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WAL-MART TESTS 'UPSKILLING'

By Tamar Jacoby, September 4, 2015



Wal-Mart store No. 79 looks just like the company's other "supercenters." Open 24/7, with some 345 full- and part-time employees, it is a fixture in the heavily blue-collar city of Joplin, Mo. But there is an experiment under way here—one that has potentially far-reaching implications for employment and upward mobility nationwide as the country settles in to enjoy another Labor Day weekend.

Wal-Mart is famous for keeping costs down, including employee-related costs. In Joplin, the company is testing a new approach: investing in workers through higher wages and training, on the theory that this will pay off all around—for customers, the company and employees. Wal-Mart plans to roll out the new training program to all of its more than 4,500 U.S. stores by early next year, according to Kristin Oliver, executive vice president of people for U.S. operations. And by then, all but the newest Wal-Mart hires will earn at least \$10 an hour.

Wal-Mart isn't alone in its new focus on training front-line workers. The trend, known as "upskilling," is rippling across the retail and service industries. McDonald's, Starbucks, Gap Inc., CVS Health, Kaiser Permanente and UPS are moving in the same direction. It's a big change, even for companies with a reputation for taking care of employees. Many firms train college-educated workers; most invest in grooming managers. But until recently, very few bothered to train entry-level service workers.

One motive is better public relations at a time when inequality is a hot-button political issue. But bottom-line calculations also play a role. Employee turnover costs money—by industry estimates as much as \$5,000 per front-line worker, or 20% to 30% of an entry-level salary. Standard turnover in retail is 50% in the first six months. If Wal-Mart can reduce this churn, persuading people to stay at least 12 to 18 months, it will save “tens of millions of dollars a year,” according to Ms. Oliver.

Wal-Mart also hopes that the new training will result in better customer service and happier shoppers. Economists who study retail distinguish between “low-road” and “high-road” employers. One group keeps labor costs down, the other invests more in workers and reaps the benefits in higher productivity. Cost-conscious Wal-Mart is trying to move toward the high road.

Front-line employees—cashiers, cart pushers and sales associates—will now spend their first months at the company in a supervised on-the-job training program. In the past, they sat through a few days of orientation and safety drills, many of them focused on compliance with environmental and health regulations. The only real job training happened in the store—knowledge passed on by more experienced employees.

The new program, called “Pathways,” delivers instruction in gamelike computer modules—each just two- or three-minutes long. For now, employees view them on desktops in the back of the store; eventually, the company hopes to make them available on tablets and cellphones. The units are meant to be catchy and fun, with celebrities, cartoons and contests rather than procedures to be memorized. There are practical drills: how to read a stock label and the eight-step process for collecting carts in a parking lot. But many videos focus on the bigger picture.

One uses grainy footage of a young Sam Walton to hammer home the importance of customer service. Another is based on a motivational mantra, “I know. I can. I will.” And the modules are designed to be a first step—to jump-start hands-on training in the store. New employees spend their first six months practicing what they’ve learned from the games and drills, watched over closely by managers and preparing for a “gateway” assessment that can earn them a dollar-an-hour raise and sometimes more.

The on-the-job component is key, and to make it work, Wal-Mart is hiring more managers. It is also giving them more authority, changing scheduling practices to create more cohesive teams and training them for a new role—taking more responsibility for other employees.

Department managers run areas like produce and apparel and generally supervise five to 12 front-line workers. There are some two dozen at the Joplin store, many of them longtime Wal-Mart employees: Randy Suttin in produce has been with the company 13 years and Jamie Dworackzyk in apparel is coming up on 18.

In the past, despite their titles and experience, they often fell outside the HR chain of command. They had no formal responsibility for training, virtually no way to discipline or reward associates—and they say the firm’s preoccupation with efficiency left them too busy to focus on their teams.

All that is supposed to change under the new program. Hourly supervisors will now be responsible for holding their teams accountable, and they will complete a five-week series of workshops and on-the-job exercises designed to equip them with managerial skills. “In the

past, we didn't take the time to teach," says Ms. Dworackzyk. "We just expected them to know. Now I can actually manage my people."

The big unanswered question: Will the new high-road approach improve workers' long-term career prospects? Reduced turnover, more room to take initiative, more responsibility—all might make the work experience more satisfying. But when workers move on, what will they take away from a Wal-Mart job?

The giant retailer is examining a new program to train entry-level service workers, with potentially far-reaching implications for employment and upward mobility nationwide

Several modules of the new training program are supposed to help employees think about the larger retail business. Others use infographics to map the company's hierarchy and chart potential career paths. And passing the six-month assessment opens the door to a better job: not just more pay in a current role but the opportunity to move up to a higher-paying sales slot in a specialized department like electronics, or to enroll in further training to become a department manager.

That promotion will start to mean more as the job of department manager evolves. Starting next year, first-rung managers will make at least \$15 an hour. The question from there: How steep is the retail pyramid—how many front-line employees eventually move up? As things stand now at Wal-Mart, thousands of employees a year make it to department manager, but the path gets harder after that.

Wal-Mart has always boasted about the number of executives, including current chief executive Doug McMillon, who started as hourly associates. But it also knows that the vast majority of entry-level workers will eventually leave, and the company says it wants to find an answer for them too—something tangible they can take with them.

The goal is a "certification" modeled on the credentials that manufacturing and craft workers earn when they complete technical training to become, say, welders or mechanics. The best certifications demonstrate that employees have learned transferable skills that will be valued by other employers across an industry. In many fields, including IT and entry-level health care, they are as valuable as degrees. "A retail credential could be significant," says John Colborn, director of the Aspen Institute's Skills for America's Future initiative. "So many people enter the labor force through retail."

The next step for Wal-Mart will be working with others in the retail industry to develop a certification in customer service that will be within reach for front-line workers. "This isn't just about workers performing better," says Julie Gehrki, senior director at the Wal-Mart Foundation, which is working with the company to encourage change in the retail sector. "It's about helping employees build the skills to move up."

Ms. Jacoby is the president of Opportunity America, a Washington-based nonprofit group working to promote economic mobility.