

BLOOMBERG: Wal-Mart Plans to End Extra Pay for Sunday Shifts

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Matthew Boyle Dec 08, 2010 4:08 pm ET

(Updates share price in fifteenth paragraph.)

Dec. 8 (Bloomberg) -- Wal-Mart Stores Inc., the largest private employer in the U.S., plans to stop paying staff there an additional \$1 an hour for working Sundays, taking a bite out of its single biggest expense.

The move, which takes effect next year, applies only to employees hired after Jan. 1, spokesman Greg Rossiter said in an interview yesterday. The move wouldn't affect the Bentonville, Arkansas-based retailer's 1.4 million current U.S. staff.

Since taking over almost two years ago, Chief Executive Officer Mike Duke has pledged to slow cost growth as the retailer copes with six straight quarters of sales declines at U.S. stores open at least a year. Operating expenses rose to about \$80 billion last year, partly because of health benefits.

"It's sad -- people who work on Sunday need that extra dollar," Cynthia Murray, a Wal-Mart employee at a supercenter in Laurel, Maryland, said in an interview. Murray said she makes \$11.20 an hour, and doesn't work Sundays.

The move won't apply to employees based in Rhode Island and Massachusetts. Those workers weren't eligible for the \$1 extra pay because they get 1.5 times their hourly rate for Sunday work under state employment laws, Rossiter said. The retailer has 49 stores in Massachusetts and 10 in Rhode Island as of this month, according to its website. The change will take effect at Wal-Mart stores, Sam's Club outlets and distribution centers.

"We regularly review our compensation programs and we are confident Wal-Mart's pay and benefits are as good if not better than other retailers," Rossiter said. He declined to say how much the company would save from the switch, nor would he disclose the number of employees who work on Sundays.

Changed Reality

Wal-Mart's move reflects a change in workplace reality, said Craig Rowley, a vice president of the retail practice at the consulting firm Hay Group in Dallas. According to an annual survey conducted by Hay, only 20 percent of retailers still offer any sort of Sunday premium, Rowley said in an interview today.

"It's a declining practice," he said. "When retailers first started opening their stores on Sundays, it was common to have the premium because they were asking employees to do something they never had to do before. But today, working retail requires that you work

weekends -- it's part of the job.”

The average retailer has a 60 percent employee turnover rate, meaning it would need to replace that percentage of its workforce over the course of a year, according to Rowley. That compares with as much as 90 percent before the economic slump, he said.

‘Wage Cut’

Wal-Mart’s move represents a blow to hourly workers, said Dorian Warren, an assistant professor of international and public affairs at Columbia University who studies labor relations.

“It amounts to a huge wage cut,” said Warren. “Wal-Mart has been underperforming financially relative to its competitors and needs to find quick ways to shore up profits.”

The retailer has also switched to making incentive payments to hourly employees on a quarterly basis instead of an annual one, and plans to increase the dollar amount in the bonus pool, Rossiter said. The company’s headcount in the U.S. has stayed stable at about 1.4 million since January 2008, according to regulatory filings.

Store labor is Wal-Mart’s biggest cost, U.S. stores chief Bill Simon said in November. A month before that, Wal-Mart said it plans to end profit-sharing contributions next year, replacing them with matches to employee 401(k) retirement plans to bring down benefits costs. Some money saved from the switch will go toward bonuses for store employees, the company said.

‘Obsessive’

“The company is obsessive about labor costs, not just to save money in the coming quarter but to encourage turnover, which also keeps wages low,” Nelson Lichtenstein, a professor at the University of California, Santa Barbara, said in an e-mail message. Lichtenstein wrote “The Retail Revolution: How Wal-Mart Created a Brave New World of Business.”

Wal-Mart fell 30 cents to \$54.49 at 4:00 p.m. in New York Stock Exchange composite trading. The stock has gained 1.9 percent this year, compared with a 10.1 percent increase in the Standard & Poor’s 500 Index.

The retailer’s labor practices are in the spotlight this month as the U.S. Supreme Court on Dec. 6 agreed to decide whether Wal-Mart must face a gender-bias suit on behalf of potentially 1 million of its workers. Wal-Mart is accused in a 2001 lawsuit of paying women less than men for the same jobs and giving female workers fewer promotions.

The justices said they would review a San Francisco federal appeals court decision that the case could proceed as a class action on behalf of women who worked at Wal-Mart since that time. Wal-Mart contends the claims of female workers around the country are

too diverse to proceed as a single case under the rules that govern federal lawsuits.

The justices will hear arguments early next year, most likely in March or April, and probably rule by July.

--Editors: Julie Alnwick, Robin Ajello