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GLASS CEILING

No Way to Treat a Lady?

As a sex discrimination suit unfolds, studies of Wal-Mart practices show a big gap in the status of men and women

When Melissa J. Howard started as a department manager at a New Castle (Ind.) Wal-Mart store in 1992, she had high hopes for a long career. And at first she rose steadily, to assistant store manager in 1993 and to store manager five years later. But after moving to a new supercenter in 1998, she says, her career hit the proverbial glass ceiling.

Howard was shocked to learn that two new co-managers at the store -- both men, with no experience at Wal-Mart Stores Inc. ([WMT](#)) -- were making \$15,000 more a year than her \$70,000 salary and bonus. Then a new district manager arrived, also a man, and soon told her flat-out that she belonged at home with her child, she recalls. Howard, the only female manager at the 10 stores in his district, complained to higher-ups but got no results.

After her new boss pressured her to take a demotion, to co-manager at a store 60 miles away, she finally quit in August, 2000. "I was crushed. That was my dream just taken away," says Howard, 35, who now has a customer service job -- at about half her former pay -- in Indianapolis. Wal-Mart declined to comment on her allegations.

BIGGEST SUIT EVER? Her story is one of hundreds of similar tales marshaled by plaintiff's lawyers in a huge sex discrimination suit filed against the world's largest retailer in a California court nearly two years ago. If the judge grants class-action status in a hearing set for July, it would cover more than 500,000 women, making it the largest sex discrimination case in U.S. history. "I've never seen [pay and promotion] disparities of this magnitude," says Joseph M. Sellers of Cohen, Milstein, Hausfeld & Toll in Washington, D.C., one of the lawyers in the case.

In the meantime, as part of the discovery process, Wal-Mart has had to turn over an unprecedented amount of data on its entire U.S. workforce. In early February, the plaintiffs released a trio of studies based in part on Wal-Mart data covering 4 million employees. The analyses paint a stark picture of pervasive differences between the treatment of men and women at every level of the company. According to experts hired by the plaintiffs, men dominate the higher-paying store management jobs, while women perform more than 90% of the \$14,000-a-year cashier jobs.

Women also earn less than men in the same jobs, the report shows. Even after accounting for seniority, store location, and other factors, a study found that women earned from 5% to 15% less than men in each year from 1996 to 2001. Even within the same hourly and salaried job classifications, women earned less. "The women perform better, and they're at the stores longer, but they make less money. It looks pretty damning for Wal-Mart," says Heidi Hartmann, president of the Institute for Women's Policy Research, a nonprofit in Washington, D.C., that's not involved in the suit.

ALREADY VICTORIOUS. Clearly, the numbers alone don't prove discrimination. Pre-Wal-Mart job histories and the preferences of women, for instance, could factor into the case. Wal-Mart declined to respond in detail to the plaintiffs' studies until its own outside expert completes her analysis in late March. But spokeswoman Mona Williams says the plaintiffs "manipulated" the numbers and that Wal-Mart is promoting women into management "at rates consistent with the qualified and interested pool of candidates" at the company.

If it loses, Wal-Mart could face penalties in the hundreds of millions of dollars. Consider Home Depot Inc. ([HD](#)), which in 1997 agreed to fork out \$104 million to settle similar suits involving more than 25,000 women. (Home Depot denied any wrongdoing.) The courts also could force Wal-Mart to overhaul its entire pay and promotion system.

In one sense, the plaintiffs already have won a major victory simply by getting Wal-Mart to disclose so many details about its workforce, something it had fiercely resisted doing in the past. The court forced the company to turn over job history data for everyone it employed in the U.S. between January, 1996, and March, 2002. Wal-Mart also handed over 250 computer tapes of biweekly payroll data and performance review ratings. The data show that in 2001 about 65% of Wal-Mart's 896,000 hourly workers were women, but only 33% of its 35,000 managers were, according to the analysis done for the plaintiffs by Richard Drogin, emeritus professor of statistics at California State University.

WIDENING GAP. Drogin also found that men did better when they held the same job as a woman. Hourly women earned 4.5% less than men with the same job title, while salaried women made 5.8% less, he found. What's more, the pay gap grew larger over time. Hourly women earned 18 cents an hour less than men in 1997 and 34 cents less in 2001, even after adjusting for such variables as seniority, part-time status, store location, and job title. When performance ratings were taken into account for 2001, the gap widened to 37 cents, since women generally had higher ratings than men.

It also takes women longer to work their way up to a managerial position, according to Drogin. On average, women get their first promotion to assistant manager 4.4 years after joining the company, vs. 2.9 years for men. Women take an average of about 10 years to make store manager, while men do it in 8.6.

That's no surprise to Christine M. Kwapnoski, 38, a divorced mother of two who's a plaintiff in the suit. After more than 16 years with Wal-Mart's Sam's Club division, she's still trying to become an assistant manager in Concord, Calif. She says she has watched less-qualified men win promotions that she sought several times. Once she was told that she was "too emotional." One manager suggested she "doll up" and "blow the cobwebs off" her makeup. She finally got promoted to receiving-area manager 11 days after the lawsuit was filed and is now scheduled to enter the management training program, a move she believes was no coincidence. Wal-Mart declined to comment.

"DEEPLY EMBEDDED." Another study the plaintiffs commissioned could help counter the defense's expected claim that women are less interested than men in advancement. Using data filed with the federal Equal Employment Opportunity Commission, economist Marc Bendick Jr. of Bendick & Egan Economic Consultants Inc. in Washington, D.C., found that 35% of Wal-Mart's store managers are women, vs. an average of 57% at what he identified as 20 comparable retail companies. Indeed, in 1999, Wal-Mart had a lower proportion of female managers than its peers did in 1975, when 38% of the peers' in-store managers were women. That's evidence, argues Bendick, of "attitudes and practices deeply embedded in the organization's corporate culture," not a lack of female ambition.

That culture includes many blind spots when it comes to women, the plaintiffs' experts charge. A third expert witness, sociologist William T. Bielby of the University of California at Santa Barbara,

found "significant deficiencies" when he looked at its personnel practices. The normally highly centralized company gives local managers wide discretion to make promotions and compensation decisions, with little oversight. Inconsistent job postings and diversity goals with little or no link to pay or promotions were other problems, Bielby concluded.

The plaintiffs won't be satisfied with back pay and punitive damages, insists Brad Seligman, a lawyer at the Impact Fund, a nonprofit legal organization involved in the suit. "We want to change the way the company does business," he says. If the management portrait his experts are painting is at all accurate, that could be a far more daunting task than winning in court.