys/Largest-private-sector-employers-NYS.shtm>. 2013.

<sup>23</sup> Analysis of data from Chain Store Guide, 2008 to 2014. <https://www.chainstoreguide.com/>.

<sup>24</sup> Fiscal Policy Institute. "The State of Working New York 2013: Workers Are Paying a High Price for Persistent Unemployment." Fiscal Policy Institute. 2013.

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times their representation in the workforce.<sup>25</sup>

As for New York City, the Walmart economy has meant almost a million working New Yorkers can't manage to pay their rent, put food on the table, or provide for their children. In fact, one in ten New Yorkers works but remains in poverty.<sup>26</sup>

New Yorkers suffer at the hands of the Walmart business model. For example, low-wage work is on the rise in the New York metro area. According to the Bureau of Labor Statistics (BLS), total employment in the New York metro area grew by 10% between 1990 and 2013. Over the same period, employment in retail as a whole in the metro area grew by 13%, and employment in grocery stores grew by 26%.<sup>27</sup> Wages also suffered: from 1990 to 2010, "inflation-adjusted median hourly wages declined by 7 percent, despite the fact that NYC's real GDP per capita rose by nearly 40 percent."<sup>28</sup>

Most job growth over the past decade has occurred in the low-wage food service and retail trade industries, especially since the recession ended. Since 2000, the New York City economy lost a net of 66,000 middle- and high-wage jobs. During the same time, 323,000 low-wage jobs were added.<sup>29</sup> This trend is expected to continue,<sup>30</sup> which is why the quality of these jobs is so important. Eight of the ten occupations expected to add the most net jobs in New York City over the next decade have median annual wages of less than \$30,000.<sup>31</sup>

### **New York City workers have experienced declines in real wages and a reduction in take-home earnings as low-wage sectors grow**

Many retail workers in the New York metropolitan area are in low-wage jobs. The Bureau of Labor Statistics Occupational Employment Statistics (OES) survey reports data on employment and wages of workers by occupation. According to the 2013 OES data, retail cashiers in the New York metro area earned a median hourly wage of \$9.07.<sup>32</sup>

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<sup>25</sup> New York State Assembly Ways and Means Committee Staff. "New York State Economic Report." New York State Assembly. 2014.

<sup>26</sup> ALIGN. "Poverty in New York City." ALIGN. <http://www.alignny.org/wp-content/uploads/2012/09/NYC-Poverty-Report-2012.pdf>. 2012.

<sup>27</sup> Bureau of Labor Statistics (BLS) Current Employment Statistics (CES) State and Area Employment data for New York-Northern New Jersey-Long Island, NY-NJ-PA Metropolitan Statistical Area MSA, for Total Nonfarm Employment, Retail Trade (NAICS 44-45), and Grocery Stores (NAICS 445100), available through database search on: <http://www.bls.gov/sae/>.

<sup>28</sup> FPI: Low-Wage Workers and the High Cost of Living in New York City (2014).

<sup>29</sup> FPI: Low-Wage Workers and the High Cost of Living in New York City (2014).

<sup>30</sup> Bureau of Labor Statistics, U.S. Department of Labor. Occupational Outlook Handbook, 2014-15 Edition, Retail Sales Workers, on the Internet at <http://www.bls.gov/ooh/sales/retail-sales-workers.htm> (visited October 13, 2014).

<sup>31</sup> FPI: Low-Wage Workers and the High Cost of Living in New York City (2014).

<sup>32</sup> May 2013 BLS Occupational Employment Statistics (OES) data for median hourly wages of Cashiers, Occupation Code 41-2011, in New York-White Plains-Wayne, NY-NJ Metropolitan Division, available (as a zip file, along with entire Metropolitan and Nonmetropolitan Area Occupational Employment and Wages data) at: <http://www.bls.gov/oes/>.



According to another BLS source, CES, the weekly average hours worked in the retail industry in 2013 was 30.<sup>33</sup> A cashier who works 30 hours a week at \$9.07/hour, year-round (for 52 weeks), will have an annual before-tax income of \$14,149. Note that this calculation is based on the median wage, meaning that half of the 108,000 cashiers<sup>34</sup> in the metropolitan area would earn less than \$14,149 annually if they worked 30 hours a week year-round, neither of which is guaranteed.

### **Forced part-time hours are on the rise in New York City**

Part-time hours are increasingly the norm in New York City, much like they are at Walmart. In the retail sector, a recent study showed that only 40% of workers in New York City have a set minimum number of hours.<sup>35</sup> Half of part-timers surveyed want full-time work, and fully one quarter are assigned on call shifts. Forced part-time work in New York is on the rise: in the last ten years, the number of involuntary part-time has increased three fold.<sup>36</sup> These practices often lead to poverty earnings regardless of hourly pay; many workers want and need full-time hours.

### **In the Walmart economy, wealthy families such as the Waltons accumulate more and more wealth. Women and people of color are disproportionately left behind**

These low-wage jobs cannot support families. The Department of Health and Human Services (HHS) has set the 2014 Federal Poverty Level Guideline for a single-person household at \$11,670, and for a family of two at \$15,730. Therefore, a cashier earning \$14,149 annually will be below the Federal Poverty Level if he or she is a single parent with a child, and 21% above the Federal Poverty Level if they do not have a family to support.

In either case, they would qualify for Medicaid (since households with incomes up to 125% of the Federal Poverty Level qualify). And because the Federal Poverty Level Guideline is a one-size-fits-all guideline for the lower 48 states, it does not take into account the very high cost of living in the New York metro area.

Women and people of color are consistently behind white male workers in terms of advancement, benefits, and wage parity due to higher representations in the Walmart economy.

<sup>33</sup> BLS CES data for average weekly hours worked in 2013 by production and nonsupervisory workers in Retail Trade (NAICS 44-45), available through database search on: <http://www.bls.gov/ces/>.

<sup>34</sup> May 2013 BLS Occupational Employment Statistics (OES) data for number of Cashiers, Occupation Code 41-2011, in New York-White Plains-Wayne, NY-NJ Metropolitan Division, available (as a zip file, along with entire Metropolitan and Nonmetropolitan Area Occupational Employment and Wages data) at: <http://www.bls.gov/oes/>.

<sup>35</sup> Stephanie Luce, Sasha Hammad & Darrah Sipe. "Short Shifted." Murphy Institute, City University of New York & Retail Action Project Retail, Wholesale and Department Store Union. 2014.

<sup>36</sup> Stephanie Luce, Sasha Hammad & Darrah Sipe. "Short Shifted." Murphy Institute, City University of New York & Retail Action Project Retail, Wholesale and Department Store Union. 2014.

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One-and-a-quarter million workers, or 37 percent of all wage-earners in New York City, are paid less than \$15 an hour, an amount that is considered “low-wage”. Half of all black and Latino workers are low-wage by this standard, while 23 percent of non-Hispanic whites and 34 percent of Asian wage-earners are low-wage.<sup>37</sup>

In addition, more workers are dealing with erratic scheduling that makes it harder for retailer workers to secure full-time hours and balance work with their personal and family lives.

New York City is where the national crisis of income inequality is most extreme. It is increasingly a city of the very rich and very poor, a city with a growing number of billionaires and a growing number of low-wage fast-food workers and retail workers who can barely survive.

## **WALMART CAN AFFORD TO DO BETTER**

Walmart can afford to pay its workers more. A 2013 report from Demos, a nonpartisan policy and research organization, found that Walmart can increase wages of its lowest-paid workers without raising prices. Instead of spending \$6.6 billion to buy back shares of its own stock, Walmart can redirect those resources toward an across-the-board wage increase that would enable all of its employees to earn at least \$25,000 per year. This is the salary level Walmart workers have been demanding in recent years and have highlighted in workplace strikes.<sup>38</sup>

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<sup>37</sup> James A. Parrott. “Low-Wage Workers and the High Cost of Living in New York City.” Fiscal Policy Institute. 2014.

<sup>38</sup> Catherine Ruetschlin & Amy Traub “A Higher Wage is Possible at Walmart.” Demos. 2014.

<sup>39</sup> James A. Parrott. “Low-Wage Workers and the High Cost of Living in New York City.” Fiscal Policy Institute. 2014.

## SOLUTIONS FOR NYC: CHANGING THE WALMART ECONOMY

The Walton family can easily afford to pay all Walmart workers \$15 an hour and provide stable schedules that guarantee full-time work. If Walmart improved its employment practices, there would be a ripple effect across low-wage employers. Walmart has the power to strengthen the lives of low-wage workers around the country and right here in New York City.

### Key Recommendations for Reform:

- \$15 per hour as a minimum wage, the necessary minimum for two full-time wage earners to afford a “bare-bones family budget” in New York.<sup>39</sup>
- Access to stable and predictable full-time hours and schedules.
- The ability to organize for better jobs without fear of retaliation.
- Increased opportunities for real career advancement and promotions, especially for women and people of color.

The Walmart business model has impoverished New York’s low-wage workers for too long. But if Walmart changes its practices, other retailers will follow suit and that domino effect would help improve the lives of millions of New Yorkers. Alice Walton, as the Walmart heir and as a resident of New York City, can directly impact the future of our city and our country.

Our communities deserve better.