

Bad news for Nordstrom

Labor ruling could cost millions in back pay; profits expected to fall

by **Tim Healy**
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Nordstrom's stock price dropped 10 percent this morning after it received two pieces of bad news:

■ The company may owe Washington employees millions of dollars in back pay as a result of the findings of a state investigation.

■ Profits in the company's fourth quarter are expected to be down substantially from a year ago, indicating the company did not have as good a Christmas season as a year earlier.

The state Department of Labor and Industries said its three-month investigation of Nordstrom's pay practices uncovered a "pattern" of abuse of the state's wage and hour laws. A state official described the

potential liability as "massive" and said the case may end up as one of the state's biggest-ever back-pay cases.

Nordstrom's stock traded at \$29.75 a share in over-the-counter trading this morning in New York, down \$3 a share from yesterday's close. Traders said volume was extremely heavy.

In a memo this morning to its brokers before the market opened, Minneapolis-based Dain Bosworth predicted Nordstrom would fall to \$28 a share by the end of the day. The memo cited Nordstrom's disappointing fourth quarter as the main reason for the drop.

Nordstrom said profits for its fiscal year ended Jan. 31 would probably not equal last year's

Please see **NORDSTROM** on A 10

State says company abused labor laws

NORDSTROM

continued from Page 1

profits. The announcement suggests that the company had a poor fourth quarter. At the end of its third quarter, ended Oct. 31, profits in the first nine months had been 10 percent higher than in the same period the previous year.

Dick Pyle, a stock analyst for Piper Jaffray Hopwood in Minneapolis, said he thought Nordstrom took a big hit in its fourth quarter because it tried to meet competitors' aggressive price cutting by cutting its own prices.

In its look at work practices, the state said Nordstrom employees are, at times, required or encouraged to attend company meetings, write thank-you notes to customers, stock shelves and carry merchandise from one store to another without being paid.

"You have instances where employees submitted travel vouchers and signed in at stores for merchandise they were carrying, but their time cards for those days don't reflect that they worked," said Mark McDermott, who directed the investigation by the Department of Labor and Industries. "Either (Nordstrom) was aware of the practice, or they have incredi-

bly sloppy accounting practices. And Nordstrom is reputed to be a highly efficient company."

McDermott said the state hasn't tried to determine how much Nordstrom owes its employees. He indicated it could be several million dollars.

The state's investigation was prompted by allegations from Nordstrom's biggest union, the United Food & Commercial Workers, which represents about 2,000 Nordstrom sales clerks in six King and Pierce county stores. The union contends that Nordstrom owes millions of dollars in back pay to workers throughout its 60-store chain.

Joe Peterson, president of UFCW Local 1001, said he believes the state's investigation validates the union's contention that Nordstrom workers often are not paid for work performed.

In response to the state's findings, Nordstrom yesterday said it will review its pay practices to see where they can be improved.

But Kellie Tormey, a Nordstrom spokeswoman, said the company disputes that the state investigation revealed a "pattern" of abuse. She acknowledged that there might be individual instances of employees not being paid for hours worked, but she insisted that the company wouldn't knowingly

allow employees to work without pay.

The union and Nordstrom have been locked in a bitter contract dispute since the previous contract expired last July 31. Sporadic negotiations since then have yielded little progress toward a settlement, according to both sides.

Nordstrom has said the back-pay issue was raised by the union as a smokescreen to hide the union's true agenda: to force Nordstrom to drop its demands of making union membership and dues-paying optional for Seattle-area employees.

Peterson acknowledged that the union will continue to fight to get the company to change its proposal on optional union membership. But he said the union would pursue back pay for workers whether or not there was a contract being negotiated.

Outside the Seattle-Tacoma area, only a small fraction of Nordstrom's 30,000-person work force is unionized.

McDermott said the state will wait to see if the company agrees to establish a mechanism to pay back-wages.

He said the state has several options depending on how Nordstrom responds to its investigation.