



April 15, 2005
 Contact: Sarah Anderson
 tel: 202 234-9382x227
 cell: 202 352-8685

Wal-Mart's Pay Gap

***CEO Compensation 871 times as high as
 U.S. Wal-Mart Worker Pay; 50,000 times Chinese Worker Pay***

Wal-Mart company documents released today reveal that CEO H. Lee Scott, Jr., made \$17,543,739 in total compensation last year – nearly twice the average of \$9.6 million for leading U.S. CEOs as a whole, according to *Business Week*. Thomas Coughlin, the Vice Chair of the board who recently was accused by Wal-Mart officials of spending company money on personal items such as alligator skin cowboy boots, has had some of his compensation suspended, but not his \$1 million-plus salary.

Wal-Mart's generous compensation for top executives contrasts sharply with the wages of the people who produced or sold the goods that earned the company \$10.3 billion in profits on sales of \$285 billion last year.

Pay for American Wal-Mart Workers

Currently, according to Wal-Mart, the firm's full-time U.S. employees earn on average \$9.68 per hour.¹ (The firm has not released pay figures for the 26 percent of its employees that, according to Wal-Mart, work part-time. Some analysts estimate that actual average pay is considerably lower.)² Wal-Mart's full-time pay rate of \$9.68 is about 37 percent lower than the national average wage of \$15.35 for production and non-supervisory workers.³ As a result of Wal-Mart's low wages, many employees of the world's largest company must rely on government healthcare, food, housing and other aid. A study by Congressional Democratic staff estimated that Wal-Mart workers receive on average \$2,103 per year in federal subsidies alone.⁴

	2004 hourly pay
Wal-Mart CEO H. Lee Scott, Jr. (based on \$17,543,739 per year, 40 hours per week)	\$8,434.49
Average Full-time U.S. Wal-Mart Employee	\$9.68
Select Wal-Mart subcontractors:	
Bangladesh	\$0.17
China	\$0.17
Indonesia	\$0.46
Nicaragua	\$0.23
Swaziland	\$0.53

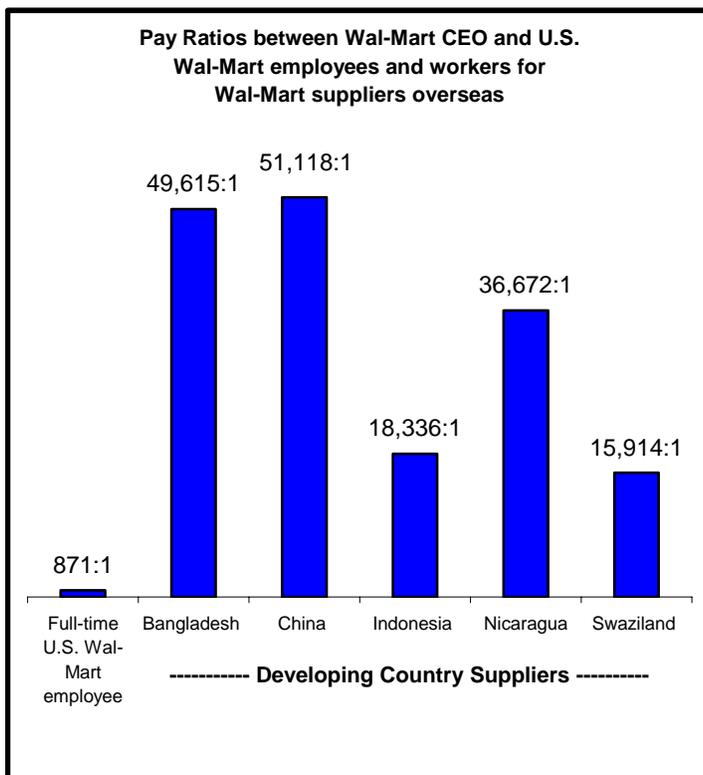
Sources: CEO: Wal-Mart proxy statement, April 15, 2005; U.S. employees: Wal-Mart, www.walmartfacts.com; Subcontractors: Information for Indonesia, Nicaragua, Swaziland, and Bangladesh based on interviews with garment workers conducted in 2004 by the International Labor Rights Fund. Data for China from National Labor Committee, "Toys of Misery 2004," February 2004.

Pay for Employees of Wal-Mart Suppliers

Because of its dominance in the global marketplace, Wal-Mart has tremendous power to squeeze its more than 68,000 suppliers, demanding that they cut costs to the bone. It is the thousands of developing country workers who produce goods for Wal-Mart's shelves that bear the biggest brunt of the company's vice grip on suppliers. Wal-Mart claims that it requires its suppliers to follow all national laws in the countries where they operate and that they are developing monitoring systems to ensure compliance. According to one company report on its monitoring program, "We [Wal-Mart] also know our customers and stakeholders expect our merchandise to be made in factories where workers are treated fairly and have superior working conditions."⁵ However, watchdog groups charge that there are rampant violations of worker rights in factories that produce goods for Wal-Mart shelves.

An increasing number of Wal-Mart's suppliers are located in China, the source of about \$18 billion worth of goods imported by Wal-Mart into the United States in 2004.⁶ While Wal-Mart workers in the United States fight Wal-Mart's underhanded union-busting tactics, in China they face an official ban on independent unions. A study by the National Labor Committee found that workers in China's Guangdong Province who made toys for Wal-Mart toiled as much as 130 hours per week for wages averaging 16.5 cents per hour (below the minimum wage) and no health insurance.⁷

The International Labor Rights Fund has documented similarly abysmal wages and brutally long working hours, often without legal overtime pay, in a number of other poor countries. In Dhaka, Bangladesh, workers reported earning about the same as those in China – 17 cents per hour. Workers told ILRF researchers that they often worked 15 hours per day, seven days a week, without proper overtime pay, in order to meet Wal-Mart's production quotas. The ratio between the pay of the Wal-Mart CEO and these Chinese and Bangladeshi workers is about 50,000 to one.



In Managua, Nicaragua, one of the countries that signed the Central America Free Trade Agreement currently being considered by the U.S. Congress, workers also complained of exceedingly long work hours. Some workers

alleged that doors were locked and they were not allowed to leave the garment factory until the Wal-Mart quota was filled. For this they made about 23 cents per hour.

In Bogor, Indonesia, one woman reported working 270 hours per month for about \$125 (46 cents per hour) as an employee of a Wal-Mart contractor. The worker alleged that her manager had claimed that he couldn't pay overtime because Wal-Mart did not pay enough to cover her legally-mandated wages.

In the small nation of Swaziland in southern Africa, garment workers in the city of Mastapha reported that their employer, a Wal-Mart supplier, violated national overtime pay rules. Wal-Mart's CEO made 16,000 times the 53 cent per hour wages of these Swazi workers.

Wal-Mart's Defense

In a two-page advertisement in the *New York Review of Books*, CEO Scott claimed that the company's profit margin per worker is too small to allow them to pay workers more.⁸ This argument does not consider that higher wages for Wal-Mart workers would likely benefit the company through higher sales. Putting more money in the pockets of Wal-Mart's 1.3 million U.S. employees could have an enormous impact on national consumer spending, including spending at Wal-Mart. Better pay and working conditions for the company's developing country producers would strengthen their domestic markets.

Moreover, Scott's argument ignores the fact that at a company with more than \$10 billion in annual profits, pay decisions reflect corporate priorities. Somehow or another, Wal-Mart executives have found enough funds in their coffers for a media blitz to counter its critics. The firm ran full-page advertisements in 100 papers on the same day, in addition to airing expensive TV advertisements and gathering journalists from around the country at Wal-Mart's Arkansas headquarters for a press event. Cutting their PR budget would be one way to free up money to raise pay for workers. Cutting executive compensation would be another.

During the past five years, the top five executives at Wal-Mart made \$219,684,584. If instead they had received a still generous \$300,000 per year during those five years (\$7,500,000 combined), they could have taken the rest of their compensation and used it to double the pay for one year for nearly 200,000 workers making products for Wal-Mart in China or given a \$5 per hour raise for one year to 20,000 U.S. Wal-Mart workers.

Cutting executive compensation would not free up enough money to solve the wage problem at Wal-Mart, but it would be one important step towards narrowing the pay gap. Lavishing exorbitant sums on top executives while penny-pinching on pay for other workers is just one more example of Wal-Mart's harmful business model. The company can, and should narrow its pay gap by bringing down the top – and lifting the bottom up. The largest corporation in the world has no excuse for not ensuring that its workers in the United States and abroad have basic rights and earn enough to support their families with dignity.

About the Author: *Sarah Anderson* is the Director of the Global Economy Project at the Institute for Policy Studies, an independent research and education center founded in 1963. She is the co-author of 11 annual studies of executive compensation and of the book *Field Guide to the Global Economy* (New Press, May 2005).

NOTES

¹ See: Wal-Mart, <http://www.walmartfacts.com>

² See: <http://www.wakeupwalmart.com/facts/>

³ Economic Policy Institute, *The State of Working America 2004-05*, table 2.4 (data for 2003).

⁴ "Everyday Low Wages: The Hidden Price We All Pay for Wal-Mart," A Report by the Democratic Staff of the Committee on Education and the Workforce, U.S. House of Representatives, Feb. 16, 2004, p. 9.

⁵ Wal-Mart, "Factory Certification Report: March 2003-2004," p. 5.

⁶ See: Wal-Mart, <http://www.walmartfacts.com>

⁷ National Labor Committee, "Toys of Misery 2004," February 2004.

⁸ Lee Scott, "Wal-Mart's Impact on Society: A Key Moment in Time for American Capitalism," (advertisement) *New York Review of Books*, April 7, 2005, pp. 5-6.

Appendix: Wal-Mart Executive Compensation Data

Executive	salary	bonus	restricted stock	value of options granted*	other annual comp	other long-term comp	total
H. Lee Scott, Jr. (CEO)							
2004	1,242,308	4,124,772	6,325,847	4,949,415	276,847	624,550	17,543,739
2003	1,192,308	4,200,000	6,700,026	10,546,809	82,861	269,595	22,991,599
2002	1,142,308	3,162,500	13,134,437	11,271,189	85,834	167,604	28,963,872
2001	1,123,077	1,784,750	5,000,000	13,604,215	94,682	133,328	21,740,052
2000	992,308	1,750,000	6,083,159	8,244,148	0	96,168	17,165,783
Thomas Coughlin (2001-03, Exec VP and Pres. and CEO, Wal-Mart Stores Div.; 2004-05, Vice Chair of Board)							
2004	1,033,846	suspended	suspended	suspended	58,991	148,743	1,241,580
2003	983,894	2,879,565	2,000,001	4,673,609	54,584	252,082	10,843,735
2002	907,308	2,287,500	4,211,461	4,875,312	40,801	157,010	12,479,392
2001	885,769	935,929	875,000	5,742,164	45,410	152,193	8,636,465
2000	796,923	1,120,000	2,441,584	5,088,125	31,811	118,984	9,597,427
<i>Others included among Top 5 highest paid executives, 2000-2004:</i>							
John B. Menzer (2001-2004, Exec VP and Pres. And CEO, Int'l Division)							
2004	871,538	1,923,377	2,185,003	1,709,237	0	410,468	7,099,623
2003	816,538	1,856,249	1,749,981	3,770,992	0	267,013	8,460,773
2002	759,231	1,540,000	2,605,747	3,944,926	0	169,679	9,019,583
2001	717,308	838,927	1,000,000	4,673,849	0	72,928	7,303,012
2000	640,385	637,000	1,556,015	2,346,801	0	64,613	5,244,814
Thomas Schoewe (Exec VP and CFO)							
2004	640,385	972,975	1,128,993	882,760	0	163,026	3,788,139
2003	610,384	984,000	999,974	2,003,903	0	87,324	4,685,585
2002	579,615	819,000	1,995,190	2,127,186	0	55,385	5,576,376
Michael Duke (Exec VP and President and CEO, Wal-Mart Stores Division)							
2004	662,308	872,909	1,381,978	1,080,590	0	176,517	4,174,302
2003	603,029	852,342	999,974	6,257,857	0	114,165	8,827,367
2002	530,385	749,000	1,829,341	2,054,438	0	77,085	5,240,249
David Glass (2001-02, Chair of the Exec Comm. Of the Board)							
2001	1,086,538	1,298,000	0		113,432	513,892	3,011,862
2000	1,122,308	1,778,000	797,203	708,092	96,802	394,263	4,896,668
Thomas Grimm (2001-02, Exec VP and President and CEO, SAM's Clubs)							
2001	648,462	596,232	900,000	2,670,775	0	50,362	4,865,831
2000	590,385	608,400	987,361	1,606,346	0	38,003	3,830,495
TOTAL							219,684,584

*Black-Scholes Grant Date Present Value