

# WAGES IN THE RETAIL INDUSTRY:

GETTING THE FACTS STRAIGHT

**NRF** FOUNDATION®  
SHAPING RETAIL'S FUTURE

# RETAIL INDUSTRY WAGES:

## GETTING THE FACTS STRAIGHT

A new study by University of Georgia economist Jeffrey H. Dorfman, and released by the NRF Foundation, indicates that careers in the retail industry are financially rewarding and that employees who decide to make full-time careers in retail can rise rapidly from entry-level positions into well-paying management and executive positions. Professor Dorfman's study also sheds light on government statistics that are frequently interpreted to portray a misleading view of retail jobs and the opportunities they provide to millions of Americans.

### ADJUSTING EXISTING GOVERNMENT DATA

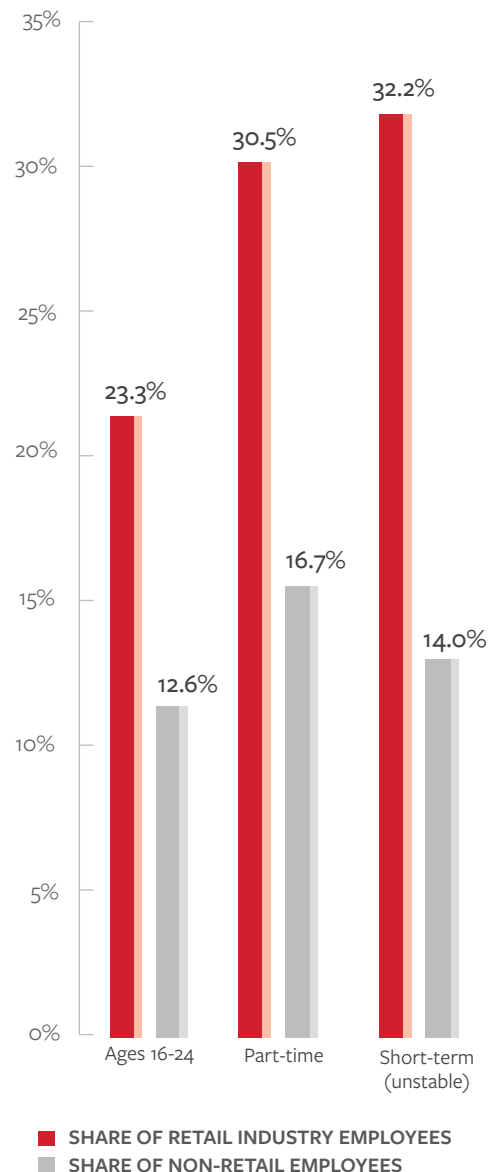
Professor Dorfman's analysis also suggests that government data on pay for retail workers is skewed significantly downward because it includes a disproportionate share of part-time, temporary and young, inexperienced workers who are not as common in other industries. The variety in employment status in retail results from a combination of the industry's need to cover evening and weekend hours and seasonal peaks, and scheduling flexibility sought by workers such as teens or college students, second-income spouses, and others who don't want a full-time or permanent job.

When those workers are excluded from the data, to create an "apples-to-apples" comparison, retail wages are clearly competitive with other industries and, in some cases, significantly higher.

## EXECUTIVE SUMMARY

### FIGURE ONE

RETAIL INDUSTRY EMPLOYEES VS. NON-RETAIL INDUSTRY EMPLOYEES

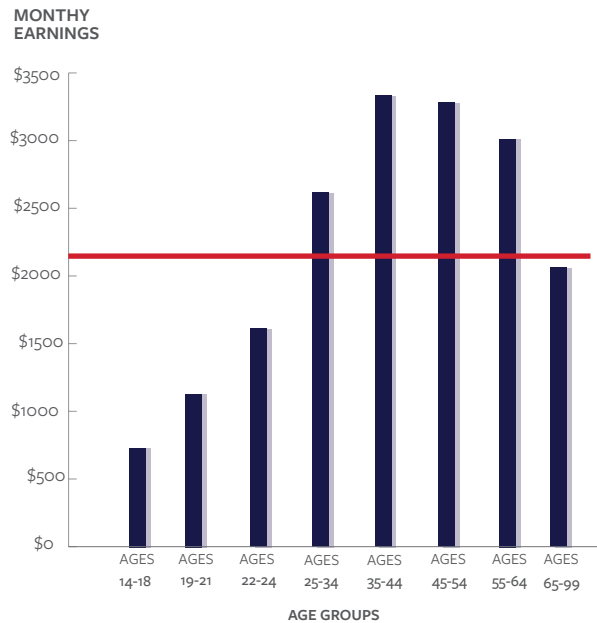


## KEY FINDINGS

### Among the study's most important conclusions:

- **Retail jobs pay wages highly competitive with other sectors:** Retail workers with similar levels of job skills and experience earn wages comparable to employees in other sectors including manufacturing, transportation, health care, and accommodations and food service. Stable retail workers (defined as working all three months in a calendar quarter at a company) earn an average of \$2,582 per month compared to \$2,667 for workers in selected non-retail industries. Excluding part-time, seasonal, and younger workers in order to make a fairer comparison, retail would fare even better.
- **Experienced retail workers earn more than their peers in other industries:** Full-time retail workers between 25 and 54 make an average of \$3,198 per month, slightly higher than the \$3,164 earned by non-retail workers. Compared to other industries, retail has a higher percentage of workers age 35-54 who make between \$4,000 and \$6,000 per month.
- **Retail provides long-term earning potential:** Case studies go beyond the numbers to demonstrate that retail careers can offer a pathway to a middle-class life for millions of Americans. At Walmart, since 2006, associates with at least one year at the company have seen their pay increase by more than 16 percent (or 2 percent per year) while national median earnings have been nearly stagnant during that same period. One Lowe's employee cited started as a loader for \$10,000 per year in the late 70s, and now makes close to \$175,000 as a market director. Another employee of Lowe's began as a customer service associate at \$15,000 a year in 1989, and is now a senior vice president making \$350,000. Macy's also has a strong track record of promoting from within, with 74 percent of storewide, district and regional positions filled internally.

**FIGURE FIVE**  
AVERAGE RETAIL EARNINGS VS. AVERAGE MONTHLY EARNINGS FOR STABLE WORKERS BY AGE



Source: Author's calculations from the LEHD, 2012 data.

- **Retail offers millions of Americans the chance to earn income while pursuing a degree or acquire valuable job skills** because of the seasonal nature of retail and the prevalence of temporary and part-time work. Fully 32 percent of retail workers are temporary (defined as working less than three months at a company), 31 percent are part-time and 23 percent are under the age of 25 – which is a far higher mix of young, temporary, part-time workers than found in other industries.

## METHODOLOGY

In conducting this study, for University of Georgia economist Jeffrey H. Dorfman examined 13 categories of the retail industry and 37 categories of comparable industries based on codes under the North American Industry Classification System. The study also drew on a number of reports from the U.S. Bureau of Labor Statistics and the U.S. Census Bureau.

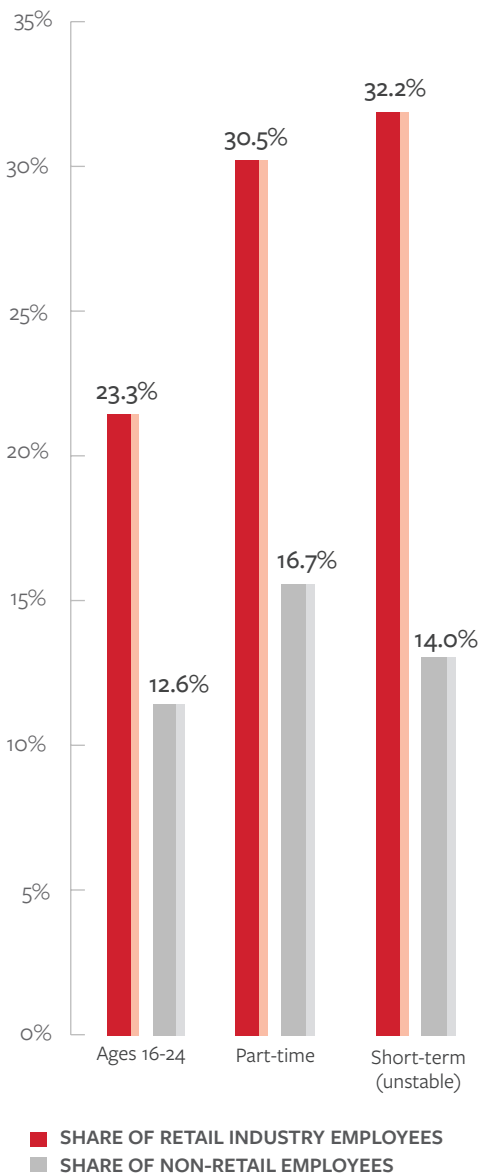
# RETAIL INDUSTRY WAGES:

# REPORT

## GETTING THE FACTS STRAIGHT

### FIGURE ONE

#### RETAIL INDUSTRY EMPLOYEES VS. NON-RETAIL INDUSTRY EMPLOYEES



A career path from hourly associate to manager, or even to CEO is not rare in the retail industry. People who make careers in retail, who are stable, reliable employees are generally promoted quite rapidly and see their wages rise through the course of their careers. Though to fully understand the facts about retail industry wages as a whole, one needs to examine and understand the makeup of the retail workforce.

Retail is the largest private sector employer in the United States with total employment of over 15 million people. The retail industry contains an incredible breadth of companies, from multinational category retailers and national department store chains, to local, single-unit specialty retailers, and e-commerce companies with no or few brick & mortar retail locations. Retail employs 17.8 percent of total part-time workers in the United States and 22.7 percent of working teenagers. Thus, any average or summary measures of all employees in the industry would miss much of the actual variation and vitality in this driver of the economy.

This report will explain that once retail employee wages are examined by type of worker, employees who make a career in the retail industry – defined as those who are over the age of 24, work full-time hours, and have been at a company for more than three consecutive months - earn wages that are not only competitive with other industries, but they can place workers solidly into the middle class or above.

Within the retail industry<sup>1</sup> jobs are commonly viewed as being salaried or hourly, rather than full-time or part-time. Hours often fluctuate among hourly employees, according to employee willingness to work available hours and the retailer's business needs. Retail jobs are often prized for this flexibility in work hours which enable more effective hourly employees to gain access to additional hours and thus advance within retail, as these successful employees are often recruited to the full-time and salaried positions within their store.

Retail wages as an average of the whole are indeed below national averages for most other industries, however this is largely due to the differential in the number of young, part-time, and short-term

employees in retail businesses<sup>2</sup>. When wages are examined for older, full-time and stable employees, the wage gap narrows and average wages for this type of employee are significantly higher.

This report begins with definitions of terms and basic cross-industry comparisons. It then presents a sampling of wages for a selection of more specific types of retail establishments and compares those to a selection of non-retail industry sectors that likely attract the same prospective employees. Wage distributions are also examined by age. This reveals that people who make a career in the retail sector can actually earn considerably above-average wages when compared to the selected comparison sectors. It is important to make

these distinctions because, as shown in Figure 1, the retail industry has far more part-time, young, and short-term employees than most other industries.

**RETAIL IS THE LARGEST PRIVATE SECTOR EMPLOYER IN THE UNITED STATES WITH TOTAL EMPLOYMENT OF OVER 15 MILLION PEOPLE.**

## CROSS-INDUSTRY COMPARISONS: THE BIG PICTURE

All data comes from either the U.S. Bureau of Labor Statistics (BLS), mostly from their Quarterly Census of Employment and Wages (QCEW), or the Longitudinal Employer Household Dynamics (LEHD) dataset of the Census Bureau. Industry-specific figures are generally by

NAICS codes. NAICS stands for North American Industry Classification System and is a series of digits that can be used to describe increasingly specific industries depending on the number of digits. Two-digit codes are broad (retail is 44-45), three-digit codes get somewhat specific (442 is furniture and home furnishing stores), and four-digit codes are more precise (4532 is for office supplies, stationery, and gift stores).

**TABLE ONE** BENCHMARK COMPARISON OF ALL EMPLOYEE HOURLY WAGES & HOURS WORKED

Industry/Group	HOURLY WAGE	WEEKLY HOURS
All private	\$24.30	34.4
Information	\$33.66	36.9
Financial activities	\$30.50	37.0
Professional and business services	\$29.07	36.1
Good producing	\$25.59	40.4
Manufacturing	\$24.75	40.9
Educational and health services	\$24.68	32.7
service producing	\$23.99	33.2
Trade, transportation, utilities	\$20.97	34.5
Retail trade	\$16.47	31.3
Leisure and hospitality	\$13.85	25.8

\* Data from the Bureau of Labor Statistics for December 2013.

Table 1 displays averages for hourly wage rates and hours worked per week for several large, aggregated industry categories. The statistics are based on all workers, all ages, part- and full-time, stable and non-stable.

According to Table 1, retail has the second lowest average hourly wage of the large industry categories listed; however, retail also has the second lowest hours worked per week. Retail has lower average hours worked because it has more part-time workers than most industries, owing to the business necessity for varying staffing levels to accommodate for customer traffic which peaks for short periods of time. The timing of these peaks makes retail jobs attractive to younger employees, often students, who can

<sup>2</sup> The government defines stable workers as people who worked for one establishment for at least one hour during each month in a calendar quarter; this will exclude many seasonal workers as well as workers who quit or are otherwise separated within a few months of being hired (meaning they quit voluntarily, were let go, or were hired for only a temporary period of time).

help meet that customer demand after school or on weekends. The retail industry has more than twice the number of young workers than the national average (roughly 30 percent versus 14 percent for workers under 25 years old) and 58 percent of these young workers are part-time employees. This is important because in any industry part-time workers make significantly less than full-time workers, even when both perform the same job. A 2007 study<sup>3</sup> by the Bureau of Labor Statistics found that the average full-time worker in a private business made \$20.46 per hour while a part-time worker only earned \$11.02. Therefore, the impact of part-time workers must be accounted for when comparing retail industry wages to other industries.

Using less aggregated BLS data on full-time<sup>4</sup> and part-time<sup>5</sup> workers, we find that for retail sales employees (including the government defined categories of cashiers, counter clerks, and parts and retail salespersons), based on December 2006 – January 2008 data, the median full-time employee made \$10.74 versus \$8.00 per hour for the median part-time retail sales worker (these would be \$12.16 and \$9.06 per hour in today's dollars). That implies a 34 percent wage premium for full-time workers in the identical job classification (and an annual wage of \$25,293). This disparity in wages can be attributed to the differences in skills, product knowledge and leadership roles that are more easily acquired when someone works a full-time position.

A similar premium appears to exist for stable versus transitory employees. For government statistical purposes, an employee who is paid at least some positive amount for all three months in a calendar quarter is considered a stable employee. Certainly all businesses hope for stable employees, particularly by the very-low standard definition the government uses. Clearly a few long-time employees who leave employment in the middle of a quarter will fall into the unstable category that last quarter of employment, but on the whole the stable employee definition allows us to separate out very short-term employees who do not stay in a job long enough to earn pay rates beyond the lowest entry level.

Focusing on the retail sector, and using data from the third quarter<sup>6</sup> of 2012 from the LEHD, we find that retail employees overall had average monthly earnings of \$2,104 (\$25,248 per year). This matches up closely with the average hourly wage and weekly hours worked from Table 1. If we compute the same result for only stable employees, average monthly earnings jump to \$2,404 (\$28,848 per year). Non-stable employees, who make up one-third of all retail employees, in

**THUS, AMONG ALL  
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EMPLOYEES.**

3 Table 2 of Bureau of Labor Statistics, National Compensation Survey, 2008. Available online at <http://www.bls.gov/ncs/ocs/sp/nctbo299.pdf>. This is not a regular report, so newer data was not available.

4 Table 19 of Bureau of Labor Statistics, National Compensation Survey, 2008. Available online at <http://www.bls.gov/ncs/ocs/sp/nctbo316.pdf>

5 Table 20 of Bureau of Labor Statistics, National Compensation Survey, 2008. Available online at <http://www.bls.gov/ncs/ocs/sp/nctbo317.pdf>

6 Data from the third quarter was chosen to avoid issues with the fourth quarter including the holiday shopping season. Third quarter data from 2013 was not yet available.

contrast, have average monthly earnings of only \$1,193 (\$14,316 per year). Thus, among all retail employees, stable employees make almost exactly twice as much per month as non-stable employees. This is due to both an hourly pay differential and a difference in the number of hours worked per month.

A further adjustment can be made for age. Retail employs a large number of young people with little work experience; employees 24 years old or younger make up 29.9 percent of all retail employees (roughly double the approximately 14 percent of the total workforce that is 24 or younger). The LEHD data allows us to separate employees into age categories. When we do, we find an additional increase in pay among older workers. **In fact, stable employees between 35 and 64 years old have average monthly earnings of \$3,004 across the retail industry (about \$36,000 per year).** This number still includes part-time workers so the average hourly wage is

higher than it might look from that number, but certainly we are looking at a figure that is by no means what critics might call a “low wage.”

This first section provided some insight into why average wages in the retail industry look to be low in comparison to other industries. Retail employers have more part-time workers than most other sectors, more short-term employees, and a younger workforce. **We have seen how average earnings rise as we narrow the statistical focus to more stable, older workers who are more likely to be making a career in the retail industry.** Now we will move to a direct comparison of some specific retail categories with other industries outside of retail.

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## RETAIL VERSUS NON-RETAIL:

### THE PAY GAP NARROWS WHEN THE WORKERS ARE SIMILAR

We collected monthly earning information from the LEHD on thirteen specific retail sectors and thirty-four non-retail sectors, all at the four-digit NAICS code level. Table 2 lists the industry sectors for reference. The goal was to provide a comparison of earnings between retail and non-retail businesses that likely had similar levels of job requirements.

This data shows a more comprehensive picture of the distribution of earnings within retail and allows for an attempt at a fair comparison of earnings between retail and non-retail industries. First, if the overall averages are computed for stable employees of all ages using 2012 data, we find that there is almost perfect equality. The thirteen included retail sectors have stable employees with average monthly earnings of \$2,582 per month (\$30,984 per year) while the thirty-four non-retail industries have average monthly earnings for their stable employees of \$2,667 per month (\$32,004 per year). This is a small difference of \$85 per month even before accounting for any differences in part-time employees (which this data does not specify) or differences in age profiles (which can be done).

Table 3 shows both these overall average earnings for the retail and non-retail sectors studied and the average earnings for stable employees in separate age brackets. The table reveals that while the averages are very close for all ages together, once the data is broken down into age categories we see some differences. In particular, the retail industry wages are lower for the younger and oldest workers (below age 25 and over age 55) and are higher for those in the middle (ages 25-54).

**PART-TIME WORKERS ARE CONCENTRATED IN THE YOUNGER AND OLDER AGE CATEGORIES SINCE MANY STUDENTS AND SEMI-RETIRED WORKERS ARE ATTRACTED TO THIS SCHEDULE.**

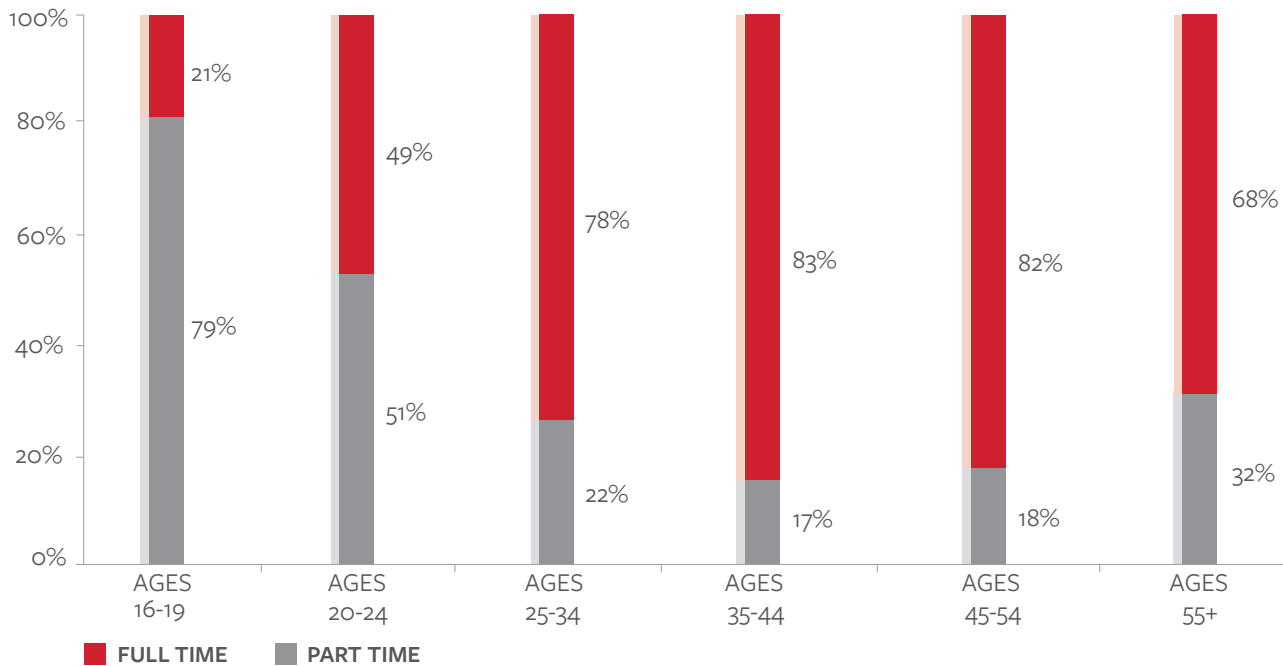
**TABLE THREE** MONTHLY EARNINGS OF STABLE EMPLOYEES BY AGE GROUP

GROUP	RETAIL	NON-RETAIL
All ages	\$2,584.44	\$2,666.81
14-16	\$742.49	\$1,067.67
19-21	\$1,107.91	\$1,276.99
22-24	\$1,559.72	\$1,730.84
25-34	\$2,466.05	\$2,415.85
35-44	\$3,181.33	\$3,014.71
45-54	\$3,198.21	\$3,163.80
55-64	\$2,858.53	\$3,069.05
65-99	\$2,082.34	\$2,370.89

\* data from the Census, LEHD for 2012 Q3, average monthly earnings for stable employees for the sectors listed in Table 2.

This is a result of part-time workers, particularly that the youngest and oldest age groups contain more workers working not just part-time but working only a small number of hours per week. Part-time workers are concentrated in the younger and older age categories since many students and semi-retired workers are attracted to this schedule. Retail employers rely on part-time workers more than non-retail firms because of the need to match staffing to customer demand which varies greatly over the course of a week. This means that part-time workers are not spread evenly across age ranges among retail workers, as shown in Figure 2.

**FIGURE TWO** PERCENT PART-TIME AND FULL-TIME RETAIL WORKERS BY AGE





**TABLE**  
**TWO**

**SELECTED SECTORS FOR COMPARISON OF STABLE EMPLOYEE MONTHLY EARNINGS**

NAICS	RETAIL STORES	NAICS	NON-RETAIL-SECTORS
4421	Furniture Stores	3132	Fabric Mills
4431	Electronics and Appliance Stores	3151	Apparel Knitting Mills
4441	Building Material & Supply Dealers	3361	Motor Vehicle Manufacturing
4451	Grocery Stores	4245	Farm Product Raw Material
4461	Health and Personal Care Stores	4853	Taxi and Limousine Service
4481	Clothing Stores	4855	Charter Bus Industry
4483	Jewelry, Luggage, and Leather Goods Stores	4911	Postal service
4511	Sporting Goods, Hobby, and Local Delivery	4922	Local Messengers and Local Delivery
4512	Book, Periodical, and Music Stores	5121	Motion Picture and Video Industries
4521	Department Stores	5221	Depository Credit Intermediation
4532	Office Supplies, Stationery, and Gift Stores	5311	Lessors of Real Estate
4541	Electronic Shopping and Mail-Order Houses	5321	Automotive Equipment Rental and Leasing
4543	Direct Selling Establishments	5414	Specialized Design Services
		5419	Market research, Photography, Translation, and Vet Services
		5611	Office Administrative Services
		5613	Employment Services
		5616	Investigation and Security Services
		5617	Services to Buildings and Dwellings
		6112	Junior Colleges
		6116	Art, Sport, Language, and Test Prep Schools
		6231	Nursing Care Facilities
		6244	Child Day Care Services
		7121	Museums, Historical Sites, and Similar Institutions
		7131	Amusement, Gambling, and Recreation Industries
		7132	Gambling Industries
		7211	Traveler Accommodation
		7223	Special Food Services
		7224	Drinking Places
		8111	Automotive Repair and Maintenance
		8114	Personal and Household Goods Repair and Maintenance
		8121	Personal Care Services
		8129	Pet Care, Photofinishing, Parking, and Other Personal Services
		8131	Religious Organizations
		8134	Civic and Social Organizations

In the “prime working years” of 25-54 when people are more likely to be pursuing careers, the selected retail sectors shown in Table 2 actually have higher average monthly earnings for stable employees than the equivalent groups of workers in the selected non-retail sectors. This seems to be further evidence that for stable employees working equivalent hours, retail wages are competitive with what employers in alternative industries are offering. **The myth of low retail wages comes from a lack of adjustment for the high percentage of younger, temporary, and part-time workers.**

## THE MYTH OF LOW RETAIL WAGES COMES FROM A LACK OF ADJUSTMENT FOR THE HIGH PERCENTAGE OF YOUNGER, TEMPORARY, AND PART-TIME WORKERS.

Figure 3 displays the distribution of average monthly earnings across these selected sectors to provide a visual way to absorb this data. Focusing just on the 35-44 and 45-54 age categories in the prime earning years as well as showing the distribution for all ages, **we see that the distributions of earnings for the selected retail and non-retail industries are not enormously different.** The non-retail industries seem to

have a somewhat larger percentage of higher earners in the \$4,000-\$5,000 per month range (\$48,000-60,000 on an annual basis) in the all-age figure while retail has more people in the \$3,000-\$4,000 per month range (\$36,000-48,000 annually) that non-retail industries seem to be missing.

### FIGURE THREE

DISTRIBUTION OF AVERAGE MONTHLY EARNINGS FOR STABLE WORKERS ACROSS INDUSTRY GROUPS

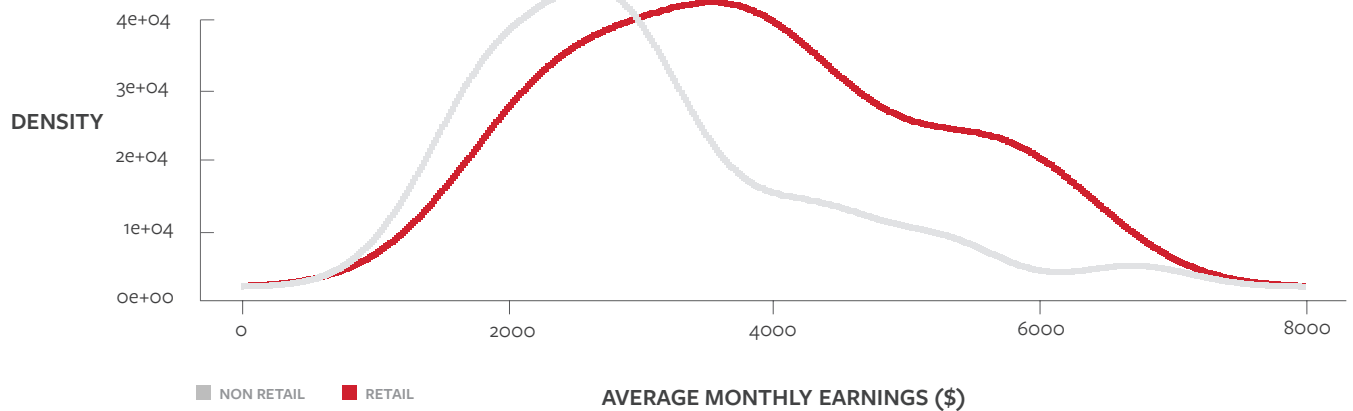
#### A. ALL AGE WORKERS



## B. AGE 35-44 WORKERS



## C. AGE 45-54 WORKERS



The age ranges singled out in Figure 3 are important because they represent prime earning years. In numbers, the 35-44 category holds 16.9 percent of all retail workers and 20.8 percent of the non-retail workers in the sectors listed in Table 2. The 45-54 age group has 19.1 percent of the retail workers and 22.4 percent of the non-retail employees.

However, once we focus in on the 35-44 and 45-54 age groups, we see that based on the selected sectors studied with 2012 data from the LEHD the retail sectors have more earners in the \$4,000-\$6,000 per month range (\$48,000-72,000 annual) and only lack slightly in the 45-54 age group among the even higher earners in the \$6,000-\$8,000 per month (\$72,000-96,000 annual). It is clear that retail employers do not have

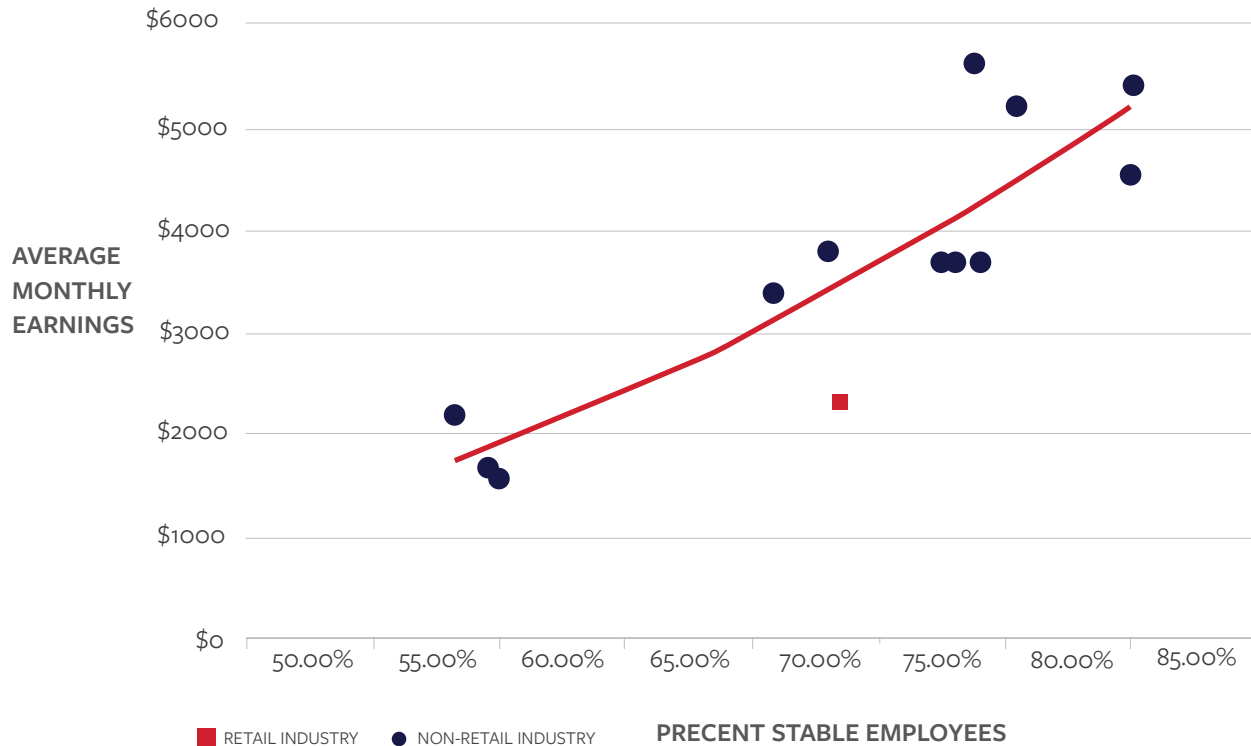
a higher percentage of low earning workers than the other sectors to which we have compared them.

Another way to consider the position of retail earnings compared to other industries is to look at the average earnings of stable employees versus the percent of stable employees. It turns out that when large industries are examined, there is a clear correlation between average earnings of stable employees and the share of the workforce that falls into that category.

We collected data from the LEHD on the following major industries: manufacturing, retail, transportation, information, finance, professional services, educational services, health care, arts and entertainment, and accommodations and food

**FIGURE  
FOUR**

**AVERAGE STABLE EMPLOYEE EARNINGS BY PERCENT STABLE EMPLOYEES**



services. The relationship between the average earnings of stable employees in each of these major economic industries to the share of stable employees in each sector is shown below in Figure 4.

In Figure 4, the retail industry is distinguished by the large red square and seems to be generally in line with other industries (shown as blue diamonds) in terms of falling along a line that goes from bottom left to top right showing that industries with more stable employees pay their stable

employees more. While not displayed, the same pattern also holds for non-stable employees. In industries with fewer non-stable employees even those non-stable employees are paid more. These pay features likely result both from the job requirements in different industries (jobs with higher requirements are more likely to be filled on a longer-term, more stable basis) and from the expenses of employee turnover in the different industries.

## RETAIL EARNINGS VARY BY AGE AND STABILITY

Given that only 68 percent of retail employees are stable (meaning they worked all three months in a calendar quarter), it seems important to further explore the ratio of earnings between stable and non-stable employees. For all retail

employees, average monthly earnings are \$2,014 (\$24,168 annual), average monthly earnings for stable employees are \$2,404 (\$28,848 annual), and average monthly earnings for non-stable employees are \$1,193 (\$14,316 annual). Thus, stable

employees earn, on average, 101 percent more than non-stable employees. Table 4 displays the multiple of stable worker earnings compared to all workers (a multiple of two would mean stable workers earn twice as much).

Interestingly, the percent of stable workers varies depending on the age group studied. Table 4 shows that the percent of stable workers rises steadily as workers get older. This does not mean that all stable workers are full-time, only that they work consistently over a three month calendar quarter.

average monthly earnings of only \$498, which is less than one quarter of the average for all retail workers. Since they make up 15 percent of all workers, they are responsible for a significant downward pull of \$257 per month on the overall average, which is over \$3,000 per year. This helps to explain how the average retail earnings are distorted by a subgroup of workers.

Further demonstrating the difference between temporary and likely part-time workers versus those who are dedicated to

**TABLE FOUR** PERCENT OF STABLE RETAIL WORKERS AND EARNINGS MULTIPLE BY AGE GROUP

AGE GROUP	EARNINGS MULTIPLE (STABLE/TOTAL)	PERCENT STABLE WORKERS
14-18	1.46	41.9%
19-21	1.39	50.1
22-24	1.30	57.8
25-34	1.18	67.1
35-44	1.10	73.8
45-54	1.07	78.4
55-64	1.05	82.1
65-99	1.04	82.5

\* data from the Census, LEHD for 2012, Q3.

The multiple of average monthly earnings for stable employees compared to all workers gets closer to one as we move toward the older age categories because stable workers make up so much of the retail workforce in those age groups. When a subgroup is most of the total, the average for all workers has to be close to the average for that subgroup.

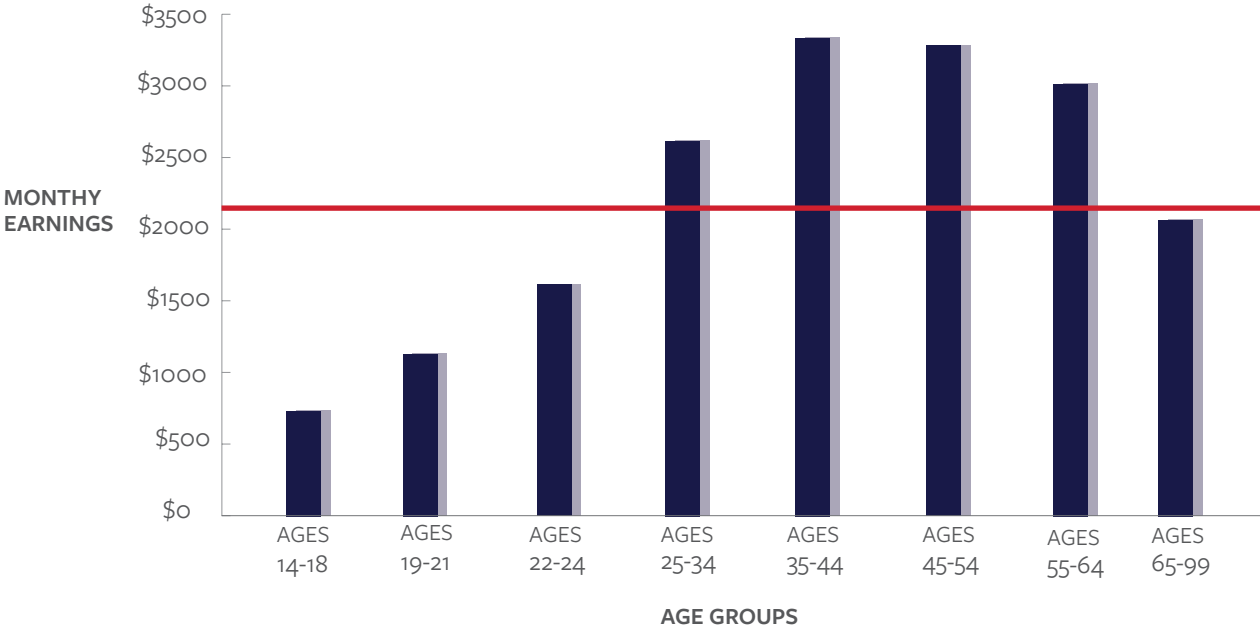
In contrast, the high percent of non-stable workers in the younger age categories, coupled with the large gap between average stable worker earnings and average non-stable worker earnings is responsible for much of the low overall average wage in the retail industry. From the LEHD data for 2012 we can compute that **non-stable employees between the ages of 14 and 24 make up 15 percent of the total retail workforce.**<sup>7</sup> Many of these workers are likely students working part-time or second or third earnings in a larger household. These young, mostly part-time and short-term workers have

a career in retailing (or at least a stable job for a reasonable period of time), Figure 5 shows how the average earnings of stable employees in each age category compares to the average monthly earnings for all retail workers. If the bar in Figure 5 is higher than the red line, that age group's stable workers earn above the average for all retail workers.

The retail industry can provide careers with earning power for workers who stay in the industry long enough to gain experience, promotions, and raises. By separating earnings by age group, Figure 5 makes clear that **in the prime earning years of 35-54, stable employees are earning an average of over 50 percent more than the all-industry average, meaning that they are earning over \$3,000 per month (\$36,000 per year) regardless of if they are full or part time.** This groups represents a quarter of all retail industry employment, so a substantial number of retail workers are

**FIGURE**  
**FIVE**

**AVERAGE RETAIL EARNINGS VS. AVERAGE MONTHLY EARNINGS FOR STABLE WORKERS BY AGE**



Source: Author's calculations from the LEHD, 2012 data.

making money that could place them solidly in the middle class, even just on a single income.

Another way to look at the impact of workforce composition on average earnings is to examine the share of employees that are in the youngest age categories provided in the LEHD. Figure 6 below shows the same selected industries from Tables 2 and 3 (13 retail and 37 non-retail) to display how the average monthly earnings of all stable employees vary by the percentage of employees that are under 25 years old. Remember that stable employees include part-time workers as long as they work at least one hour in each of the three months in a quarter. As the figure clearly shows, industries with fewer young employees have higher average earnings per worker counting workers of all ages. The selected retail industries sectors are very comparable to the non-retail comparison sectors.

For these industries, chosen in hopes of having as fair as possible a comparison, we find that the thirteen selected retail sectors have 27.3 percent of their employees that are less

**IN THE PRIME EARNING YEARS OF 35-54, STABLE EMPLOYEES ARE EARNING AN AVERAGE OF OVER 50 PERCENT MORE THAN THE ALL-INDUSTRY AVERAGE, MEANING THAT THEY ARE EARNING OVER \$3,000 PER MONTH (\$36,000 PER YEAR) REGARDLESS OF IF THEY ARE FULL OR PART TIME.**

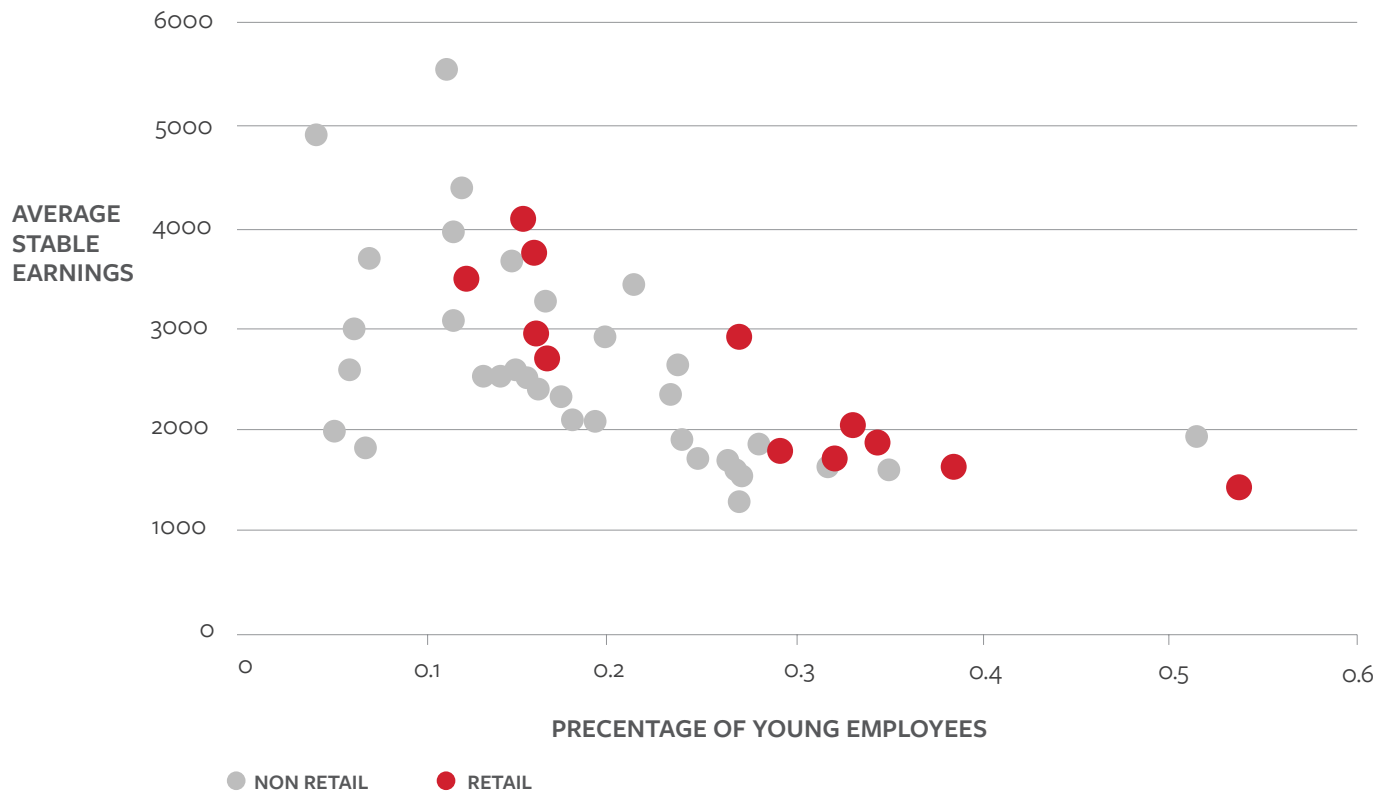
than 25 years old while for the 37 non-retail industries only 19.6 percent of their employees are less than 25. Across the entire retail industry, 29.9 percent of employees were under 25 in

2012, so our selected sectors are quite representative, having slightly fewer young employees than is true for the retail industry overall. Clearly, the high number of young workers has a significant downward impact on overall average wages in the retail sector. That is why it is important to look at prime earning years where the picture (as seen in Figure 3) shows that retail employers are right in line with other employers in terms of wages.

Figure 6 is really a confirmation of Figure 3. In Figure 6, for any point along the horizontal axis, the percentage of young workers is equal. The red triangles show the thirteen retail sectors and they are clearly in line with or above non-retail employers with similar percentages of young employees. In fact, the retail employers appear to be paying higher wages than their non-retail competitors once we adjust for the share of young workers.

**FIGURE SIX**

**AVERAGE EARNINGS VARIATION BY PERCENTAGE OF YOUNG EMPLOYEES**



# RETAIL INDUSTRY WAGES:

# CASE STUDIES

## GETTING THE FACTS STRAIGHT

### CASE STUDY

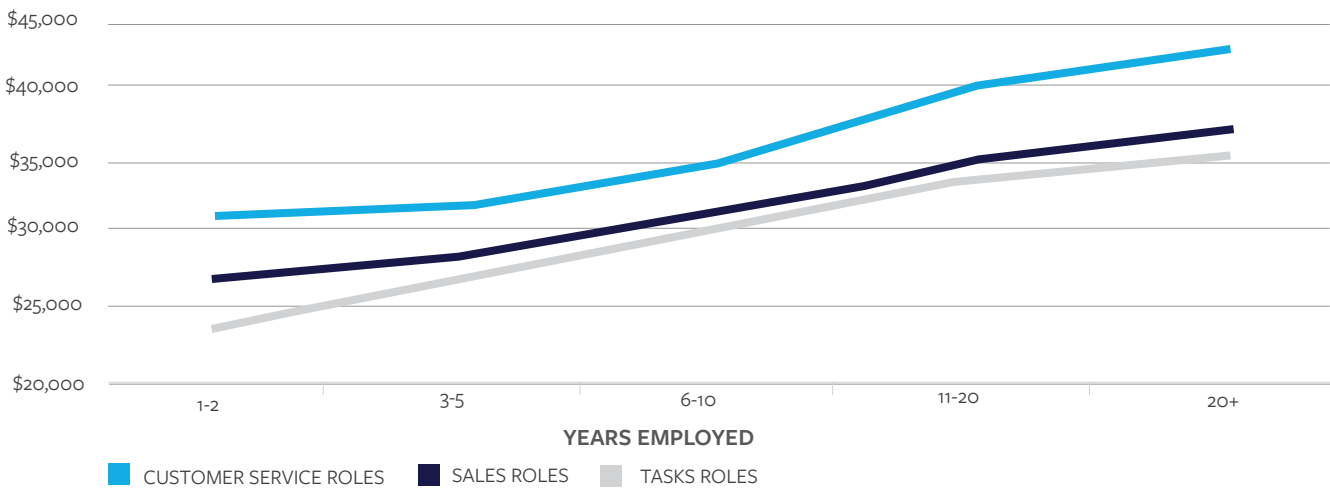
### LOWE'S: A ROAD TO HIGHER EARNINGS

Lowe's operates more than 1,800 stores in the U.S., Canada, and Mexico, employing over 260,000 people in its U.S. stores alone. Since its founding in 1946, Lowe's has strived to provide great customer service and low prices to all customers and now sees 15 million Americans shopping at Lowe's in any given week. In order to ensure both great customer service and low prices, Lowe's relies on its employees. To encourage long-term employment at their company, Lowe's constantly monitors employee earnings to make sure its pay is competitive in each local market in which it operates.

Lowe's employees are financially rewarded for this longevity, as shown in the accompanying chart. Different jobs within the store pay different amounts, but in all cases, employees are rewarded for length of service with higher average base pay. This is one way that Lowe's encourages long-term employees, and helps to retain employees as they learn more and become more valuable.

Lowe's is extremely committed to developing talent from within and spends over \$18 million per year on employee training and improvement programs. The examples of

**AVERAGE BASE PAY BY LONGEVITY**



Lowe's workforce breaks down into 55 percent full-time, 34 percent part-time, and 11 percent temporary employees. Of the over 140,000 full-time employees more than half have worked for Lowe's for six years or longer and only 25 percent of full-time employees have been with Lowe's for two years or less. This stability reduces costs along with providing customers with a better experience.

employees in high level positions within the company who started at the bottom are practically endless, but here are a few that show how employees wishing to make a career in retail can succeed both professionally and financially.

A great example of how people can advance within the company is an employee who started as a loader thirty-five years ago with base pay of \$10,608 per year. After one year,



the employee was promoted to receiving team leader and after two more years became an assistant warehouse manager, now earning base pay of almost \$25,000. After seven years of promotions within warehouse management this employee became an assistant store manager with base pay of over \$29,000 per year. Two years as assistant store manager led to a promotion to operations manager and base pay of over \$36,000. Next was promotion to district operations specialist and then two years later to store manager. As store manager, this employee had base pay of over \$71,000. Five years later this employee became a market director for Lowe's, a position still held today thirteen years later. This employee's current base pay is over \$173,000 per year. Over a thirty-five year career, this employee has averaged salary increases of over 8 percent per year.

Another example is a twenty-five year career that had the employee starting as a customer service associate and currently finds him serving as a senior vice president. This employee worked through positions of customer service associate, specialist, department manager, and assistant store manager in the first five years, seeing his base pay rise from \$15,080 per year to \$30,992 within that five-year plan. The next five years saw four more positions: district seasonal

coordinator, district operations specialist, co-manager in training, and store manager. These moves were accompanied by more raises so that by the end of this stretch his base pay was \$60,008 per year. This employee quadrupled his base pay in ten years. His advancement continued with promotions to regional seasonal coordinator, merchandiser, merchandising manager, market director, regional vice president, vice president of merchandising, and finally senior vice president, his current title. Over these fifteen years his base pay has continued to rise and is now \$350,000 per year.

Clearly, not every Lowe's employee ends up as a market director or senior vice president. However, 85 percent of Lowe's store managers and other executives started in a store, often at entry level positions. People who show dedication and high level job performance can build great careers in retail while trying a variety of jobs without changing employers. Instead of focusing on the pay of entry level retail jobs, people should focus on the chances for advancement and the pay increases that come with that advancement. Lowe's and most retailers love to promote from within. Employees who work hard to earn the opportunity will likely find that they are well rewarded for their actions.

## WALMART: COMPETITIVE PAY AND GENEROUS BENEFITS IN STORES

As the largest retailer in the world, Walmart has over 4,200 stores in the United States, staffed by more than 1.1 million associates. These store associates are the key to Walmart's success, and the company rewards their associates with competitive wages, generous benefits and opportunities for advancement.

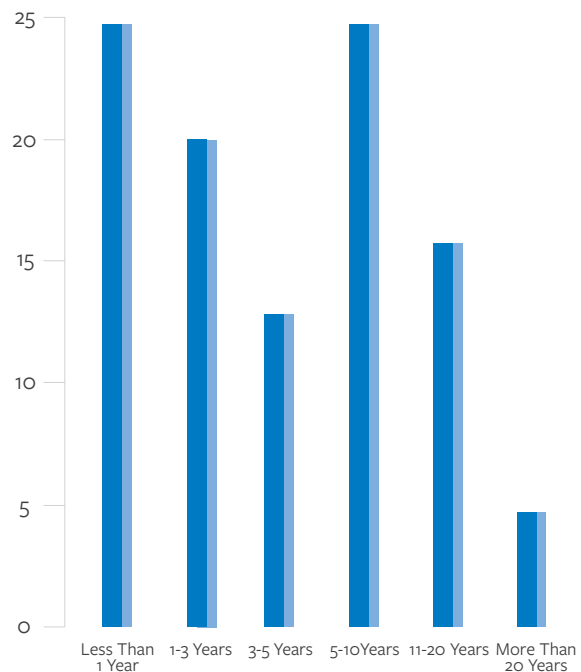
The average hourly associate, including both part-time and full-time workers, receives a total compensation package worth over \$14.50 per hour. When coupled with the opportunities for promotion and the earning possibilities if an associate reaches the ranks of management, it's clear that long-term careers can be, and have been, built at Walmart.

Walmart's actual base pay rates are higher than many expect. Less than 1 percent of Walmart hourly employees earn the minimum wage, in fact full-time hourly associates earn an average of \$12.91 per hour. These higher wages are due in part to pay raises for associates, which continued even through the recession and recovery years. **In fact, since 2006, associates with at least one year at Walmart have seen their pay increase by more than 16 percent, or 2 percent per year, while national median earnings have been nearly stagnant during that same period.**

In addition to competitive wages, Walmart exemplifies retail employers who offer excellent benefits to their associates. At Walmart, hourly associates are eligible for quarterly bonuses based on store performance, which average about \$580 per employee per year. Full-time and eligible part-time associates are also offered health insurance, with Walmart paying over 75 percent of the premium cost. Walmart offers a 401(k) retirement plan and matches associates' contributions up to 6 percent of employee pay. If Walmart associates purchase company stock, Walmart provides a 15 percent match up to \$1800 of stock purchased each year. Walmart also provides associates with a 10 percent discount on general merchandise and fresh produce, saving most associates hundreds of dollars per year on everyday needs.

Converting all these benefits into dollars and per-hour equivalents, **an average associate earns an additional \$3.30 per hour in benefits on top of their hourly pay.** An associate who took advantage of most of these benefits could easily receive \$4.55 per hour in benefits. After adding these benefits to hourly pay, the average full-time associate is earning a package of over \$16 per hour of wages and benefits, with a total compensation package of over \$33,000 per year.

### TENURE OF WALMART'S HOURLY ASSOCIATES



In addition to the pay and benefits, promotions and management opportunities abound for associates who demonstrate leadership potential and continue working for Walmart. **In 2013 alone Walmart promoted 163,000 hourly associates.** In the same year, 7,000 hourly associates were promoted into the ranks of management. Management trainees earn an average of about \$40,000 per year, and once training is completed, assistant store managers earn

an average annual salary of nearly \$46,000. Store managers earn on average \$170,000 in base pay and bonuses. **Given that more than 75 percent of all store managers started as hourly associates, this is a real opportunity for career advancement.**

This investment in the workforce is returned through long employment tenures. In fact, **76 percent of store employees have been at Walmart for at least a year, and 44 percent (or over 470,000 workers), have worked at Walmart for over 5 years.** Many have seen and are working towards advancement within the company, often into management roles.

## MACY'S: DEVELOPING TALENT FROM WITHIN

Macy's is a premier example of a large-scale, diversified retailer with employees at a wide range of pay levels and career stages. Macy's Inc. has over 150,000 hourly employees working in their stores or support roles providing customer service to millions of shoppers each year. Recognizing the value to be captured from maximizing the potential of their existing employees, Macy's is very focused on developing talent of employees at all levels, so that they can advance in both responsibility and pay. In fact, for fiscal year 2013, 74 percent of Macy's storewide, district and regional executive positions were filled internally.

One example of this commitment can be found in the story of an employee in a California store. Christina began as a part-time night associate in cosmetics. Through dedication, hard work, and the resources and mentoring made available to her through company development programs and her supportive executive team, Christina moved up through three levels of increasing responsibility in the cosmetics departments. Then she moved beyond that to her current position as sales director in the men's department. Obviously, both her hours and her hourly pay have increased substantially along this career trajectory.

To help repeat such success stories, Macy's and Bloomingdale's offer many programs for their employees. They hold seasonal events for building selling skills, as well as district sponsored "Opportunity Forward" events which include in-store chat sessions where associates can hear from executives and experienced associates on how they advanced to their current positions; in-house career fairs,

brown bag lunches, mentoring programs, and management development training.

Macy's has had considerable success in developing their in-house talent when associates agree to try different jobs, thus diversifying their skill sets and learning more facets of the retail business. When hourly associates express interest in career advancement, they are given the opportunity to grow. With some track record behind them, they are often encouraged to try a commissioned sales job rather than assuming that management positions are the best way to advance. In some cases, commissioned sales professionals in areas such as furniture and jewelry can earn more than salaried managers. In addition, these commissioned positions allow employees to demonstrate their entrepreneurial talents which often include working with other team members in a department. Some stay with commissioned sales while others do eventually move into salaried management or even supervisory support positions. The important thing is that the employees grow in their abilities and along with that comes increases in pay.

For an industry with a traditionally high turnover rate, Macy's, Inc. is finding a win-win solution by focusing on internal talent development. Helping employees succeed keeps morale high, reduces turnover, and increases the productivity of the employees. For people who wish to work hard and grow themselves into a retail career, Macy's, Inc. is a great place to work.

# CONCLUSIONS

Retail employers have a significant percentage of part-time workers, have a less consistent workforce and a younger workforce than most other sectors of the economy. Once we begin to study data that allows us to adjust for these factors, earnings in the retail industry are comparable to other industries.

The data shows that once adjusted for the share of employees who are younger than 25 years old, retail employers pay wages at least as high as employers in other sectors with an equal percentage of young employees. The data also shows that when the focus is placed just on stable employees, retail workers earn comparable pay to those in other industries. This

report also demonstrates that stable employees in their prime earning years have earnings much higher than the commonly published averages of wages paid in retail. So while young, part-time, and short-term employees in retail often receive entry-level wages, the average earnings of those building careers in retail are significantly above the industry-wide average; in fact, they place most retail workers solidly in the middle class or above.

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