Creating Hourly Careers:
A New Vision for Walmart and the Country

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Terry and Sandy both work in the retail food industry, though at different parts of the supply chain. Terry works at Smithfield Foods in North Carolina, while Sandy works for Walmart in Maryland. Sandy has probably stocked the meat that Terry and his coworkers cut and packaged. They both perform jobs that are central to the economy and cannot be outsourced. Both Terry and Sandy would like long-term careers with their employers and are committed to their respective company’s success. Unfortunately, the similarity between Terry and Sandy ends with that dream.

At Smithfield, Terry knows a career is possible: “When you come here, you know you can get a promotion. You know that your insurance is stable. You know the company respects the job that we do. The benefits and the pay are good: the healthcare, the wages, the retirement plan.” Terry also notes that there is a system in place to promote workers based on their skills and seniority, not on favoritism by management. Smithfield and the union that represents the employees work together on ways to prevent chronic injuries, which Terry feels contributes to his coworkers’ commitment to the company.

At Walmart, while there is much about her job that she likes, Sandy doesn’t feel that a long-term career is possible. She feels the company doesn’t fairly compensate her for the work she performs, nor is she given the authority to make the decisions necessary to do her job to the best of her ability. She thinks her fellow associates are treated like children by management, demeaned and disdained. Unfortunately, for the 1.4 million Americans who work at Walmart and 13 million others who work in the retail sector, Sandy’s story is more the norm and Terry’s is the exception.

Some Americans are resigned to the idea that the dominance of dead-end jobs is an inevitable fact of our economy. We believe it’s important to take a brief look back at the decline of the hourly career, and the bright spots in our past and recent history that offer hope for a turnaround in job standards.

The Retail Revolution: Cheap Goods, Dead-End Jobs

Shopping has become the most important thing we do to keep America’s $14 trillion economy afloat. It is the retailers, Walmart first among them, who have become the key players in today’s worldwide marketplace. It wasn’t always that way. It used to be that after we built houses and skyscrapers, harvested the crops, and poured the steel, then we shopped. Retail companies stood on the periphery of the economy, while manufacturing and transportation were at the very center, setting job standards for every industry and occupation. Both the government’s regulatory policies and business school scholars encouraged management to provide lifetime careers for

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2 Terry Slaughter, Smithfield employee, personal interview, by Michael Wasser, 6 July 2010
hourly employees. Collective bargaining agreements, which once covered a third of all workers, secured regular wage increases, health and pension benefits, and job security for employees at many of the nation’s leading companies. Those benefits spread to non-union firms throughout the economy: between 1947 and 1973, median family income roughly doubled in the United States.³

Yet the lifetime career model didn’t last. The rightward shift in politics from the Reagan Administration on up to the George W. Bush Administration led to policies that encouraged global free trade at the expense of protections for employees. Manufacturing careers disappeared as production went overseas and cheap goods were imported. Aggressive unionbusting, unfettered by weak labor law and conservative courts, led to dramatic declines in union membership. Consequently, employees failed to reap the benefits of the great increase in productivity resulting from advancements in technology, so living standards for most American families stagnated—with median weekly wages for high school and college graduates even falling over the last decade.⁴

While manufacturing waned, a retail revolution boomed. This once marginalized sector has overtaken manufacturing to become a dominant force within the economy, transforming jobs and career expectations for tens of millions of Americans. Today, the retail sector employs 14.4 million workers, more than in manufacturing (11.7 million), or even hotels and restaurants (11.2 million).⁵ The retail sector is characterized by low wage jobs with few benefits, and chronic violations of employment laws.⁶ The median hourly retail wage is $10.58, which is considerably less than the median in construction ($18.84), manufacturing ($17.09), health care ($15.96), and the median across all sectors ($15.95).⁷ Few retail workers have unions to enable them to raise these wages or maintain any job security. As Beth Shulman observed, “While some [retail workers]...will move up the ladder, most will never move into the middle class.”⁸ So although this retail revolution has brought us cheap goods, it has also generated risk and insecurity for millions of employees.

Walmart, now America’s largest private employer, led this retail revolution that has transformed the American job standard from a lifetime career with health and retirement benefits, to a dead-end job one can lose at the drop of a hat. Any serious discussion around raising job standards in the retail sector, and the broader economy, requires an understanding of what it means to be a Walmart associate.

Walmart: Hourly Jobs for Many, Salaried Careers for Few
Entering her third year with the company, Sandy Carpenter serves as a food department at Walmart’s supercenter in Laurel, Maryland. Charged with ensuring the shelves stay stocked and the customers remain satisfied, Sandy plays an instrumental role in the store’s success. She has developed an interest in retail food marketing, and enjoys the daily challenges of her job: “I like…being given a job and a task and seeing what I can accomplish and how much we can gain from that.”

While Sandy is responsible for supervising several associates, Walmart does not consider her a manager, and she is paid less than the company’s average hourly wage. With a passion for the business, Sandy would like to make a career for herself at Walmart. However, she finds store managers overruling her decisions and undermining her authority with the associates she supervises. She is frustrated with disrespectful treatment by her managers: “They really talk to you as if you were actually their child as opposed to a coworker.” Additionally, Sandy has to contribute a significant percentage of her wages to pay for a health plan with decent coverage, leaving her financially insecure.

Sandy could envision herself having more of a future at Walmart if the company “was more willing to pay you a fair day’s money for a fair day’s work… If they weren’t constantly telling us that we don’t work hard enough, sales were always down, the morale would change. It would be much better.” Without those improvements, however, even a dedicated employee like Sandy is finding it difficult to see a long-term future for herself at Walmart.

Walmart associates may admire their company and want to invest their time and energy into building a career at the store. Yet Walmart doesn’t seem to want that. Turnover at Walmart averages 40 percent, which means more than half a million workers cycle through the company each year. Michael Bergdahl, former head of Walmart’s human resources department, revealed the company’s enthusiasm for turnover: “When an experienced associate leaves the company he or she is replaced by an entry-level associate at a lower wage. Turnover of associates, for this reason, actually appears, from an expense standpoint, to be a competitive advantage.” Walmart’s employment practices still sustain this bait and switch hiring and firing policy.

A recent Walmart ad announces, “Did you know about 75% of Walmart store management team started as hourly associates? Because at Walmart we are about more than just jobs, we are about careers.” Yet the title of the ad, “Hourly Jobs, Salaried Careers,” says it all: Walmart creates careers for only those select few in coveted management positions, while the hourly associates must settle for “jobs.” If you are one of several hundred associates at a typical Walmart Supercenter, the odds of moving into one of the dozen managerial positions (store manager, co-manager, or assistant manager) are awfully slim. And as the Dukes v. Walmart gender discrimination suit revealed, managers at the store were far more likely to be men in recent

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9 Sandy Carpenter, Walmart employee, personal interview, by Michael Wasser, 1 July 2010.
10 Ibid.
11 Coleman Peterson, “Employee Retention: The Secrets Behind Walmart’s Successful Hiring Policies,” in Human Resource Management, Spring 2005, 85, 87-88. The turnover rate at Walmart is likely higher now due to the recent policy of capping wage increases.
years: while women comprised two-thirds of those in hourly paid jobs, they received just one-third of all promotions to management positions.\(^{13}\)

Walmart doesn’t seem interested in creating career opportunities for its hourly associates, many of whom are long-service women. If you invest the time and energy, you could move into a department head position and supervise several people, as Sandy does, but you’re still not in a managerial, career-track position. Department heads only make a few dollars more per hour than brand new associates. And in 2006, Walmart announced that it would be capping the pay rates of associates with higher seniority.\(^{14}\) Their message was clear: don’t hitch your wagon to Walmart.

If you are committed to staying with Walmart in an hourly job, the company doesn’t make it easy. Your schedule is constantly shifting from week to week. The stores follow a computerized scheduling system, which has generated, in the words of a personnel manager, “grief and heartbreak for people” who must manage unpredictable, fluctuating hours.\(^{15}\) Jackie Goebel, a Walmart associate employed at the Kenosha, Wisconsin, store recalled the time when: “We had a blizzard, the schools were closed, therefore the daycares in town were closed. [An associate] had nobody to watch her two-year-old. She was fired. Do you come into Walmart and leave your two year old at home? ...According to Walmart, [the company is] the most important thing in your life.”\(^{16}\)

Even if you can stomach the fluctuating hours and limited opportunity for advancement, you may not be able to afford a longtime tenure at Walmart since the company has shifted much of the costs of health care onto associates. The company now offers an insurance plan with a premium of only $27 per pay period for family coverage, yet the deductible is $4400 per year, and an out-of-pocket maximum of $10,000.\(^{17}\) This means that an associate would have to spend $5,102 of their own money before the company’s insurance paid for health care. With these unaffordable options, it’s no surprise that nearly half of its associates are not signed up for any of the Walmart health care plans.\(^{18}\)

A significant number of Walmart associates are on the Medicaid rolls. In 2009, Walmart had the greatest number of employees and dependents on Ohio’s plan, and 41 percent of the company’s workforce in Massachusetts used publicly-subsidized healthcare.\(^{19}\) As former CEO Lee Scott

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noted, these public plans “may actually be a better value - with relatively high income limits to qualify, and low premiums.” With the passage of health care reform and expansion of employees eligible for Medicaid, taxpayers are likely to foot health care bills for even more Walmart associates.

In addition to the high costs of health care, associates we interviewed noted the excessive workload at the stores where they worked. According to Fernando, who works at the supercenter in La Quinta, California, one associate is currently responsible for completing the tasks previously performed by multiple associates. Fernando witnesses the mounting workload, and the pressure of discipline and termination, take a physical and emotional toll on the associates at his store: “You can see it on the people when you speak to them. Every day it is getting worse.”

Walmart associates could address these problems at the company if they had a collective voice and venue to demand better job standards. Yet Walmart has fiercely resisted attempts by associates in the United States to form unions. Human Rights Watch documented how the company “employs a sophisticated and determined strategy to prevent union activity at its U.S. stores and, when that strategy fails, quashes organizing wherever it starts.” According to research by American Rights at Work, the National Labor Relations Board lodged 94 complaints against the company between 1998 and 2003, including 41 charges of illegally firing associates for their support of a union and 59 charges of surveillance of union activity. These aggressive tactics have kept Walmart’s entire U.S. operation union-free.

The characteristics of Walmart’s jobs, with low pay and inadequate benefits, little prospects for advancement, and high turnover, are now the norm for the retail sector. Yet if Walmart is behind the dominance of the retail sector’s poor job standards, it can also drive the transformation of those jobs into careers. After all, it’s happened before.

Why Terry Has a Career (and Why Sandy Could Too)

In 2005, H. Lee Scott, Walmart's then CEO, defended his company’s low pay: “Retail sector wages have been about 25 percent lower than economy-wide wages for the last 15 years.” He claimed that this was inevitable since the retail industry is labor intensive. But Scott and other defenders of Walmart's tradition of low pay have got their history all wrong. The American economy is dynamic: neither an industry nor an occupation is consigned to a fixed status. Just ask Sam Walton, who revolutionized the shopping experience and moved discount stores from

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20 Transcript Lee Scott Speech, 4 May 2005.
21 Goebel, Carpenter,
22 Last name withheld.
23 Fernando [last name withheld], Walmart employee, personal interview, by Michael Wasser, 30 June 2010.
the margins to the center of the retail economy. Likewise, dozens of occupations and trades, once considered pitiable and even shameful, have been transformed into dignified careers, providing workers with solid, middle-class incomes.

Terry Slaughter witnessed a significant improvement in job standards at his Smithfield Foods plant in Tar Heel, North Carolina. While Terry can now envision a long-term future with the company, given the economic security afforded by his pay and benefits and the opportunities for advancement, that wasn’t always the case. He and his coworkers organized with the United Food and Commercial Workers (UFCW) and raised their job standards through collective bargaining. Since securing a contract last year, Terry observed, “You can feel the atmosphere changed. There is more confidence. There is more dignity. There is more respect…At one point you wouldn’t want your children to work here. Now that it is unionized, it is awesome!”

While the Smithfield workers improved their jobs in one plant, workers throughout history have transformed entire occupations and industries. Longshore work on the docks and ships of San Francisco and New York was once synonymous with crime, alcoholism, and temporary work. "Skid Row" was the term that described the dock-side streets on which logs and other merchandise were literally skidded to and from the ships. Corrupt hiring foremen controlled the morning shake-up, a system that decided who could work on any given day. Workers earned low wages, toiled in deplorable conditions, and were subjected to arbitrary discipline by foremen. In 1934, the West Coast longshore workers formed what is now called the International Longshore and Warehouse Union (ILWU), and transformed their jobs from the lowest rungs of work to a prime occupation.

Through collective bargaining, working conditions were improved, and a fair disciplinary process was established. Wages were significantly raised, and a union-run hiring hall assured regular, full-time work through a fair selection process. In 1960, ILWU members agreed to allow employers to mechanize the ports in exchange for protections from layoffs and reductions in pay, and improvements in benefits. Longshore workers have clearly shared in profits from the industry’s gains in productivity, as they continue to rank among the highest paid hourly occupations.

Teaching is another occupation that has been lifted from a job into a career. Teaching used to be a temporary job for a woman before getting married. Yet during the second half of the 19th century, reformers of the nation’s large urban schools created a meritocratic process for hiring teachers, and raised the educational and training requirements that ultimately led to the professionalization of the occupation. These new education systems provided more opportunities

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27 Ibid.
29 Ibid.
for all teachers to build strong social and professional networks to develop their careers, although women were still largely excluded from the top echelons of the bureaucracies. Establishing requirements for teachers to obtain practical experience in the classroom provided opportunities for classroom veterans to mentor entry-level newcomers. And by the 1960s, teachers’ unions negotiated contracts that increased salaries and enhanced opportunities for professional advancement.

**A Paid Holiday after 27 Years**

Janitors are a more recent example of a dramatic transformation of an occupation. Until very recently, janitors cleaning office buildings worked for little pay, few (if any) benefits, and no job security. Custodial companies provided janitors with a work schedule that allowed for only part-time hours. Just a few years ago in Houston, Texas, janitors worked only four minimum wage hours per night, leaving many with an income of just $20 per day. Employers refused to provide the janitors with even the most basic of benefits such as vacation days and paid holidays. And there was no job security. Janitors lived with the reality that one wrong move – whether it was their fault or not – could lead to punishment or dismissal.

Of course, there’s nothing inevitable about these poor job standards. Starting in the late 1980s and continuing into present day, janitors in several cities sought to improve their jobs through the Service Employees International Union’s Justice for Janitors campaign. In Houston, janitors amassed the support of their community to compel cleaning firms to negotiate a union contract, through which they won more hours, wage increases that now have them earning nearly $8 an hour, job security, and paid vacation. One janitor returning to work following a New Years Day holiday noted that it was his first paid day off in 27 years.

**Hourly Careers: A Win-Win Model for Walmart and its Associates**

If Walmart created real career opportunities for its associates, the move would have a profound impact on their lives. It also makes good business sense, as the model of churning through millions of employees comes with high training costs. It can cost as much as $3,000 to train an hourly retail employee, which could add up to $2 billion per year for Walmart to train its continuous cycle of new associates.

Costco exemplifies a company that profits from a higher road employment model. When Business Week compared Costco with its direct competitor, Walmart’s Sam’s Club, it found that while Costco’s compensation exceeded that of Sam’s Club, its profits per employee were higher, and labor and overhead costs as a percentage of sales were lower (likely a result of its

33 Ibid.
36 Ibid.
significantly lower rate of turnover). Though only 16 percent of Costco employees enjoy union representation, their collective bargaining efforts have raised standards company-wide. In assessing their employment standards, Costco CEO Jim Sinegal told The New York Times: “This is not altruistic. This is good business.” Indeed, it is. Costco earns a $1 billion dollar profit each year, its stock price has quadrupled during the last decade, and a Consumer Reports survey of shoppers just rated it “America’s Top Store.”

Conclusion
Walmart led this retail revolution. Virtually every innovation and sales stratagem pioneered by the company has been adopted, perfected, and deployed by its competitors. But for a company that prides itself on being a leader and innovator, it claims to merely follow market forces when it comes to employment practices. Yet Walmart CEO Michael Duke recently pledged to “expand our commitment to providing even more career opportunities to associates.” So now is the time for Walmart to step up and embrace the principle that many enlightened companies espouse: reward your employees with fairness, good compensation, and opportunities for advancement, and they will reward you back with longevity, loyalty, and hard work.

Walmart has the ability to create careers for its 1.4 million associates. It’s happened before for dominant corporations or industries to radically change their business practices, often when they are prodded by workers, their unions, community allies, conscientious consumers, and elected officials. As Sam Walton himself once put it, “constant change is a vital part of the Walmart culture itself. In fact one of the greatest strengths of Walmart’s ingrained culture is its ability to drop everything and turn on a dime.”

If Walmart led a new retail revolution, creating millions of career opportunities out of what are now insecure, low-paying dead-end jobs, imagine what that would mean for our country. Hourly careers could become the norm, just as they were when manufacturing companies defined job standards, with sustainable wages and benefits, predictable hours that allow for work/family balance, and fair opportunities to advance based on longevity and training.

It is time to begin a dialogue about what is possible for Walmart jobs and for our economy as a whole. As history informs us, there is nothing inevitable about our current situation.

Recommendations
As the leader of the retail sector, Walmart must drive the transformation of job standards by creating career opportunities for all of its associates and:

- Implement a wage ladder that rewards the time associates invest in the company and the skills and experiences they bring to their jobs;
- Create more hourly positions that involve higher level responsibilities, higher pay, and provide training to associates interested in such positions;

40 Lichtenstein, 2009, p. 336
41 “America’s Top Stores,” Consumer Reports, July 2010.
- Give workers more predictability in their scheduled hours, and more flexibility to meet their care-giving responsibilities at home;
- Offer health care plans with affordable premiums and deductibles;
- Abide by federal and state wage and hour laws, and pay for every hour worked;
- Respect federal labor law and allow workers to freely form unions and collectively bargain without interference by management; and
- Ensure women and people of color have equal opportunities for pay and promotions.

While we can call on Walmart to create hourly careers, we understand that the company isn’t likely to transform its job standards on its own, as Terry Slaughter, Houston janitors, and West Coast longshore workers know all too well. We call on Walmart associates to seize the moment in this retail revolution and take control of their jobs without Walmart management involvement. Whether by forming unions or engaging in other collective activities, associates can push for more career opportunities and better job standards. They will also need the backing of our elected officials. Congress must pass the Employee Free Choice Act to strengthen protections for workers seeking to form unions without fear of reprisal. Federal and state governments must step up enforcement of wage and hour laws at Walmart and in the retail sector as a whole. And as with the janitors who raised their job standards, it will take community leaders and consumers to support Walmart associates and demand change.

Forming unions and speaking out isn’t about declaring war on Walmart, it’s about demonstrating that you are committed to staying with the company and making it a better place to shop and a better place to work.