Brookings Metro

Profits and the pandemic: As shareholder wealth soared, workers were left behind

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Executive summary and key findings

In August 2019, CEOs of 181 of the largest, most profitable, and most influential companies in America committed to move toward a more inclusive model of capitalism and pay their workers "fairly."[1] The pledge to do business differently was a tacit acknowledgment that the long-dominant model of shareholder primacy was unsustainable.[2] Over the past four decades, the rich have grown exponentially richer, capturing an ever-larger share of the economic pie, while wages for middle-class and low-wage workers barely budged. Nearly half of all American workers earn wages so low they struggle to cover even basic expenses.[3]

Two years ago, the COVID-19 pandemic put these corporate commitments to the test. The lives of millions of low-wage frontline essential workers and their families were suddenly at risk. As the pandemic ripped through the economy, millions of these workers lost their jobs.[4] Lines at food banks stretched for blocks, even as the stock market soared to new heights. The virus exposed and amplified the economy's stark inequality.

It was also a time when real change seemed possible. A powerful confluence of events—including corporate leaders' pledge to embrace "stakeholder capitalism," a deadly pandemic, and widespread labor shortages—had the potential to turn the tide of a four-decade trend of widening inequality amid rising shareholder power and diminishing worker power.[5] As public appreciation for essential workers swelled during the pandemic, so too did public support for increased compensation.[6] Many companies posted record profits and had ample resources to raise pay. And more recently, widespread labor shortages have pushed companies to raise hourly wages.

In this report, we examine the pandemic experience and actions of 22 iconic corporations to evaluate whether the promise of this moment was realized. We look at the nation and the world's best-known and most popular brands in sectors spanning retail, delivery, fast food, hotels, and entertainment. They run the gamut of leading corporations, including Amazon, Disney, McDonald's, FedEx, Home Depot, and Hilton. Together, the 22 companies employ more than 7 million frontline workers, more than half of whom are nonwhite. Each of these businesses is highly influential in their industries; they model business practices that are widely taught and emulated across industries, and also help shape public policy through some of the nation's most muscular lobbying groups. What these companies do and what they say matter, in worker pay and more.

So, we ask: Did these 22 companies pay workers "fairly"? Did they move to a more inclusive model, in which their frontline workers—not just shareholders and executives—share meaningfully in companies' financial gains? Were financial losses borne equitably?

We find that nearly every company in this analysis fell short of their commitment to move to a more inclusive model. Our key findings are:

1. **The vast majority of companies still pay their workers too little to get by**

   The failure of nearly all companies to live up to their pledges to pay their workers "fairly" was not for lack of any investment in workers. In fact, most companies raised wages in the first 22 months of the pandemic, at least nominally. Yet due to a combination of high inflation and, more importantly, a very low starting point, the vast majority of workers still earn too little to get by.

   - At most, only seven of the 22 companies are paying at least half of their workers a living wage—enough to cover just their basic expenses.
   - Only one company, Costco, has a minimum wage today that is close to a living wage.
   - Though we chose to study these 22 companies because they are leaders in their industries and nearly all pledged to pay workers "fairly," the average 2% to 5% wage increases across them over nearly two years do not stand out compared to industry-wide pay bumps.

2. **Company shareholders grew $1.5 trillion richer, while workers got less than 2% of that benefit**

   Far from curbing inequality, the modest gains to workers were dwarfed by the gains to already wealthy shareholders, including executives and billionaires.

   - In the first 22 months of the pandemic, the companies generated $1.5 trillion in wealth gains for shareholders—nearly triple the wealth generated in the previous 22-month period. In comparison, 7 million workers at these companies earned about $27 billion in additional pay (raises, profit sharing, and Covid-specific pay)—or just 2% of shareholders' wealth gains.
   - More than 70% of the wealth generated for U.S. shareholders (over $800 billion) benefitted the richest 5% percent of Americans, or 6 million families. Only 1% ($12 billion) accrued to the bottom half of all American families—the category that likely includes nearly all of these frontline workers.
   - Rising share values increased the wealth of 13 billionaire founders and heirs at seven companies by approximately $160 billion—more than 12 times all the additional pay for more than 3 million workers at those companies.
   - In 2020 alone, the 22 CEOs earned nearly $500 million in realized compensation, or an average of more than $22 million.

3. **Workers experienced the brunt of companies' losses, while corporate executives and shareholders generally avoided losses**

   Workers bore the brunt of financial losses through layoffs, furloughs, and reduced hours. In comparison, shareholders were mostly insulated from losses.

   - More than 380,000 workers at six hard-hit companies were furloughed and more than 40,000 were laid off, with low-wage workers experiencing the brunt of the displacement and economic hardship.
   - Most shareholders at the companies that experienced losses recovered their wealth in months—and became wealthier, as share prices at all but one company surpassed their pre-pandemic level.
   - Nearly half of the hard-hit companies changed their compensation rules in ways that protected tens of millions of dollars in CEO compensation, even while companies underperformed and workers lost income.

4. **The companies made choices during the pandemic that contributed to inequitable outcomes for workers**

   While company executives and boards were not wholly responsible for these outcomes, they made decisions during the pandemic that contributed to inequitable outcomes for workers.

   - ***They spent cash on shareholders instead of their workers.*** The 22 companies spent five times more on dividends and stock buybacks than on all "additional" pay for workers. The 16 companies that repurchased nearly $50 billion in their shares could have raised the annual pay of their median workers by an average of 40% if they had redirected the stock buybacks from the last four quarters to workers.
   - ***They struck an inequitable balance between profit and worker pay.*** At five companies that saw large financial returns during the pandemic, inflation-adjusted profits rose 41%, compared to a 5% increase in real wages for workers—meaning profits rose at eight times the pace of worker wages.
   - ***They were aggressive in suppressing unionization.*** Most companies have no union representation among their workers; only four companies had union density of at least 50%. During the pandemic, two of the companies responded to high-profile union drives with aggressive suppression tactics.

In conclusion, despite commitments by the majority of these companies to voluntarily embrace stakeholder capitalism, the pandemic test reveals that the system changed little. It still overwhelmingly benefits shareholders, including executives. Meaningful change is unlikely to come from corporations themselves, whose executives are deeply incentivized to preserve the current system. Instead, building a more equitable model of capitalism will require a new balance of power between executives, shareholders, and other stakeholders, such as workers, government, and society at large. We propose four ways to create that new balance: labor law reforms, minimum wage laws, representation of workers in corporate governance, and pay transparency.

Introduction

The COVID-19 pandemic has brought American economic inequality into sharp relief. Lines at food banks stretched for miles while shareholder wealth soared and billionaires raced to space. Day after day, frontline workers have risked their health to provide essential services, even as millions earn low wages and have limited access to paid sick leave.[7] Meanwhile, many of the country's highest earners have been able to stay safe working from home.[8] Some of the country's largest companies have posted record profits, even as their workers struggle to get by.

The pandemic did not create this inequality. Rather, it exposed long-term trends that have been left unaddressed. Over the past four decades, the rich have grown exponentially richer, capturing an ever-larger share of the economic pie. Today, the wealthiest 10% of Americans control $99 trillion of wealth—nearly 30 times the wealth of the entire bottom 50% of Americans.[9]

Meanwhile, pay for middle-class and low-wage workers has stagnated, despite rising productivity and growing corporate profits. According to Brookings research examining data from 2012 to 2016, nearly half of all American workers earn so little that they cannot reliably cover even basic expenses like health care and rent.[10]

It wasn't always like this. Workers, at least white men, used to share in company success through higher wages. In the three decades after World War II, the economy divided gains more equitably between workers and shareholders; worker pay and the S&P 500 grew at roughly the same rate.[11] But in the late 1970s, economic productivity and worker pay diverged dramatically.[12] In the subsequent three decades, productivity has risen more than three times as much as compensation. Instead of boosting pay for the average worker, increased productivity drove greater compensation for highly paid corporate employees, higher company profits, and higher shareholder returns.[13]

Public dissatisfaction with rampant inequality and low pay has grown, as young Americans' support for capitalism has steadily waned.[14] In a January 2020 poll, most Americans said there was too much inequality in the economy. The majority of those who held that view said addressing it would require significant changes to the economic system.[15]

Heeding this discontent, corporate America pledged change. Since 1997, the business lobbying group Business Roundtable maintained that corporations' primary purpose was to maximize returns for their shareholders.[16] But in August 2019, the member companies amended that view in a new statement: "It has become clear that this language on corporate purpose does not accurately describe the ways in which we and our fellow CEOs endeavor every day to create value for all our stakeholders, whose long-term interests are inseparable."[17]

Through this commitment to "stakeholder capitalism," 181 CEO members of the Business Roundtable pledged to invest in their employees as well as in diversity and inclusion: "This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect."[18]

It is important to note what was *not* included in the pledge. CEOs did not explicitly pledge to reduce inequality or put workers' interests on par with shareholders', and they did not define "fair" wages. The pledge also was silent on the structural changes that would make equitable outcomes for workers more likely. In fact, many of the signatory companies openly oppose reforms like a higher minimum wage, governance reforms (such as putting workers on company boards), and greater worker power and collective bargaining. Implicit in the Business Roundtable pledge was the message from companies: We can make change ourselves.

Analyzing 22 of the country's largest and most influential employers of frontline workers

The pandemic struck less than six months after the Business Roundtable statement, providing a high-stakes test of corporate commitment to more inclusive practices. In this report, we assess whether companies made meaningful changes for frontline workers during the pandemic. Specifically, we look at how financial gains and losses were distributed between workers and shareholders during the first 22 months of the pandemic. We ask: Are companies paying their workers a living wage? Are workers benefitting from companies' success? Are losses shared equitably?

To answer these questions, we examine the performance and choices of 22 of the most iconic and influential companies in the country. All are in industries that employ large numbers of frontline workers. Eighteen of the companies in this analysis signed the Business Roundtable "stakeholder capitalism" pledge. Together, the companies employ more than 9 million workers worldwide, and more than 7 million American workers. Over half of the companies' U.S. workforce is nonwhite.[19]

We selected companies that met three criteria: 1) size (companies with 100,000 employees or more); 2) low hourly wages (minimum wage of $15 per hour or less at the start of the pandemic); and 3) industry position (companies that rank among the largest in their industries). Due to its franchise model, McDonald's technically fell short of the first criteria, as they directly employ less than 10% of more than 2 million McDonald's workers worldwide. However, we still included the company due to its scale, influence, and industry position.

Each company in the analysis is a household name and leading employer. The 22 companies include the 10 largest retail companies in the country, the two largest fast-food chains, the largest entertainment company, and the two largest hotel chains in the world. Twelve of the 22 companies are among the top 50 companies in the 2021 Fortune 500 ranking of the country's biggest companies; Amazon and Walmart are the top two.[20]

Table 1. Twenty-two of America's top companies that employ frontline workers

Company	Number of U.S. employees	Sector	U.S. rank in sector	2021 Fortune 500 rank	Business Roundtable signatory
Albertsons Companies, Inc.	285,000	Retail	#10	#52	✓
Amazon.com, Inc.	950,000	Retail	#2	#2	✓
Best Buy Co, Inc.	90,000	Retail	#14	#66	✓
Chipotle Mexican Grill, Inc.	95,000	Fast food	#10	#464	✓
Costco Wholesale Corporation	158,000	Retail	#5	#12	
CVS Health Corporation	300,000	Retail	#8	#4	✓
Dollar General Corporation	158,000	Retail	#16	#91	
FedEx Corp.	354,000	Delivery	#2	#45	✓
Gap Inc.	94,000	Retail	#37	#221	✓
Hilton Worldwide Holdings Inc.	62,000	Hotel	#2	#596	
Lowe's Companies, Inc.	288,000	Retail	#9	#31	✓
Macy's, Inc.	90,000	Retail	#24	#164	✓
Marriott International, Inc.	98,000	Hotel	#1	#293	✓
Starbucks Corporation	245,000	Fast food	#2	#125	✓
McDonald's Corporation	36,500	Fast food	#1	#157	✓
Target Corporation	409,000	Retail	#7	#30	✓
The Home Depot, Inc.	451,000	Retail	#4	#18	✓
The Kroger Co.	465,000	Retail	#3	#17	
The Walt Disney Company	109,000	Entertainment	#1	#50	✓
United Parcel Service, Inc.	458,000	Delivery	#1	#35	✓
Walgreens Boots Alliance, Inc.	243,000	Retail	#6	#16	✓
Walmart Inc.	1,600,000	Retail	#1	#1	✓
TOTAL	**7.1 million**				**18 of 22**

Source: *Company SEC filings and ESG reports, National Retail Federation Top 100 Retailers 2021 List, 2021 QSR 50, Transport Topics Top Package/Courier Carriers 2021, Hospitality ON 2021 Worldwide Ranking, Wall Street Journal.*

Note: *Employment figures only include employees at company-operated stores; 95% of McDonald's U.S. restaurants are franchised as of September 2021.*

We chose to analyze the outcomes and choices of these companies for three reasons. First, their size and profits provide them with greater resources to compensate workers equitably than employers that lack their size and scale. Second, they play an outsized role setting norms, employment practices, and wages across their industries; for instance, researchers examining the impact of voluntary minimum wage increases by major retail companies found that a 10% increase in Amazon's advertised hourly wage resulted in a more than 2% increase by other employers in the same commuting area.[21] Third, due to their sheer size and large market capitalization, these companies have an outsized effect on shareholder wealth and contribute disproportionately to rising society-wide inequality. When their share prices rise—as most did during the pandemic—wealthy shareholders across the country get richer. To the extent that the country will be able to address society-wide challenges of inequality, the outcomes of these companies matter.

The companies' financial performance during the pandemic ranges from record-breaking to struggling

We categorized these 22 companies' performance over the first 22 months of the pandemic as "winning," "mixed-performing," or "struggling," using the following metrics:

- Total revenue and profit generated during the first seven quarters of the pandemic
- The change in revenue and profit versus the seven preceding quarters
- The change in stock price
- Whether companies reduced hours or staff through furloughs or layoffs

For our analysis, we used the companies' adjusted net income for their company profit; for Amazon, Costco, and Home Depot, we did not adjust profit as those companies did not provide an adjusted figure.

"Winning" companies: Just over half (12) of the companies in our analysis were clear pandemic winners. Three-quarters of "winning" companies posted their most profitable years on record in 2020. Between January 2020 and November 2021, they saw an average stock price increase of 65%. Over the first seven pandemic quarters, the 12 winning companies earned a total adjusted profit of $180.2 billion—an increase of $56.1 billion, or 45%, compared to the previous seven quarters. Together, they spent nearly $100 billion on dividends and stock buybacks over the first seven pandemic quarters. All 12 companies invested in temporary and/or permanent pay increases.

In general, the winning companies benefitted from multiple tailwinds that buoyed their success. These include changes in consumer behavior, like the shift to more spending on home goods; government stimulus payments and more generous unemployment insurance; favorable monetary policy; their designation as "essential" businesses that were exempt from lockdowns; their size and scale; and their pre-existing digital infrastructure, which allowed them to pivot to digital order fulfillment.

Table 2: Winning companies' performance over the first 22 months of the pandemic

Seven pre-pandemic quarters versus seven pandemic quarters

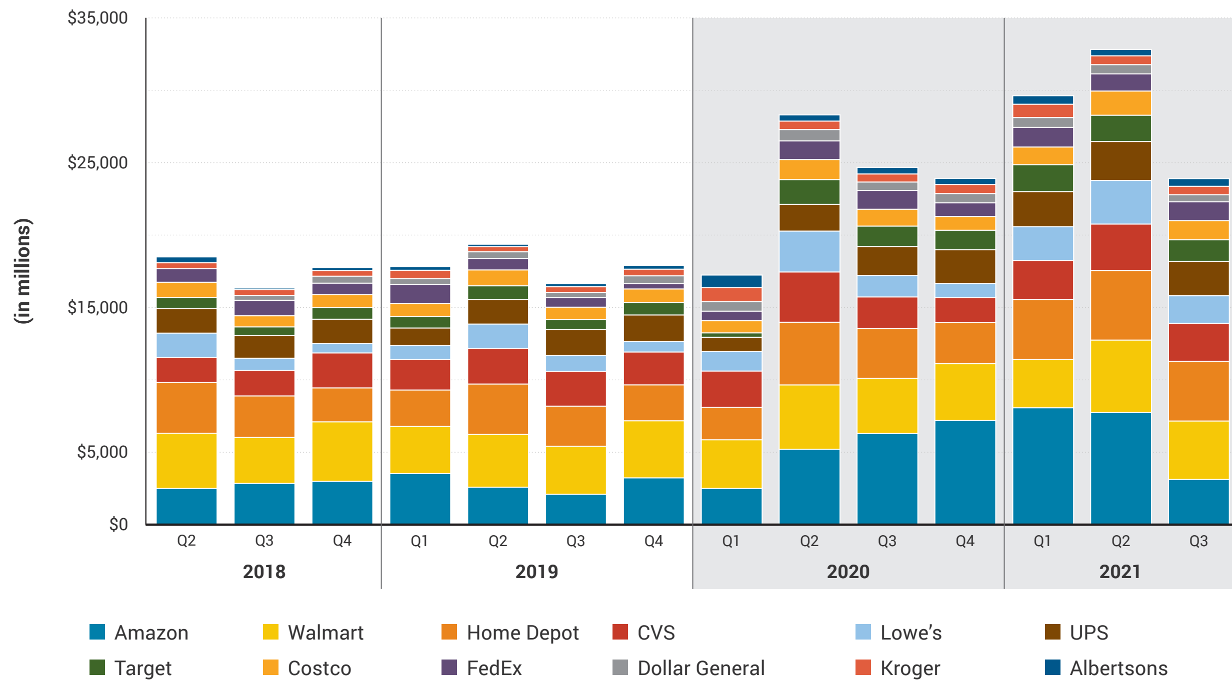
	REVENUE		PROFIT			STOCK PRICE
Company	7 pandemic Qs (in billions)	% change from previous 7 Qs	7 pandemic Qs (in billions)	Change from previous 7 Qs (in billions)	(%)	% change
Albertsons	$124.2	19%	$3.2	+$2.5	325%	106%
Amazon	$718.5	55%	$40.4	+$20.3	102%	80%
Costco	$336.9	23%	$8.6	+$2.1	32%	67%
CVS	$484.2	19%	$18.4	+$3.2	21%	22%
Dollar General	$59.3	25%	$4.5	+$1.5	51%	41%
FedEx	$146.8	21%	$8.0	+$2.1	35%	56%
Home Depot	$247.5	28%	$25.9	+$6.0	30%	68%
Kroger	$237.3	15%	$4.9	+$2.0	67%	40%
Lowe's	$164.5	30%	$13.9	+$6.2	82%	94%
Target	$168.0	23%	$9.9	+$4.4	81%	101%
UPS	$154.1	20%	$14.7	+$3.2	28%	80%
Walmart	$979.0	7%	$27.9	+$2.7	11%	26%
TOTAL	**$3,820.5**	**22%**	**$180.2**	**+$56.2**	**45%**	**325%**
AVERAGE						**65%**

Source: *Company earnings reports, Yahoo Finance*

Note: *The change in stock price is calculated between the closing stock price on December 31, 2019 and November 1, 2021.*

Figure 1: Winning companies' profit

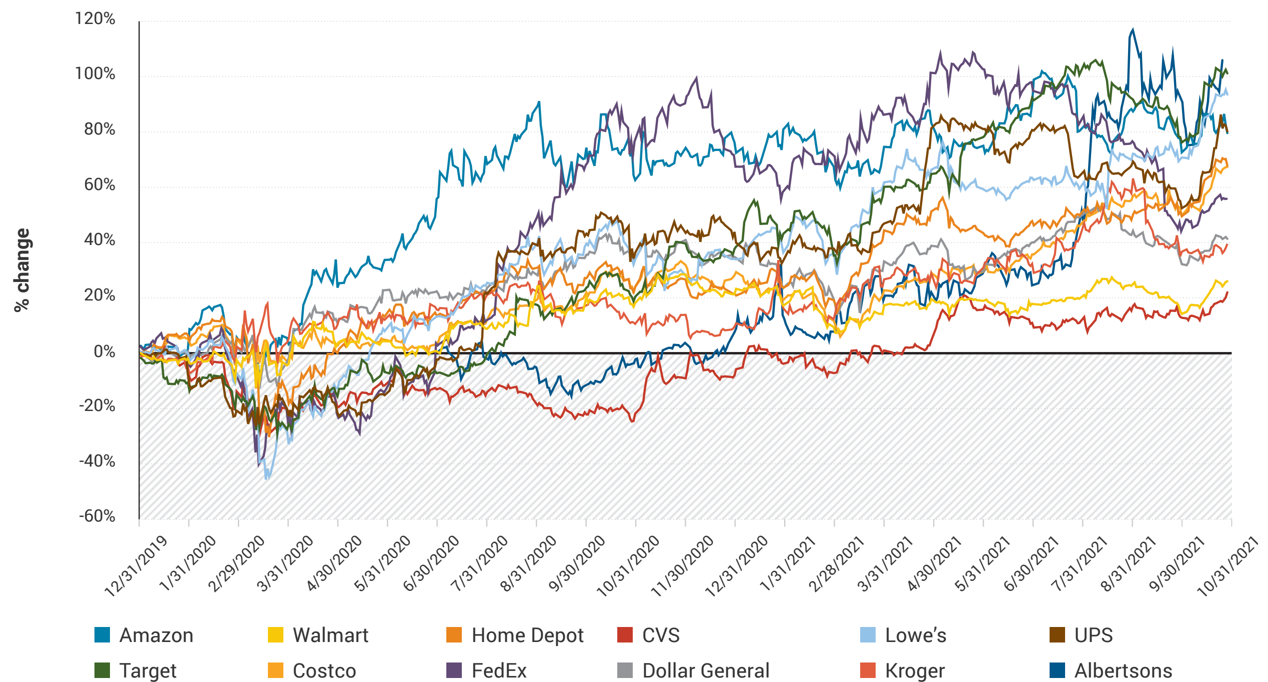
Seven pre-pandemic quarters versus seven pandemic quarters



Source: *Company earnings reports*

Figure 2: Winning companies' change in stock price

December 31, 2019 to November 1, 2021



Source: *Yahoo Finance*

"Mixed-performing" companies: Four companies had a more mixed financial record in the pandemic, with early losses followed by a full recovery that exceeded pre-pandemic financial performance. At these companies, partial and/or full closures early in the pandemic resulted in lost income in 2020. In the early months of the pandemic, most of the mixed-performers furloughed workers and/or cut worker hours. In 2020, these companies made $3.4 billion less in adjusted profit than the previous year—a decrease of 30%. Since those early losses, the mixed-performing companies fully recovered; for each, combined adjusted profits from the first three quarters of 2021 exceeded pre-pandemic profit levels in the same quarters in 2019. Three of the four mixed-performing companies—Best Buy, Chipotle and McDonald's—posted the best trailing 12 months (through the third quarter of 2021) of net income in company history.[22] All four companies suspended stock buybacks at the beginning of the pandemic, and all but Starbucks had restarted them by Q3 2021. Due to pandemic investments in digital relationships with customers, such as through store apps and mobile ordering, the four mixed-performing companies are better poised for future growth than they were at the outset of the pandemic. On average, the companies' stock price rose 52%.

Table 3: Mixed-performing companies' performance over the first 22 months of the pandemic

Seven pre-pandemic quarters versus seven pandemic quarters

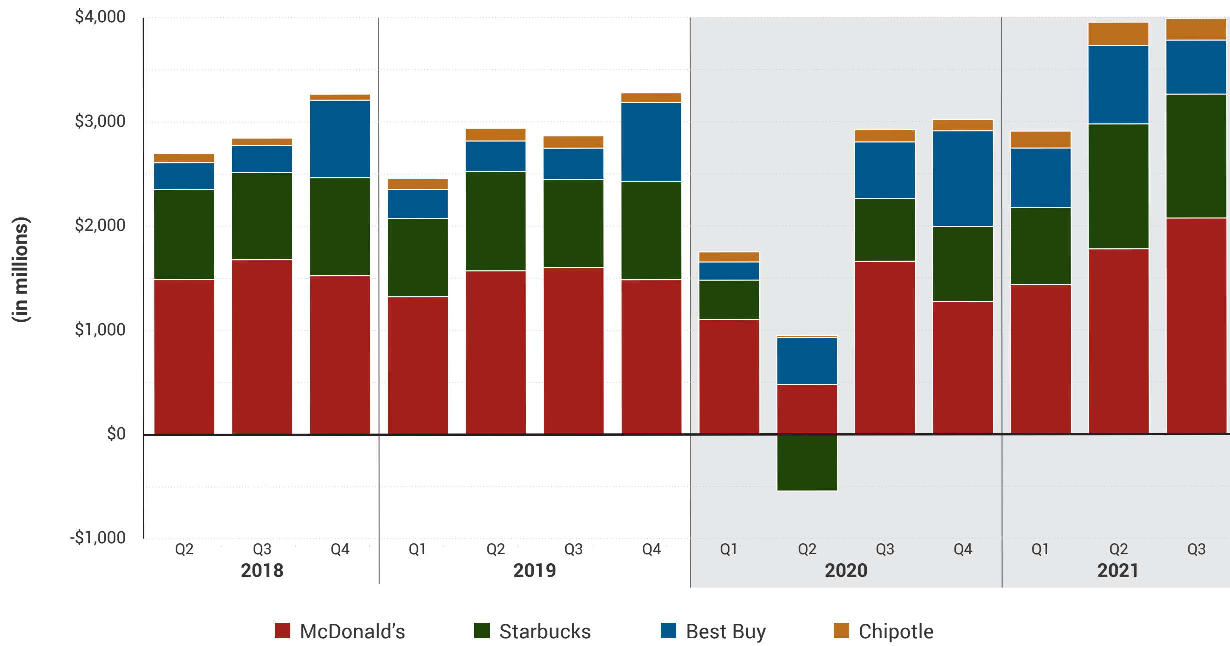
Company	REVENUE		PROFIT			STOCK PRICE	# workers furloughed	# workers laid off
	7 pandemic Qs (in billions)	% change from previous 7 Qs	7 pandemic Qs (in billions)	Change from previous 7 Qs (in billions)	Change from previous 7 Qs (%)	% change		
Best Buy	$82.7	7%	$3.9	+$1.0	36%	41%	51,000	5,000
Chipotle	$11.6	24%	$0.9	+$0.3	48%	115%	Less than 3%	
McDonald's	$36.4	-2%	$9.8	-$0.9	-8%	27%		
Starbucks	$45.5	-2%	$4.3	-$1.8	-30%	25%		
TOTAL	**$176.1**	**4%**	**$18.9**	**-$1.4**	**-7%**	**325%**	**51,000**	**5,000**
AVERAGE						**52%**		

Source: *Company earnings reports, Yahoo Finance*

Note: *The change in stock price is calculated between the closing stock price on December 31, 2019 and November 1, 2021.*

Figure 3: Mixed-performing companies' profit

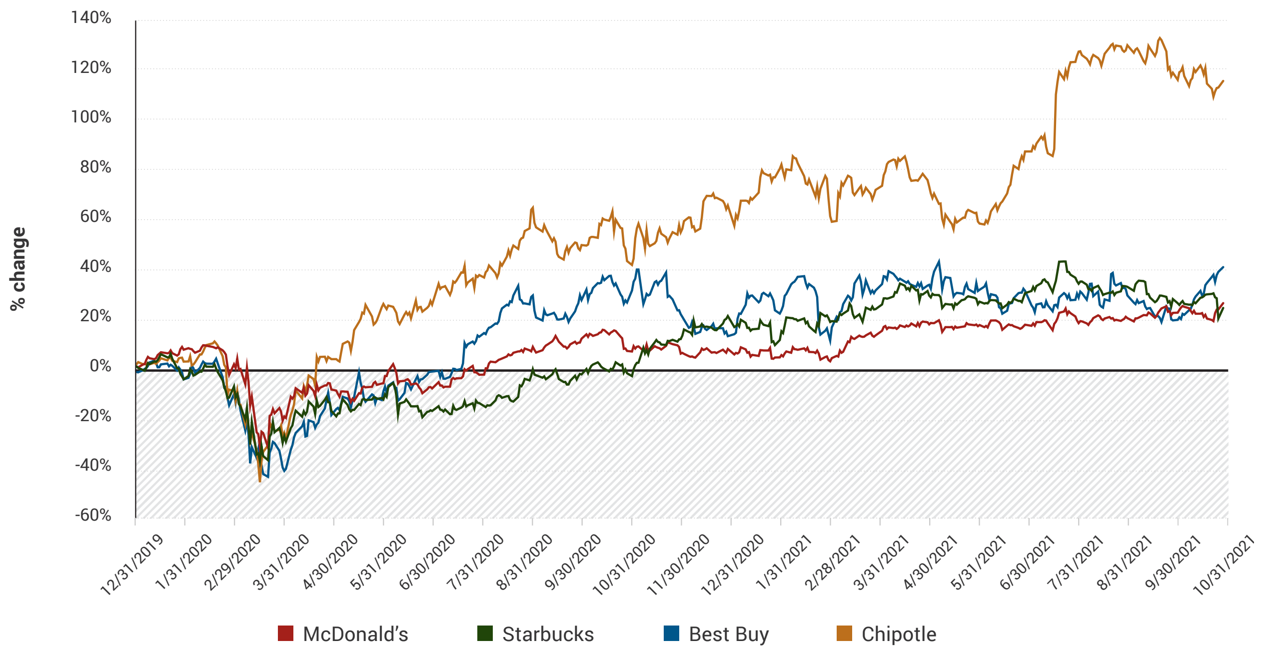
Seven pre-pandemic quarters versus seven pandemic quarters



Source: *Company earnings reports*

Figure 4: Mixed-performing companies' change in stock price

December 31, 2019 to November 1, 2021



Source: *Yahoo Finance*

"Struggling" companies: Six companies experienced significant losses, particularly in 2020. With the exception of Walgreens, whose financial struggles predate the pandemic, the remaining "struggling" companies were in industries that the pandemic hit particularly hard, including leisure, hospitality, fashion retail, and entertainment. The companies endured some of the worst financial quarters in their histories, posted large losses, suspended dividends and stock buybacks, and took on new debt to fund basic operations. In 2020, Disney, Gap, and Hilton posted their worst years on record, while Marriott and Macy's posted their second-worst years. The companies furloughed more than 329,000 workers during the pandemic and laid off more than 39,000.

We intentionally selected companies that experienced a range of pandemic financial performance. To be conservative, we focused mainly on companies that did well (the "winning" companies). We wanted to understand whether they would make good on their pledges when conditions were optimal. We make certain calculations just for the 12 winning companies, including profit and stock price increase, when analyzing their financial gains.

We also included companies in industries the pandemic hit hard in order to analyze who bears losses when times are bad (the "mixed-performing" and "struggling" companies). At times, we analyze the mixed-performing and struggling companies together, including in our section on how financial losses were distributed.

In the section on worker compensation, we do not distinguish between the three categories and evaluate all companies on their pay practices. In the section on financial gains, we examine total shareholder wealth generated across all companies, because the share prices of all but one of the 22 companies rose during the pandemic.

Table 4: Struggling companies' performance over the first 22 months of the pandemic

Seven pre-pandemic quarters versus seven pandemic quarters

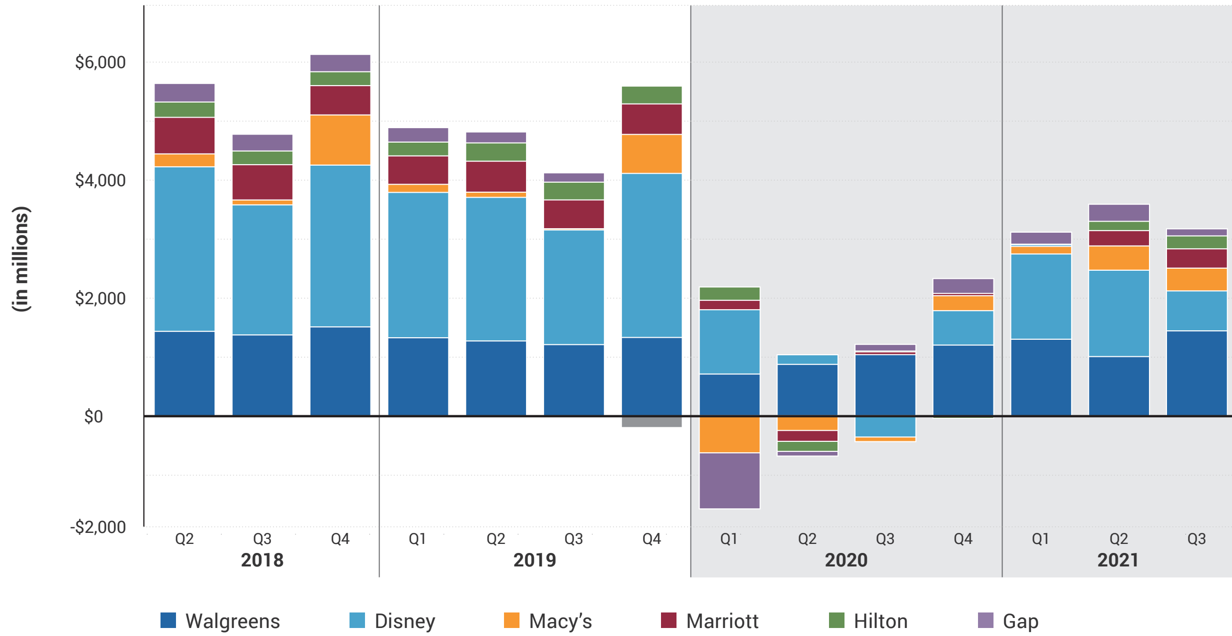
Company	REVENUE		PROFIT			STOCK PRICE	# workers furloughed	# workers laid off
	7 pandemic Qs (in billions)	% change from previous 7 Qs	7 pandemic Qs (in billions)	Change from previous 7 Qs (in billions)	Change from previous 7 Qs (%)	% change		
Disney	$11.9	-7%	$5.0	-$12.3	-71%	18%	120,000	32,000
Gap	$25.9	-11%	-$0.1	-$1.3	-109%	34%	80,000	1,200 corporate staff
Hilton	$8.3	-49%	$0.4	-$1.4	-78%	31%	47,000	2,100 corporate staff
Macy's	$33.1	-25%	$0.2	-$1.8	-89%	67%	At least 62,000	4,000 corporate staff
Marriott	$20.0	-46%	$0.7	-$3.0	-82%	7%	"Tens of thousands"	
Walgreens	$232	-2%	$7.7	-$1.9	-20%	23%		
TOTAL	**$431.3**	**-11%**	**$13.9**	**-$21.8**	**-61%**		**>329,000**	**39,300**
AVERAGE						**31%**		

Source: *Company earnings reports, company communication, Yahoo Finance, Business of Fashion, Wall Street Journal*

Note: *The change in stock price is calculated between the closing stock price on December 31, 2019 and November 1, 2021.*

Figure 5: Struggling companies' profit

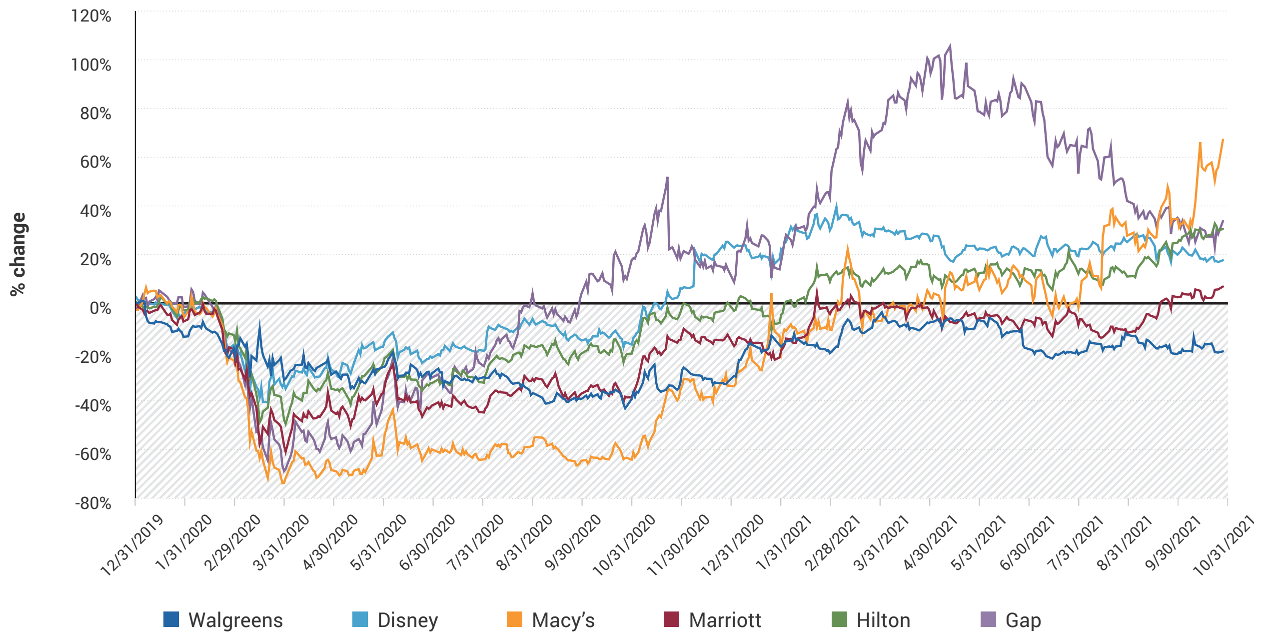
Seven pre-pandemic quarters versus seven pandemic quarters



Source: *Company earnings reports*

Figure 6: Struggling companies' change in stock price

December 31, 2019 to November 1, 2021



Source: *Yahoo Finance*

How companies compensated frontline workers

In this section, we examine compensation for frontline workers. We ask: Are the 22 companies paying workers enough to get by? To what extent have wages risen during the pandemic? Are companies living up to their pledges to pay workers "fairly"?

Because companies are not required to report on wage levels or hours worked, these can be surprisingly difficult questions to answer. To analyze compensation, we reviewed mandated reporting on median take-home pay, tracked public wage announcements, and communicated directly with companies.

We use a living wage as the minimal acceptable standard

Before reviewing the analysis, it is important to understand the wage standard we applied to the companies. The 2019 Business Roundtable pledge commits companies to paying workers "fairly."[23] At a bare minimum, a fair wage would cover essential expenses like health care, food, and rent. Given that, we assess company pay practices in this report against a living wage benchmark.[24]

A living wage is the annual take-home pay that allows workers to cover only critical costs: rent, food, child care, health care, transportation, and taxes. It is the line that prevents a worker from going hungry, getting evicted, or forgoing critical health care. A living wage does not leave money left over for savings, emergency expenses, or even the smallest of luxuries, like ordering out. It is the minimum standard for financial independence.[25]

Of course, a living wage should be a floor, not a ceiling. The companies in this analysis include some of the most iconic and profitable corporations in the country, with greater resources than companies without their size and scale to go beyond this basic standard of survival. But for the purposes of this analysis, it is a useful minimum standard.

The living wage varies geographically, based on local costs of living. Because companies only share national wage data, we were unable to undertake locally specific analyses of living wages, and instead use national figures. According to researchers at the Massachusetts Institute of Technology, the annual U.S. living wage for each adult in a two-adult, two-child household in 2019 was about $34,400, or $16.54 per hour for a worker scheduled for 40 hours per week for 52 weeks.[26] As of October 2021, adjusted for inflation, the living wage would be $17.70 per hour, or just under $37,000 annually. Any worker getting less than 40 hours per week—as most service workers do—would need to earn more per hour to make a living wage. We use the 40-hour wage to give companies the benefit of the doubt.

We chose a living wage based on a four-person household size (two adults and two children), with both adults working, for two reasons. First, close to half of all low-wage workers in their prime working years are raising families.[27] Second, this household size provides a more conservative living wage than other measures. For instance, the living wage for a single adult with a child (or multiple children) is higher than the four-person size that we are using. (The living wage for a single adult without children is lower.)

While we are holding all companies in this report to the minimal standard of paying their workers a living wage, companies in sectors with higher median wages are closer to meeting that benchmark. Nationally, median hourly pay is lowest in the fast-food sector (the median food and beverage service worker earned just $11.60 per hour in 2020), followed by retail, and higher for typical occupations in the warehousing and delivery sectors (where delivery drivers earned a median wage of $16.51 per hour).

"I have coworkers who stand all day serving people, and then have to go pay for their own groceries with food stamps. I am very lucky that my boyfriend works in pizza because that is our survival food. If we can't afford to buy food, he brings home a pizza."

—Kroger cashier Lisa Harris

Photo: Kroger cashier Lisa Harris. Source: Joshua Cogan.

Low wages can be devastating for workers—and costly for taxpayers

When companies pay less than a living wage, the consequences for workers can be devastating. In a 2020 interview, Lisa Harris, a Kroger cashier outside of Richmond, Va., described the financial struggles her colleagues face: "I have coworkers who stand all day serving people, and then have to go pay for their own groceries with food stamps. I am very lucky that my boyfriend works in pizza because that is our survival food. If we can't afford to buy food, he brings home a pizza."

Sub-living wages have consequences for society too. In a 2020 report, the Government Accountability Office found that four companies in this analysis—Walmart, McDonald's, Dollar General, and Amazon—were among the top five U.S. employers with the most employees receiving federally funded safety net benefits in the nine states analyzed in the report.[28] In total, 14 of the 22 companies in this analysis were named among the employers with the most SNAP recipients as of February 2020.

At the start of the pandemic, most frontline workers did not earn enough to get by

At the end of 2019, just as the pandemic was about to begin, not a single company in our analysis had a minimum wage that ensured all full-time workers could pay for basic necessities. In fact, few even paid *half* of their employees a living wage.

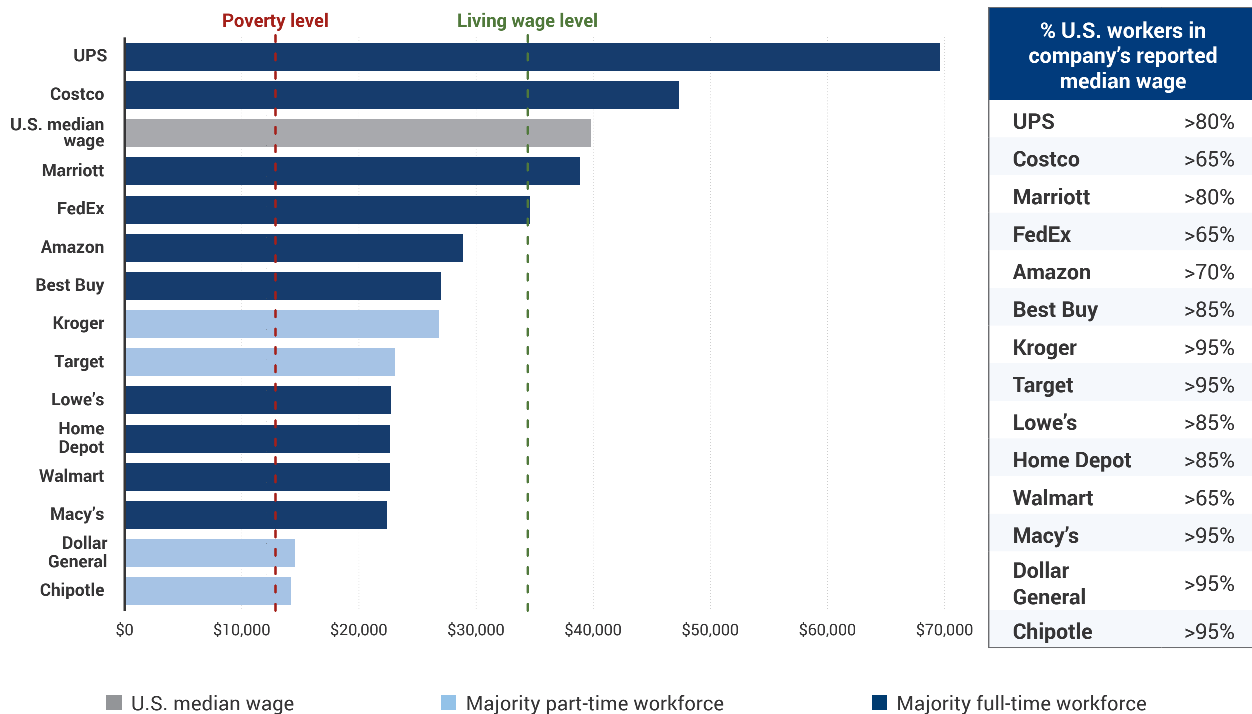
To evaluate whether companies paid their workers a living wage, we analyzed company disclosures on the 2019 annual pay of their median employee out of all full-time, part-time, and seasonal employees. The company median annual pay data is an imperfect measure, as most companies included at least some non-U.S. workers in their measurement of the median wage (see Figure 11). However, it is the only standardized measure of compensation that all companies are required to disclose, and thus provides some of the best available data to analyze. With the exception of Amazon, the other 21 companies have chosen not to voluntarily share a U.S.-specific median wage, which would have allowed more apples-to-apples comparisons. (Amazon only includes U.S. *full-time* workers in its U.S. median wage, which is a less comparable measure.)

Based on this median annual pay data, there were only four companies—UPS, Costco, Marriott, and FedEx—that paid at least half of their employees (including some non-U.S. employees) a U.S. living wage at the end of 2019.

Median and average pay, however, doesn't tell us much about a company's lowest earners. When the pandemic began, just two companies—Amazon and Costco—had a reported minimum of $15 per hour. Another seven companies had minimum wages ranging from $9 per hour to $14 per hour.

Figure 7: Only four companies paid most workers a living wage in 2019

2019 total annual compensation for the median-paid employee



% U.S. workers in company's reported median wage	
UPS	>80%
Costco	>65%
Marriott	>80%
FedEx	>65%
Amazon	>70%
Best Buy	>85%
Kroger	>95%
Target	>95%
Lowe's	>85%
Home Depot	>85%
Walmart	>65%
Macy's	>95%
Dollar General	>95%
Chipotle	>95%

Source: *Company proxy statements, MIT's 2019 living wage calculation for a household with two working adults and two children, HHS 2019 Poverty Guideline for a four-person household divided in half, and May 2019 OES median hourly wage for all occupations annualized (40 hours a week x 52 weeks a year). See full explanation at the report's webpage found at https://brook.gs/3EtNlOK.*

Table 5. Pre-Pandemic minimum and average hourly wages

As of January 2020

Company	Minimum hourly wage	Average hourly wage
Amazon	$15	$15.75
Costco	$15	–
UPS	$14	–
Target	$13	$14.48
CVS	$11	$15
Walmart	$11	$14
Walgreens	$10	$14.41
Gap	$10	–
Chipotle	$9	$13
Kroger	–	$15
Albertsons	–	–
Best Buy	–	–
Disney	–	–
Dollar General	–	–
FedEx	–	–
Hilton	–	–
Home Depot	–	–
Lowe's	–	–
Macy's	–	–
Marriott	–	–
McDonald's	–	–
Starbucks	–	–

Source: *Company reporting or direct company communication*

Note: *The companies without a minimum wage or average wage (as of January 2020) did not publicize or share this data with us.*

During the riskiest period of the pandemic in 2020, companies had the resources to do far more to compensate workers

When the COVID-19 pandemic began in 2020, simply going to work at a grocery store, warehouse, fast-food restaurant, big-box store, or delivery route put frontline essential workers and their families at risk. The pandemic cast a harsh glare on the low wages that many of these frontline workers earned as they put their lives on the line to keep our economy running.[29] These risks were especially elevated in 2020, when COVID-19 vaccines were not yet widely available to frontline workers. As public appreciation for the sacrifices of frontline workers rose, societal expectations of what workers deserve to earn shifted.

We found that in 2020, most of the companies in this analysis did raise wages temporarily through "Covid pay": a combination of pandemic-related bonuses and temporary hourly pay increases, often referred to as "hazard pay."[30] At some companies, Covid pay provided a meaningful, albeit temporary, raise:

- **Home Depot** offered the highest per-worker pay bump in 2020. The company paid employees a $150 weekly bonus until November 2020, when the company permanently raised wages.
- **Costco** paid an additional $2 per hour for an entire year, until March 2021, when the company permanently raised wages.
- **Starbucks** is notable for offering relatively generous hazard pay—a $3 hourly increase—at a time when the business was hit hard by store closures.

At the other end of the spectrum, FedEx, CVS, and UPS stand out for offering comparatively little (or no) additional Covid pay, despite their elevated earnings and CVS's role as a leading health care company on the frontlines of COVID-19 testing and immunizations. Several companies, including Gap and UPS, paid no Covid pay at all in 2020.

Table 6: Companies raised wages for frontline workers via "Covid pay"

The amount a full-time and part-time worker earned in 2020 from pandemic-related bonuses and temporary hourly wage increases

Company	2020 Covid pay		% annual wage increase for the median worker from Covid pay
	full-time worker	part-time worker	
WINNING COMPANIES			
Home Depot*	$3,500	$1,750	13%
Costco*	$3,300	$1,760	7%
Lowe's*	$2,121	$1,071	8%
Target*	$2046	$1,817	8%
Amazon*	$1,614	$834	5%
Walmart	$1,200	$600	4%
FedEx*	$1,000	$500	3%
Albertsons	$1,313	$1,050	5%
Kroger	$1,225	$770	3%
CVS*	$600	$600	2%
Dollar General	–	–	–
UPS	–	–	–
AVERAGE	**$1,792**	**$1,075**	**6%**
MIXED-PERFORMING & STRUGGLING COMPANIES			
Best Buy*	$1,781	$950	5%
Starbucks	$1,158	$617	4%
Chipotle	$585	$390	2%
Walgreens	$300	$150	1%
McDonald's	$216	$115	1%
Disney	$0	$0	0%
Gap	$0	$0	0%
Hilton	$0	$0	0%
Marriott	$0	$0	0%
Macy's	–	–	–
AVERAGE	**$449**	**$247**	**2%**
OVERALL AVERAGE	**$1,156**	**$683**	**4%**
OVERALL TOTAL	**$21,960**	**$12,974**	

** 2020 was best year on record as of the end of FY2020*

A blue box indicates whether company had a majority full-time or part-time workforce

Source: *Brookings analysis of company Covid pay. See full explanation at the report's webpage found at https://brook.gs/3EtNlOK.*

When we calculated companies' 2020 expenditures on Covid pay, we found that most companies had the resources to raise pay more than they did. This was especially true of the 12 "winning" companies, many of which accumulated huge reserves of cash in the first year of the pandemic as revenues boomed. For context, two-thirds of the winning companies had their most profitable year ever in 2020, even after paying for the (mostly modest) temporary pay bumps to the workers who risked their lives to make these record profits possible. Across the 12 winning companies, Covid pay bumps averaged out to a temporary 6% annual average wage increase. The winning companies spent 7% of their cash holdings (plus stock buybacks) on Covid pay in 2020.

Even the "mixed-performing" and "struggling" companies had the resources to do more to compensate their employees in 2020. Unlike permanent wage increases, Covid pay was a temporary expense that companies easily could have funded from cash reserves. Yet these companies spent only 1% percent of their cash reserves (plus buybacks) on temporary Covid pay in 2020, and raised pay by an average of 2%. Had the companies in this analysis spent even a fraction more of their 2020 cash on workers, they could have dramatically increased additional pandemic compensation.

Ultimately, the extra wages that companies paid hourly workers through Covid pay were not enough for any additional companies to meet the benchmark of paying at least half of their employees a living wage. And by spring 2021, all temporary COVID-19 pay bumps had ended.

Despite hope and hype, companies raised pay only modestly since the start of the pandemic

While 2020 was the year of temporary Covid pay, 2021 ushered in a wave of permanent wage increases as companies struggled to retain and recruit workers in a tight labor market. With millions of unfilled jobs and workers quitting in historic numbers, many companies increased nominal wages—sometimes significantly. Reflecting the newfound leverage that workers gained over employers, newspapers declared 2021 "the year of the worker."[31]

But despite these headlines, average pay in real terms for workers across the 22 companies we analyzed has increased only modestly on average since the start of the pandemic. We found that nominal pay (not factoring inflation) *did* increase, sometimes significantly, at all but five of the 22 companies since the start of the pandemic. However, inflation of more than 7% between January 2020 and October 2021 erased most of the average gains. We estimate that across all 22 companies, the average real wage gain, factoring in inflation, was between 2% and 5% through October 2021.

In recent months, inflation rose even more sharply. Between January 2020 and March 2022, inflation was nearly 11.5%—more than four percentage points higher than the inflation through October 2021. Unless the 22 companies raised wages substantially since October 2021, fast-rising inflation would have eroded most, or even all, of the 2-5% average wage gains.

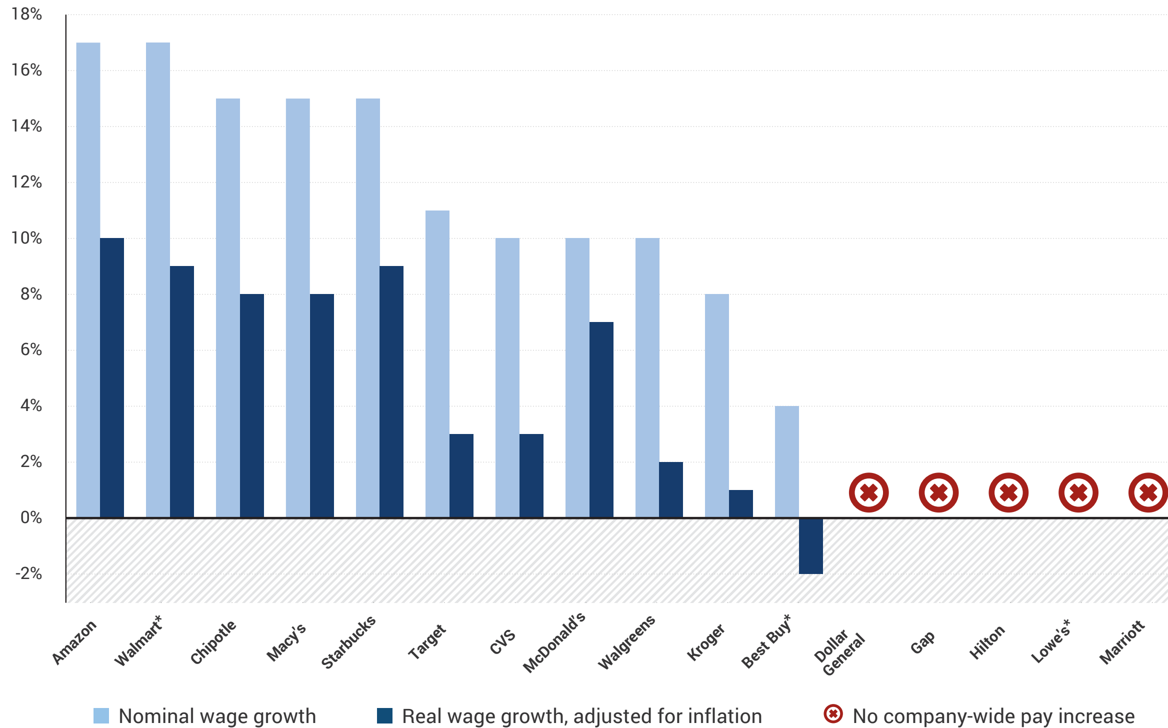
To calculate real wage gains, we gave credit to companies for increasing pay if: 1) the company made a public announcement of a company-wide increase; and/or 2) the company reported or shared directly with us an increase in average pay for workers. Given the tight labor market, it is likely that many companies in this analysis made location-specific pay increases for at least some workers since the start of the pandemic, but our methodology was unable to give credit for these one-off increases unless companies shared average pay data with us. We confirmed our data through direct company communications; all but Disney and Dollar General responded.

Based on the data we collected, the 22 companies fell into three categories:

- Five companies did not implement company-wide pay increases between January 2020 and October 2021: Dollar General, Gap, Hilton, Lowe's, and Marriott.
- Eleven companies did raise wages and shared the data, either publicly or directly with us: Amazon, Best Buy, Chipotle, CVS, Kroger, Macy's, McDonald's, Starbucks, Target, Walgreens, and Walmart.
- Six companies did raise wages, but we were unable to confirm the amount of the increase: Albertsons, Costco, Disney, FedEx, Home Depot, and UPS.

Figure 8: Inflation erased most of the modest wage gains since the start of the pandemic

Change in average hourly wages, January 2020 to October 2021



* *Worker wage increases are likely overstated for Walmart and Best Buy and understated for Lowe's. See full explanation at the report's webpage found at https://brook.gs/3EtNlOK.*

Source: *Brookings analysis of average hourly wage data via company reporting or direct communication. Wages adjusted using the Bureau of Labor Statistics CPI Inflation Calculator through October 2021. Average wages are adjusted for Best Buy, Gap, Lowe's, Macy's, McDonald's, and Starbucks from the month the wage increase went into effect.*

- Among the 11 companies that shared wage increase data, the average real wage increase was 5% through October 2021. At five of those companies, real wage gains were substantial, ranging from 8% to 10%. (Since then, inflation has risen further and likely eroded some of these wage gains. For example, if the 11 companies did not raise pay further between November 2021 and March 2022—and only one company announced increases in this period—the average real wage increase through January 2022 would be less than 1%.)

Looking at wages across all 22 companies, the average real wage change is likely smaller. Assuming that the six companies that are missing data had the same 5% average wage increase as the 11 companies that reported average pay bumps, and that the other five companies that did not implement company-wide pay increase did not raise wages at all, the average real wage increase between January 2020 and October 2021 across all 22 companies would be approximately 2%.

A few companies, such as Amazon, raised wages significantly more than the average wage gains across their respective industries. Overall, most companies did not. Though we specifically chose the companies in this analysis because they are leaders in their industries and nearly all signed the Business Roundtable pledge, most of the pay increases do not stand out compared to industry-wide pay bumps. For instance:

- The 8% average real pay bump across the three fast-food companies was just above the 7% average real wage increase for both nonsupervisory and all accommodation and food service industry jobs between January 2020 and October 2021.[32]
- Across the eight retail companies for which we have data, the 4% average real wage increase was equivalent to the 4% real wage growth for nonsupervisory retail jobs and slightly higher than the 2% real wage growth for all retail jobs between January 2020 and October 2021.[33]
- The range that we estimate for average wage gains across all 22 companies (between 2% and 5%) is similar in magnitude to the wage gains for all workers in those industries between January 2018 and October 2019. During this 22-month pre-pandemic period, retail workers experienced a 4% real wage increase, while leisure and hospitality workers saw a 2% real pay increase.[34]

Table 7: Nominal versus real average wages

Change in average hourly wages, January 2020 to October 2021

Company	January 2020 average wage	October 2021 average wage	Nominal change	Real change
Amazon	$15.75	$18.50	17%	10%
Walmart*	$14.00	$16.40	17%	9%
Starbucks	–	$14.00	15%	9%
Macy's	–	–	15%	8%
Chipotle	$13.00	$15.00	15%	8%
McDonald's	–	$13.00	10%	7%
Target	$14.48	$16.06	11%	3%
CVS	$15.00	$16.50	10%	3%
Walgreens	$14.41	$15.80	10%	2%
Kroger	$15.00	$16.25	8%	1%
Best Buy*	–	$17.67	4%	-2%
Dollar General	–	–	0%	⊗
Gap	–	–	0%	⊗
Hilton	–	–	0%	⊗
Lowe's*	–	–	0%	⊗
Marriott	–	–	0%	⊗

** Worker wage increases are likely overstated for Walmart and Best Buy and understated for Lowe's. See full explanation at the report's webpage found at https://brook.gs/3EtNIOK.*

Source: *Brookings analysis of average hourly wage data via company reporting or direct communication. Wages adjusted using the Bureau of Labor Statistics CPI Inflation Calculator through October 2021. Average wages are adjusted for Best Buy, Gap, Lowe's, Macy's, McDonald's, and Starbucks from the month the wage increase went into effect.*

Note: *The companies without an average wage (as of January 2020 or October 2021) did not publicize or share this data with us. The companies demarcated with an "X" did not implement a company-wide wage increase between January 2020 and October 2021.*

Overall, companies made little progress on meeting the standard of a living wage

So where does this leave workers? Headlines about rising wages for frontline workers often obscure the reality that wage *levels* are still low today, even after the pay increases, especially when adjusted for inflation.

To assess whether the 22 companies paid at least half of their workers a living wage as of October 2021, we assessed several sources of data. We examined companies' average and minimum wages and the 2020 annual compensation of their median employee. (The 2021 median compensation data had not yet been released for most companies by the time of publication.) From this data, we determined the likelihood of each company meeting the bar of paying at least half of their workers a living wage.

Of the 22 companies we analyzed, there are just five companies—Amazon, Best Buy, Costco, Marriott, and UPS—that we can say with a high degree of confidence paid at least half of their workers a living wage as of October 2021, compared to four companies pre-pandemic. We believe Disney and FedEx may also meet that bar, but cannot confirm with the data available. It is very unlikely that any of the remaining 15 companies paid at least half of their workers a living wage.

Because wages are so low, we focus on whether companies pay at least half their workers a living wage. It is notable that despite the fact that more than half of companies increased their minimum wages during the pandemic, not one pays a minimum wage today that meets the living wage standard. In October 2021, $15 per hour is a full $2.70 per hour lower than a living wage. In fact, an hourly worker in October 2021 would need to earn more than $16 per hour just to have the same purchasing power as $15 per hour at the start of the pandemic. (The same worker would need to earn $16.50 in February 2022 to have the same purchasing power.) Only Costco has a minimum wage today ($17 per hour) that is close to a living wage for a full-time worker.

Because they started at a low base, some of the companies with the biggest wage increases still have very low pay today. This is especially true in the fast-food industry. For instance, McDonald's has garnered positive media coverage for raising pay for employees at company-owned stores by 7% in real terms. In 2021, McDonald's raised its minimum wage to $11 per hour and its average wage for nonsupervisory employees to $13. The company has pledged to raise *average* (not minimum) pay to $15 by 2024. At a $13 average hourly wage, a McDonald's employee working 20 hours per week (most McDonald's employees work part time) would take home less than $14,000 a year—an income so low it would put a household of two under the federal poverty line.[35]

Commitments to fair wages fell short

Ultimately, the companies' commitments to fair wages fell short in the pandemic. The vast majority of hourly employees at the 22 companies started the pandemic earning low wages. Nearly two years later, the majority of them still earned low wages. By October 2021, we estimate that at least two-thirds of companies in this analysis did not pay even half of their workers a U.S. living wage.

The companies' failure was not for lack of any investment in workers. Most companies that we analyzed did raise wages during the pandemic: both temporarily, through Covid pay, and permanently, through real wage increases. Yet despite the media coverage around rising worker pay, most of the wage increases at the companies we analyzed were relatively modest. We estimate that the average real wage gain across all 22 companies was between 2% and 5% over nearly two years. Overall, only a few companies raised pay substantially more than the average wage increase for their respective industries. Thus, while most workers at the 22 companies we analyzed are earning better wages, few are earning enough to survive. Today, we estimate that, at most, one-third of the 22 companies are paying half of their workers enough to cover basic expenses, even as the fortunes of shareholders and executives rose.

Table 8: Two-thirds of companies in this analysis did not pay half of their workers a U.S. living wage

As of October 2021

Company	2020 median wage	% U.S. workers in company's reported median wage	Average real wage increase	Minimum wage (as of Oct. 2021)	Average wage (as of Oct. 2021)	% FT workers	Likelihood of paying at least half of workers a living wage
Costco	$39,585	>65%	?	$17	$24	60%	Very high
UPS	$39,143	>80%	?	$15	–	>50%	Very high
Marriott	$36,352	>80%	⊗	–	–	85%	Very high
Best Buy*	$30,542	>85%	-2%	$15	$17.67	60%	Very high
Amazon	$29,007	>70%	10%	$15	$18.50	>50%	Very high
Fedex	$34,544	>70%	?	–	–	53%	Likely
Disney (Parks & Resorts)	–	>70%	?	$15	>$17**	80%	Likely
Hilton	$28,608	>40%	⊗	–	–	78%	Low
Home Depot	$27,389	>85%	?	–	–	>50%	Low
Kroger	$24,617	>95%	1%	–	$16.25	40%	Low
Lowe's	$24,554	>90%	⊗	–	–	65%	Low
Target	$24,535	>95%	3%	$15	$16.06	<50%	Low
Walmart*	$20,942	>70%	9%	$12	$16.40	64%	Low
Macy's	$20,085	>95%	8%	–	–	54%	Low
Dollar General	$16,688	>95%	⊗	–	–	<50%	Low
Chipotle	$13,127	>95%	8%	$11	$15	19%	Low
Starbucks	$12,113	>60%	9%	$12	$14	<50%	Low
McDonald's	$9,124	>25%	7%	$11	$13	<50%	Low
Gap	$7,037	>80%	⊗	$10	–	<50%	Low
CVS	–	>95%	3%	$13	$16.50	71%	Low
Walgreens	–	>65%	2%	$13	$15.80	67%	Low
Albertsons	–	>95%	?	–	–	<50%	Low

* *Worker wage increases are likely overstated for Walmart and Best Buy and the understated for Lowe's. See full explanation at the report's webpage found at https://brook.gs/3EtNIOK.*

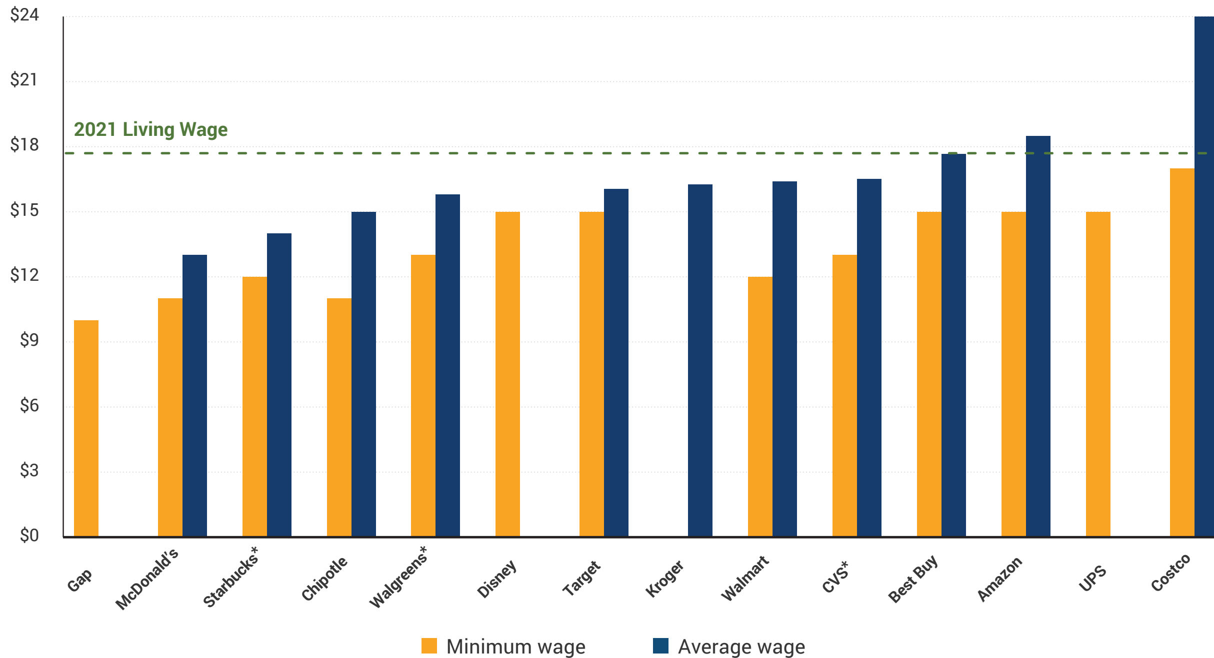
** *Disney's 2020 ESG report says the median wage (including tips) is "over $17" for parks and resorts workers.*

Source: *Company 2020 proxy statements, company reporting, or direct communication. The average real wage increases are calculated using the Bureau of Labor Statistics CPI Inflation Calculator through October 2021. Average wages are adjusted for Best Buy, Gap, Lowe's, Macy's, McDonald's, and Starbucks from the month the wage increase went into effect. See full explanation at the report's webpage found at Https://brook.gs/3EtNIOK.*

Note: *The companies without a minimum wage or average wage (as of October 2021) did not publicize or share this data with us.*

Figure 9: Even with wage increases, most workers still earn less than a living wage in 2021

Company average wage and minimum wage, as of October 2021



** Company pledges to increase minimum wage to $15 per hour in 2022*

Source: *Brookings analysis of MIT Living Wage Calculator data. Wage data via company reporting or direct communication.*

Note: *The companies without a minimum wage or average wage did not publicize or share this data with us.*

These are disappointing findings. There are a number of reasons that we might have expected companies to invest in higher wages during the pandemic. In 2020, employers faced public pressure to increase pay as COVID-19 posed health risks to workers and popular support for essential workers grew. In 2021, labor market shortages and elevated quit rates pushed companies to increase (nominal) wages significantly and gave frontline workers greater leverage. And corporate profits since the start of the pandemic reached their highest levels in history, providing employers additional resources to invest in workers.

Yet despite the hope and hype, on average, the companies in this analysis are paying workers only modestly more in real terms than they did before the pandemic—and, for most workers, not enough to get by. Looking at the data, it is hard not to conclude that most companies are falling far short of the Business Roundtable commitment to fair pay.

How financial gains were shared across workers, shareholders, and executives

In this section, we ask: How were companies' gains shared among workers, shareholders, and executives? Did workers share meaningfully in companies' financial success during the pandemic?

We found that the pay increases to millions of frontline workers during the pandemic were dwarfed by the vast wealth generated for rich shareholders, including billionaire founders and heirs, and executives, who are themselves shareholders.

Shareholders of the 22 companies grew $1.5 trillion richer, while workers got less than 2% of that benefit

On the whole, the companies in this analysis performed very well during the pandemic. Total profits rose by $33 billion, or 18%, over the first seven pandemic quarters. Among the 12 "winning" companies, the gains were even more striking: Profits rose by $56 billion, or 45%.

Shareholders reaped the benefits of this success. The average share price increase for the 22 companies between January 2020 and October 2021 was 51%, and 65% among the winning companies. Overall, the companies' rising stock prices generated more than $1.5 trillion in wealth for company shareholders from January 2020 through October 2021—nearly triple the wealth generated in the previous 22-month period. For context, $1.5 trillion is nearly one-third of the total U.S. federal budget.[36] Amazon was responsible for half of the wealth increase; still, the three-quarters of $1 trillion generated by the remaining 21 companies is double the amount of wealth they generated in the previous period.

Unlike shareholders, workers shared only minimally in company success. As discussed in the previous section, we found that workers' wages increased modestly over the first 22 months of the pandemic. The average wage increase across the 11 companies that shared data was 5%. We estimate that the average pay increase across all 22 companies could be as low as 2%. By October 2021, at least two-thirds of companies paid less than half of their employees a living wage.

But for low-wage workers, income is not a good proxy for wealth gains, because most of these workers are not paid enough to accumulate wealth. Low-wage workers generally spend their entire paycheck on basic necessities like rent, health care, and transportation; they have limited or no ability to save or invest. (In our methodology, we do not include the savings accumulated by low-income households during the pandemic from government transfers such as stimulus checks, unemployment benefits, and the Child Tax Credit.[37] We focus exclusively on wealth and income directly associated with company performance and company compensation.)

However, we can compare increased shareholder wealth to the *total* additional compensation that frontline workers at the 22 companies earned over that same period: temporary Covid compensation, permanent pay increases, profit sharing, and performance bonuses. It is likely the best comparison one can make to understand who benefitted most from pandemic success. But it is still an imperfect comparison: Additional compensation for workers does not represent wealth gains and share price increases do; pay increases are a flow while wealth is a stock. Despite these differences, it is the tradeoff between these two things that lies at the heart of the tension between shareholder capitalism and stakeholder capitalism.

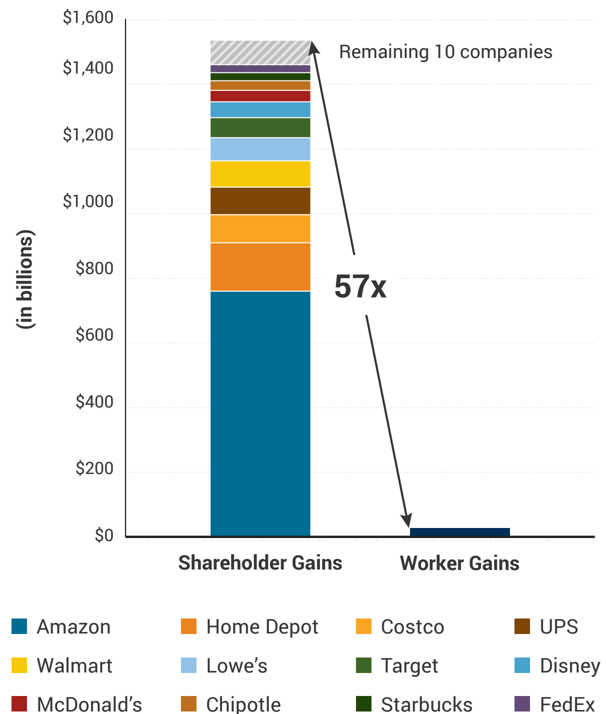
In total, the 7 million American workers employed by the 22 companies earned nearly $27 billion in additional compensation—less than 2% of the $1.5 trillion wealth increase that the companies' shareholders experienced.

The disparity between worker and shareholder gains is especially striking at several companies:

- **Amazon**: Of the 22 companies, Amazon stands out as having given the highest real wage increase to its workers. This additional pay for workers was dwarfed by the $767 billion in wealth that the company generated for its shareholders—as much as the wealth generated by all 21 other companies combined. Between January 2020 and October 2021, Amazon's shareholders grew 84% wealthier. In comparison, the average real pay of Amazon's workers grew by 10%. The company spent an additional $4.3 billion in worker pay during this period, including Covid pay, bonuses, and permanent wage increases. In other words, the additional wealth for Amazon's shareholders was 177 times greater than the additional pay that employees earned.
- **Home Depot:** Home Depot created $149 billion in wealth for its shareholders—46 times the additional pay for its workers.
- **Lowe's:** Lowe's generated $70 billion in additional wealth for its shareholders—42 times the additional pay for its workers.

Figure 10: Shareholders of the 22 companies grew $1.5 trillion richer, while workers got less than 2% of that benefit

Wealth generated for company shareholders versus the amount companies spent on additional compensation to workers, January 2020 to October 2021



Source: *Brookings analysis of company COVID pay, permanent wage increases, profit-sharing, and performance bonuses; company reporting and company communication; and Macrotrends. See full explanation at the report's webpage found at https://brook.gs/3EtNlOK.*

Nearly $1 trillion of wealth accrued to the 6 million richest American families

Of the $1.5 trillion in shareholder wealth gains, we estimate that 76%—or $1.16 trillion—accrued to U.S. (i.e., not foreign) shareholders, as is true for U.S. equities overall.[38]

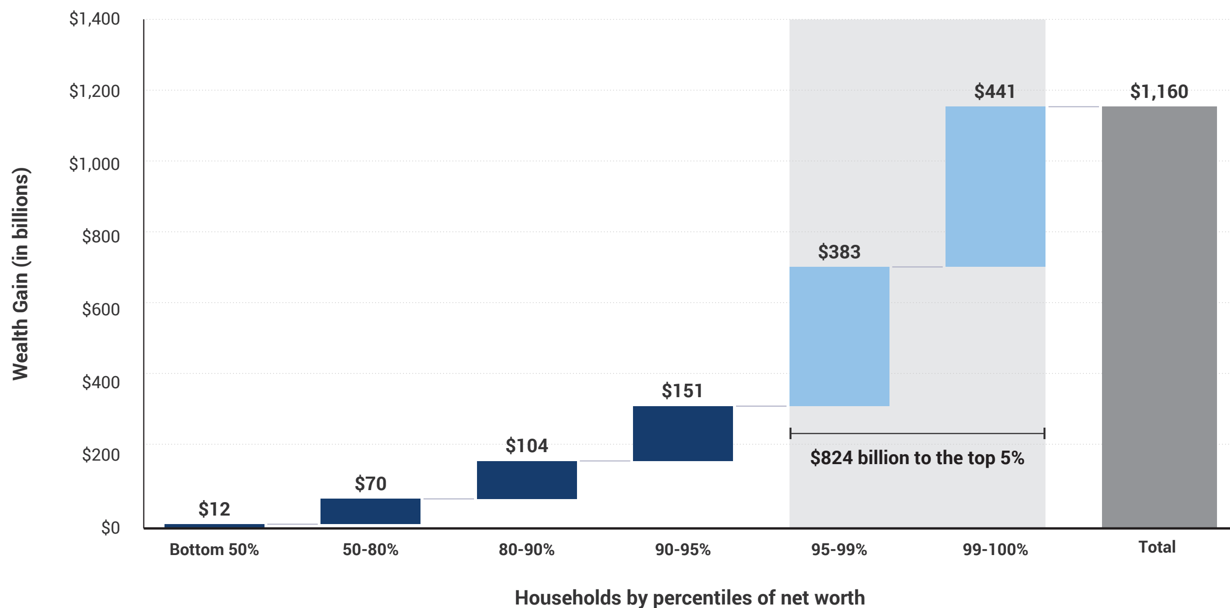
Of course, there are 7 million American employees at these companies, but *many* more U.S. shareholders who benefitted from this wealth increase, which may make the comparison between shareholders and employees seem unfair. Yet assuming stock ownership among the 22 companies mirrors U.S. equity ownership generally, the majority of the $1.16 trillion in U.S. shareholder wealth gains—more than $800 billion— benefitted around 6 million families: the richest 5% of Americans.[39] The bottom half of all American families shared in only 1% of the gains.

To better compare the more than $800 billion amassed by the richest 6 million families with the $27 billion in additional pay that 7 million workers earned, it is helpful to look at the gains on a per-family and per-worker basis. Certainly, the additional wealth and additional pay was not divided equally among shareholders or workers; the gains for some very wealthy households were significantly larger, and some workers earned far less than others. However, a per-capita and per-household comparison shows the orders-of-magnitude difference in gains between wealthy shareholders and workers.

The more than $800 billion in wealth generated for the top 5% richest households averages out to approximately $140,000 per household. In comparison, the extra pay to more than 7 million workers, assuming an equal distribution, amounts to less than $3,700 per worker for the 22-month period, or just under $1 per hour for a full-time employee working 40 hours per week.

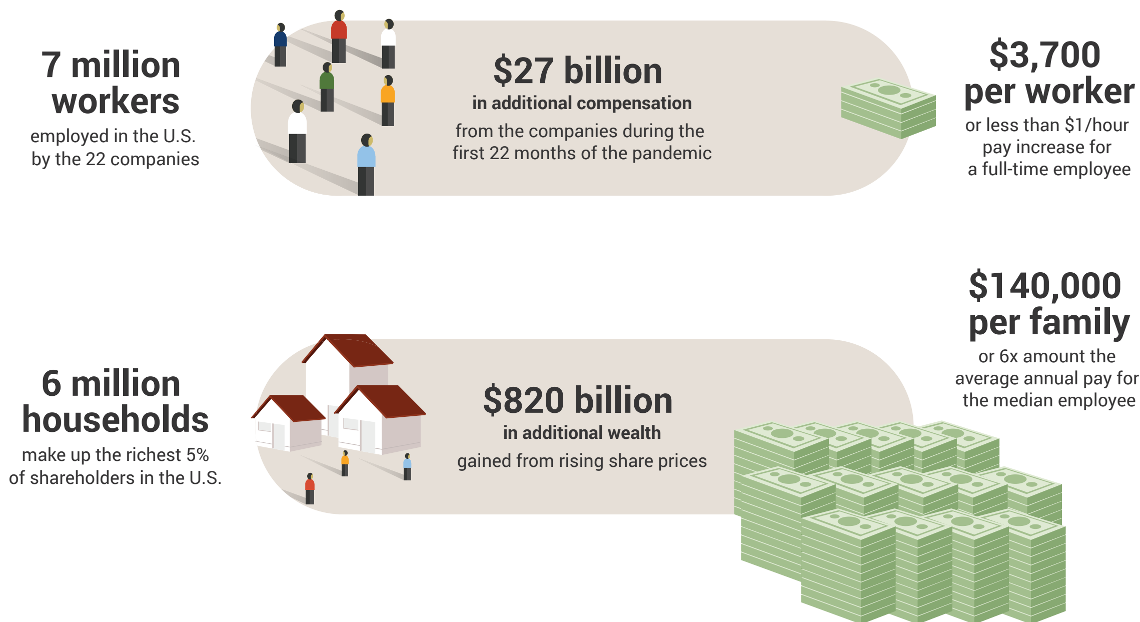
Figure 11: The richest 5% of households captured more than 70% of the wealth gains for US shareholders

Wealth increase for the companies' shareholders broken down by percentiles of net worth, January 2020 to October 2021



Source: *New York Times Upshot, the Federal Reserve's Survey of Consumer Finances, and Macrotrends. See full explanation at the report's webpage found at https://brook.gs/3EtNlOK.*

Figure 12: Additional pay for 7 million workers compared to additional wealth for 6 million wealthy households



Source: *Brookings analysis of company COVID pay, permanent wage increases, profit-sharing, and performance bonuses; company reporting and direct company communication; Macrotrends; New York Times Upshot; the Federal Reserve's Survey of Consumer Finances; and U.S. Census Bureau. See full explanation at the report's webpage found at https://brook.gs/3EtNlOK.*

It is worth understanding how these groups differ. The cutoff to be in the top 5% of wealth is $2.6 million.[40] In comparison, based on the companies' full-time pay, most of their workers are in the bottom third of U.S. income, with a total wealth below $45,000.[41] The richest Americans are overwhelmingly white; half of the frontline workers at these companies are nonwhite.[42] The vast majority of the highest-paid Americans, including most headquarter employees and executives at the 22 companies, could telework safely from home during the pandemic.[43] Frontline workers have had to work in person during the pandemic, at great risk to themselves and their families.

More than one-third of US shareholder wealth gains benefitted the wealthiest 1% of households

Within the gains to the top 5%, more than half those gains benefitted just the wealthiest 1% of households. And within the top 1%, financial gains were concentrated among the ultra-wealthy.

This extreme concentration is most evident at seven of the 22 companies, where five billionaire founders and eight billionaire family heirs hold millions—and often billions—of dollars' worth of company stock. For instance, Amazon founder Jeff Bezos owned 15% of all Amazon shares at the start of the pandemic; by the end of October 2021, his shares were worth almost $250 billion. Families that are heirs to the Walmart and Gap fortunes are also noteworthy. The three children of Walmart founder Sam Walton own just under half of all the company's shares, while the family of Gap co-founder Donald Fisher owns over 51% of all the company's shares.

To estimate wealth gains, we calculated the increased value through October 2021 of the company shares owned by the 13 billionaire founders or family heirs at the start of the pandemic, not including any sales or purchases in those 22 months. Based on the increased value of these shares, we estimate that the wealth of the 13 billionaires from these seven companies would have grown by nearly $160 billion—more than 12 times all extra pay to the 3.4 million workers the companies employed in the U.S. The wealth gains of these 13 billionaires represent more than one-third of all estimated wealth gains to the wealthiest 1% of U.S. shareholders.

The extreme gap between billionaires' wealth increases and additional worker pay is especially striking at the following companies:

- **Amazon:** Amazon posted record profits of $40 billion across the seven pandemic quarters, and the company's stock grew by 80%. Founder Jeff Bezos' wealth increased by an estimated $110 billion—25 times the combined additional pay that Amazon's more than 1 million frontline employees received during that same period.
- **Gap:** Gap's share price rose more than 34% since January 2020, despite losses early in the pandemic while stores were shut down. At the start of the pandemic, co-founder Doris Fisher and her three sons, billionaire heirs to the Gap fortune, owned 51% of all company shares. Based on the rising value of the shares they held at the start of the pandemic, their wealth would have risen $1.1 billion since January 2020, or 14 times the total additional pay to more than 100,000 Gap workers. During the pandemic, Gap did not institute a permanent, company-wide pay increase. The company gave one bonus of $300 in June 2021, over a year into the pandemic. As of October 2021, the company minimum wage was $10 per hour.

CEOs of the 22 companies earned nearly half a billion dollars in realized compensation in 2020 alone

Non-billionaire CEOs are also likely in the top 1% of wealth. The wealth of company CEOs increased in two ways through the pandemic: through their total realized compensation earned during the pandemic and through rising values of their company stock.

The vast majority of CEO compensation comes from performance-related bonuses and stock, not from base salary. Thus, we would expect total CEO compensation to be elevated when companies perform well, as the 11 winning companies did in 2020. Across the 22 companies, the total *realized* CEO compensation—the closest approximation to what they took home that year—was $487 million in 2020.

Table 9: Company founders and heirs added to their billions during the pandemic

Wealth increase from company shares, January 2020 to October 2021

Company	Billionare	WEALTH INCREASE		% of company shares owned
		(in millions)	(%)	
Amazon	Jeff Bezos *(founder)*	+$110,343	80%	15%
Walmart	Alice, Jim, & Rob Walton *(heirs)*	+$44,437	26%	50%
FedEx	Fred Smith *(founder, current CEO)*	+$1,650	56%	8%
Best Buy	Richard Schulze *(founder)*	+$1,022	41%	11%
Gap	Fisher family *(co-founder & heirs)*	+$1,134	34%	51%
Starbucks	Howard Schultz *(founder)*	+$759	25%	<5%
Marriott	Bill & Richard Marriott *(heirs)*	+$510	7%	15%

Source: *Company FY 2020 proxy statements, Yahoo Finance. See full explanation at the report's webpage found at https://brook.gs/3EtNlOK.*

On average, CEO pay topped $22 million, while the median employee earned, on average, less than $25,000. Across all 22 companies, the average ratio of CEO pay to median employee pay was 904 to 1. Two-thirds of the companies had a more unequal ratio of CEO pay to median employee pay in 2020 than the average across the country's largest firms (351:1), as measured by the Economic Policy Institute.[44] (Of the few companies that had a less unequal ratio, several companies—including Gap, Marriott, Best Buy, and McDonald's—only recently appointed their CEOs, and thus they had not yet earned multiyear performance-based stock compensation.)

A few companies stand out:

- **Chipotle, Target, and Dollar General:** Of the 22 companies, these three had the highest-paid CEOs in 2020, earning between $58 million and $77 million each—yet they paid their median worker considerably less than a living wage in the same year. The median employees at Dollar General and Chipotle are among the lowest-paid of all the companies in this report. At Chipotle, where the CEO had the highest 2020 realized compensation of all 22 companies, the ratio between CEO pay and median employee pay was 4,623 to 1—or 13 times more unequal than the ratio at the average large U.S. firm.
- **Costco**: Costco stands out as having a comparatively equitable ratio of CEO pay to median employee pay, in large part because its CEO pay is modest while its median pay is among the highest. The company acknowledges that their CEO pay is lower than the industry; its 2021 proxy form states: "Executive base salaries and cash bonuses and the value of all equity-related awards are, in the Committee's view, generally lower than those at other companies in our peer group.'"[45]

In addition to their compensation during the pandemic, the wealth of many CEOs rose as their company share prices increased. This is especially true for CEOs with large stock holdings at the companies that experienced the biggest share price increases during the pandemic.

A widening gap between workers and shareholders, and a setback for racial equity

Overall, then, the way company gains were shared across stakeholder groups increased the gap between workers and rich shareholders, including executives. The 6 million richest families in America—the majority of whom played no role in these companies' performance—grew more than $800 billion richer. In 2020 alone, the 22 CEOs earned nearly half a billion dollars in just compensation (not including wealth gains from existing stock holdings); 2021 compensation may be higher. Meanwhile, the more than 7 million frontline workers, who risked their health to keep the companies running, collectively earned $27 billion in additional pay—around $3,700 per worker for nearly two years of risky work—which we can't even call "wealth" because their earnings are so low.

This inequitable distribution of company financial gains between workers, shareholders, and executives during the pandemic calls into question the companies' embrace of a more inclusive form of capitalism. It also undermines progress toward racial equity. At the 22 companies we analyzed, Black and brown workers are significantly over-represented among the 7 million frontline workers that benefitted modestly, or minimally, from company success. (Just over half of workers at the 22 companies are nonwhite, while across the U.S. economy, more than three-quarters of workers are white). In contrast, the company senior executives, CEOs, and billionaire founders and heirs who benefitted most from wealth gains are overwhelmingly white.

Table 10: These 22 CEOs earned nearly half a billion dollars in 2020

CEO realized compensation versus the median worker pay

Company	2020 CEO realized compensation (in millions)	2020 worker median wage	Ratio of CEO pay to worker median pay
WINNING COMPANIES			
Target	$77.0	$24,535	3,140:1
Dollar General	$58.5	$16,688	3,508:1
Walmart	$34.3	$20,942	1,638:1
Home Depot	$39.2	$27,389	1,432:1
FedEx	$39.7	$37,562	1,058:1
Kroger	$18.0	$24,617	732:1
UPS*	$19.2	$39,143	490:1
Costco	$17.2	$39,585	434:1
Lowe's	$7.3	$24,544	295:1
Amazon	$0.1	$29,007	3:1
CVS	$15.1	—	
Albertsons	$14.0	—	
TOTAL	**$339.6**		
AVERAGE	**$28.3**	**$28,401**	**996:1**
MIXED-PERFORMING & STRUGGLING COMPANIES			
Chipotle	$60.7	$13,127	4,623:1
Hilton	$26.2	$28,608	915:1
Gap*	$3.6	$7,037	506:1
Starbucks	$5.1	$12,113	418:1
McDonald's	$3.2	$9,124	347:1
Best Buy	$8.3	$30,542	273:1
Marriott	$9.9	$36,352	273:1
Macy's	$3.7	$20,085	186:1
Disney*	$22.1	—	—
Walgreens	$5.1	—	—
TOTAL	**$147.8**		
AVERAGE	**$14.8**	**$19,624**	**753:1**
OVERALL TOTAL	**$487.5**		
OVERALL AVERAGE	**$22.2**	**$24,500**	**904:1**

* *There was a change in CEO in 2020*

Source: *Company 2021 proxy statements. See full explanation at the report's webpage found at https://brook.gs/3EtNlOK.*

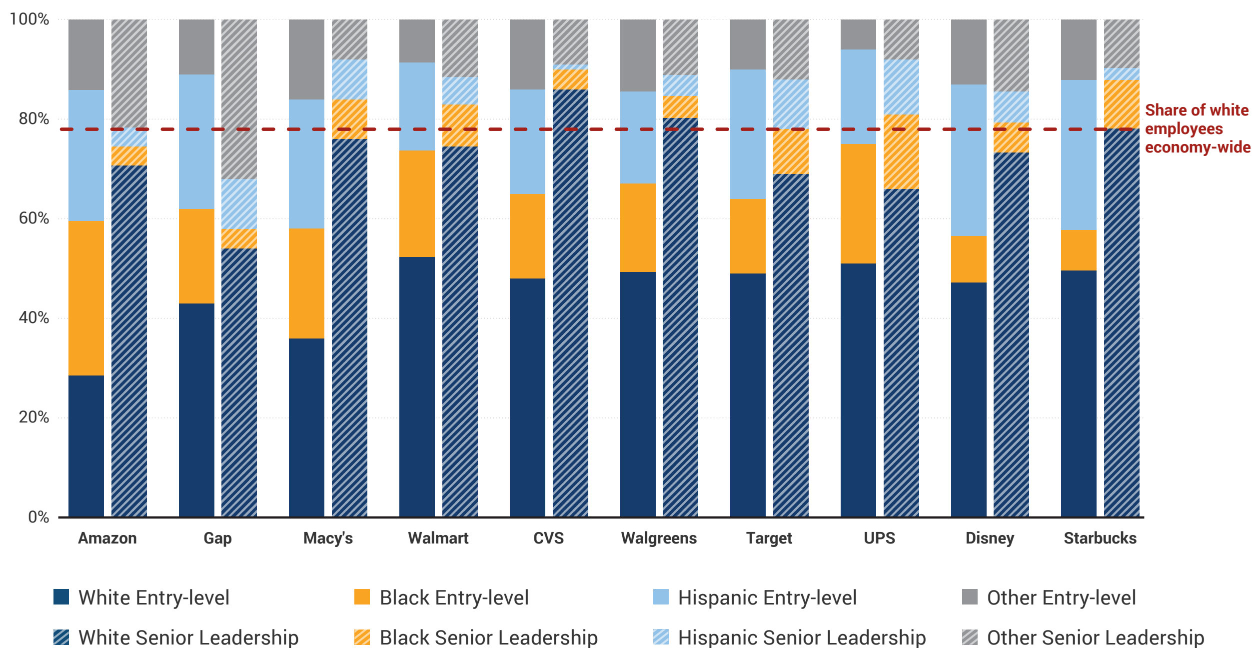
Averaged across the 10 companies that published detailed racial and demographic workforce data during the pandemic, we find:

- Black workers comprised 18% of all frontline, non-management positions (compared to 12% economy-wide[46]) and 7% of senior leadership and executive positions.
- Latino or Hispanic workers comprised 24% of all frontline, non-management positions (compared to 18% economy-wide[47]) and just 6% of senior leadership and executive positions.
- White workers comprised 45% of frontline, non-management positions (compared to 78% economy-wide[48]) and 73% of senior leadership and executive positions.
- This racial disparity is greatest among CEOs and billionaire founders and heirs, who benefitted most from companies' financial success: 18 of the 22 companies (82%) employed a white CEO in 2021, and all of the billionaire founders and heirs are white.

Thus, far from curbing inequality and advancing racial equity, the uneven distribution of financial success at the 22 companies has widened existing disparities.

Figure 13: Black and Brown workers are overrepresented in entry-level positions

Racial breakdown by employment level



Source: *Company Environment, Social, and Governance (ESG) reports, Diversity Equity and Inclusion (DE&I) reports, and the Bureau of Labor Statistics.*

How financial losses were distributed

In this section, we explore how financial losses incurred during the pandemic impacted workers, shareholders, and executives in the 10 "mixed-performing" and "struggling" companies in our analysis. The four mixed-performing companies are Best Buy, Chipotle, McDonald's, and Starbucks; the six struggling companies are Disney, Gap, Hilton, Macy's, Marriott, and Walgreens, which each sustained significant losses in 2020.

Workers experienced the brunt of companies' financial losses through layoffs and economic hardship

Hundreds of thousands of frontline workers at the companies hardest-hit during the pandemic experienced furloughs, layoffs, and reduced hours. Among the 10 mixed-performing and struggling companies, six in particularly impacted industries (travel, leisure, and nonessential retail) enacted large-scale furloughs starting in March and April 2020. Together, they furloughed more than 380,000 workers, with hourly, low-wage workers experiencing the brunt of the displacement. They also permanently laid off over 44,000 workers, including thousands of corporate employees.

While these six employers continued paying health insurance for their furloughed staff, most of the furloughs were entirely unpaid; some companies continued paying furloughed employees for the first few weeks. Hundreds of thousands of frontline workers were left without a paycheck for weeks and sometimes months.

These frontline workers earned low wages going into the pandemic, leaving them with limited or no financial cushion to help them make ends meet during unpaid furloughs. Adding to the financial insecurity, furloughed workers faced considerable uncertainty about when, and if, their jobs would resume, especially if they lacked recall rights through a union contract. For workers earning low incomes, any loss of income can result in profound hardship, forcing families to make cuts in essentials like rent, food, or health care, which they cannot afford to make. The impact of these cuts on health, housing, and well-being can be long-lasting.

Table 11: Over 400,000 workers were furloughed or laid off during the pandemic

Companies within particularly impacted industries

Company	# workers furloughed	# workers laid off	Duration of furloughs
Disney	120,000	32,000	10,000 furloughed Disneyland employees were recalled in March 2021. By August 2021, 60% of furloughed employees at Disneyland had been recalled.
Gap	80,000	1,200 corporate staff	Stores started to reopen in June 2020 and by the end of August 2020, 90% of stores reopened. Gap did not share or publish any data on length of furloughs or rehiring.
Best Buy	51,000	5,000	Best Buy started bringing back some furloughed employees in June 2020. By August, two-thirds were recalled. All remaining furloughed employees were offered seasonal holiday work in 2020.
Hilton	47,000	2,100 corporate staff	By the end of 2020, 20,000 Hilton employees remained furloughed.
Macy's	At least 62,000	4,000 corporate staff	Macy's furloughed the majority of its workforce in March 2020. Most returned the first week of July 2020.
Marriott	"Tens of thousands"		Marriott published and shared very little information on layoffs. The company furloughed "several thousand" employees and did not provide information on rehiring.
TOTAL	**>380,000**	**44,300**	

Source: *Company reporting and direct company communication.*

Robust federal support mitigated some of the impact of these income losses. In 2020 and 2021, the federal government provided critical relief through a series of stimulus checks (two in 2020 and one in the spring of 2021), enhanced unemployment benefits (offering an additional $600 per week supplement, and later $300 per week), and increased child tax credits. While this federal support provided a lifeline to unemployed workers and ultimately resulted in increased averaged savings for low-income households, remaining gaps created hardship, economic uncertainty, and stress.[49] Workers applying for unemployment benefits had to contend with overwhelmed state systems that were plagued by problems: lengthy delays, jammed phone lines, backlogs, and crashing websites.[50] Millions of workers faced delays of weeks or even months before receiving unemployment checks.[51] And the supplemental federal unemployment benefits, though relatively generous for the U.S., expired in early September 2020, without any further support until early 2021.

The experience of Disney's parks and resorts workers illustrates the hardship that thousands of displaced frontline workers endured. When the pandemic caused Disney's flagship parks and resorts to close, the company furloughed 120,000 employees, primarily in its parks and resorts division. This saved the company an estimated $500 million a month.[52] In tourist-dependent Orlando, Fla., home to Disney World and other shuttered venues, the summer unemployment rate exceeded 22%.[53] By the fall of 2020, Disney's parks were still operating at limited or no capacity, and tens of thousands of staff remained furloughed.

In September 2020, just as the federal government's $600 weekly federal unemployment benefits lapsed, Disney announced its plans to lay off 28,000 mostly part-time employees. Without the additional $600 weekly benefit, unemployed Disney workers in Florida earned just $275 per week from the state, one of the lowest rates in the country[54]—and only if they were fortunate enough to successfully navigate Florida's notoriously troubled unemployment system[55] and overcome the hurdles that for years have disqualified the vast majority of the state's unemployed workers from receiving benefits.[56] The $275 per week in state-provided unemployment benefits translates to just over $14,000 per year for a full-time (40 hours per week) worker, or about half of the income of a full-time Disney employee earning the company's then-minimum wage of $13 per hour for union members, and less than 40% of the earnings of Disney's parks workers earning the 2020 median hourly wage. At one Orlando food bank for furloughed Disney workers, the line in early September stretched for 2 miles.[57]

Even at mixed-performing companies that did not enact large-scale furloughs and layoffs, workers still felt the impact of company losses. For instance, at the three fast-food chains—Chipotle, Starbucks, and McDonald's—store closures in the early months of the pandemic resulted in reduced hours and lost income for some workers. In a May 2020 letter to employees, Starbucks acknowledged the challenge of reduced hours and offered an unpaid "leave of absence" policy under which employees could secure unemployment benefits while maintaining company health insurance.[58] At Chipotle, lower hours during the pandemic reduced median employee compensation by 7% in 2020 compared to 2019.[59]

Shareholder losses were relatively short-lived, and often became significant gains

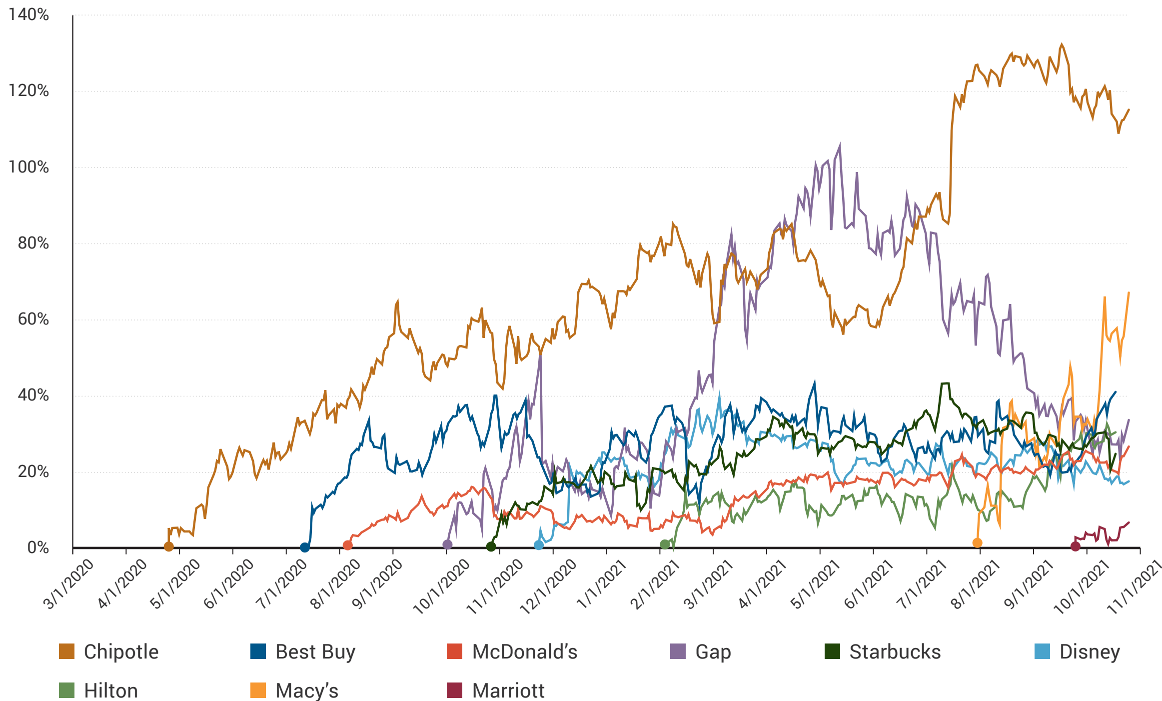
When the pandemic began, shareholders of hard-hit companies initially shared in financial setbacks. All of the mixed-performing and struggling companies suspended dividends and stock buybacks. Stock prices dropped precipitously, especially in the spring and summer of 2020, wiping out billions of dollars in shareholder wealth.

Compared to the profound hardship some workers endured, however, shareholders' financial setbacks were more mild and often shorter-lived. As discussed in the previous section, the vast majority of shareholder wealth is owned by the richest households. The wealth cutoff for the wealthiest 5% of households—who own 70% of U.S. corporate stock—is $2.6 million. So, a short-term decline in holdings is unlikely to impact most wealthy shareholders' day-to-day life. In contrast, pandemic job losses were concentrated among low-wage workers, and particularly workers of color, who were already economically vulnerable and suffered the greatest financial shocks.[60] Job losses were much less common among high-income earners (including those who own most stock), who were six times more likely to be able to telework than low-wage workers.[61]

With the exception of Walgreens, all of the companies in this analysis generated additional wealth for their shareholders during the 22 months we studied—even companies that experienced major financial losses and furloughed tens of thousands of workers. On average, it took less than nine months for the stock prices of the other nine mixed-performing and struggling companies to fully recover to their pre-pandemic levels. As share prices surpassed pre-pandemic levels, they generated an additional $163 billion in wealth ($152 billion if adjusted for inflation) for shareholders through the end of October 2021.

Figure 14: Most mixed-performing and struggling companies' stock prices recovered—and rose—a few months into the pandemic

The date a company's stock price recovered after the start of the pandemic through October 2021



Source: *Yahoo Finance*

Note: *A company's stock price "recovered" when it returned—and did not dip below—the company's stock price on December 31, 2019.*

The gap between workers' hardships and shareholders' wealth increase was especially large at the following companies:

- **Disney:** Disney's share price recovered to its pre-pandemic value by the end of November 2020—one day after the company increased planned layoffs from 28,000 to 32,000 workers.[62] At the time, Disneyland (in California) was still closed, Disney World (in Florida) was operating at reduced capacity, tens of thousands of employees remained furloughed, federal unemployment benefits had lapsed, and the company was in the midst of its worst year on record. Since recovering, the share price has increased nearly 20% through October 2021, creating more than $48 billion in wealth for shareholders. In contrast, revenue and operating profit at Disney's parks and resorts did not recover to pre-pandemic levels until more than a year later, during Disney's eighth pandemic quarter ending January 2022.[63]

- **Hilton:** Hilton's share price first returned to its pre-pandemic value at the end of December 2020, just as the company finished its worst year on record. In 2020, as the pandemic began, the company furloughed 47,000 workers and laid off nearly a quarter of its corporate staff. At the time that the stock price first hit its pre-pandemic value, the company was "still undergoing significant furloughs," according to direct communication from Hilton. Since the stock price fully recovered (without dipping below pre-pandemic levels again) in February 2021, Hilton's shares have increased 31% in value through October 2021, generating nearly $9 billion in wealth for shareholders.

- **Best Buy:** Best Buy's share price recovered by mid-July 2020, just a few months into the pandemic. At the time, about 25,000 employees were still furloughed.[64] Since the company's stock price recovered in July 2020, its shares have risen 41% in value through October 2021, generating nearly $8 billion in wealth for shareholders. 2020 was the company's most profitable year on record.

The resilience of share prices, even at the hard-hit companies, was in part a reflection of investors' confidence that the financial setbacks of the pandemic would be temporary and that prospects for growth and future profitability remained strong. It was also a direct result of public policy responses during the pandemic, especially aggressive measures taken by the Federal Reserve to reassure markets, buy bonds and securities, and keep interest rates close to zero, as well as the trillions of dollars that Congress authorized in federal stimulus and pandemic spending.

These measures were important for the economic recovery, ultimately providing a safety net for displaced workers and fueling the creation of millions of jobs. But by buttressing investor confidence and injecting cash into the economy, the government's policies resulted in shareholders experiencing only a temporary blip in their paper net worth before growing richer. This outcome is less a reflection of the specific policies pursued or companies' pandemic decisions than it is of the underlying structure of the economy: The dramatically unequal distribution of company ownership means that policies that ultimately buoy company success inevitably make the rich richer.

Nearly half of the hard-hit companies changed the rules to calculate CEO compensation, resulting in tens of millions of dollars in protected compensation

The vast majority of CEO compensation is tied to company financial performance. Typically, only a small fraction of a CEO's compensation comes from his or her base salary; much of the rest is performance-based, including annual bonuses and long-term stock incentives, which are usually conditional on the previous three years of performance. When companies have a bad year, like the mixed-performing and struggling companies did in 2020, we would expect CEO pay to be negatively impacted as bonuses and long-term stock payouts are reduced or forfeited.

At six of the 10 mixed-performing and struggling companies, that is exactly what happened. In 2020, company executives were paid based on the performance parameters previously agreed upon, and compensation was significantly reduced. For instance, Disney, Marriott, and McDonald's—the first two having suffered their worst years on record in 2020—did not pay out 2020 bonuses or multiyear performance-based stock incentives. This cost Disney's then-CEO Bob Iger nearly $9 million in lost compensation. However, the rising value of Iger's nearly $185 million in Disney stock during the pandemic more than offset this lost compensation; he sold half of his Disney stock in June 2021 for $98.67 million—$19 million more than it was worth pre-pandemic in January 2020.[65]

Yet at the remaining four mixed-performing and struggling companies, the boards of directors changed rules in ways that resulted in executives' 2020 compensation being insulated from losses. In total, the modifications made by those four companies resulted in $43 million in executive compensation that otherwise would not have been awarded based on the companies' financial performance.

Table 12: Four companies changed the rules to protect the CEO's compensation

2020 executive compensation

Company	% of CEO compensation tied to company performance	Company changed performance parameters	Amount of CEO compensation protected
Chipotle	91%	yes	$23,550,000
Hilton	94%	yes	$13,700,000
Walgreens	75%	yes	$3,600,000
Gap	75%	yes	$2,500,000
Best Buy	90%		
Disney	75%		
Macy's	54%		
Marriott	90%		
McDonald's	90%		
Starbucks	58%		

Source: Company 2021 proxy statements.

- **Hilton:** After suffering its worst financial year on record in 2020, with a non-adjusted net loss of $715 million, the company's board made changes to its performance-based stock incentive parameters, which resulted in an additional $13.7 million in pay for CEO Christopher Nassetta. That same year, the company furloughed 47,000 workers (one-third of its workforce) and laid off 22% of its corporate workforce. The company also implemented a 10% to 20% temporary salary reduction for corporate employees.

- **Chipotle:** In 2020, Chipotle's profits declined significantly in the first three quarters; after a strong fourth quarter, 2020 profits overall were down 23% compared to 2019. Chipotle's board made two changes to CEO Brian Niccol's 2020 performance-based compensation. First, they erased the worst pandemic quarter from all calculations. Second, they removed certain Covid-related expenses from the company's financial results, thereby showing higher profits than the company earned. Together, those changes resulted in nearly $24 million in compensation for Niccol that would not have been awarded absent these changes. In the same year, the median Chipotle worker earned 7% less than the previous year due to reduced hours. The nearly $24 million that Chipotle's CEO earned in 2020 as a result of the board's decisions is more than 60,000 times as large as the Covid pay ($390) earned by the median Chipotle worker in 2020, and nearly 1,800 times larger than the median worker's annual income of $13,127.

- **Gap:** Gap was hit hard in the early days of the pandemic. The company reported a $932 million loss of profit for the first quarter of the pandemic and a 43% decrease in revenue from the same period in 2019. Due to the company's poor financial performance in 2020, Gap executives would not have earned performance-based pay under the standard calculations. But the board reviewed each half of 2020 separately rather than as a whole (the latter would have resulted in zero payout), and included only the much more profitable second half in future long-term incentive calculations. These changes resulted in CEO Sonia Syngal earning an additional $2.5 million in 2020, and at least an additional $1 million in 2021. In contrast, Gap furloughed upward of two-thirds of its employees. Unlike all of the other retail companies in this analysis, Gap did not compensate its employees with Covid pay in 2020, nor did the company raise its minimum wage, which remains at $10 per hour—one of the lowest of the companies in our analysis.

- **Walgreens:** In 2020, Walgreens' profit was down 25% compared to 2019. For the three-year performance incentive awarded in 2018 and due to pay out in 2020, the company removed the first six pandemic months from its calculation. This change resulted in $3.6 million of then-CEO Stefano Pessina's compensation being protected. Walgreens' workers received just one Covid bonus in 2020, worth $300 for full-time workers. The additional CEO pay of $3.6 million is 12,000 times the Covid bonus for a typical Walgreens worker.

From a business perspective, there were two good reasons for companies to move the goalposts on executive compensation. First, the point of tying such a high percentage of CEO pay to financial performance is to incentivize the CEO to act in shareholders' best interests. At Chipotle, Gap, and Hilton, the calculation changes didn't just impact 2020 pay—they also apply to payouts in 2021 and 2022, because most performance pay is based on a three-year period. Without the modifications, future performance-based pay would have been of limited or no use as an incentive, because payouts would be suppressed by 2020 results. (This is no excuse for Walgreens, which applied its adjustment only retroactively.) Second, the market for senior corporate leaders is competitive, and no company wants to lose a CEO they consider high-performing. For example, Chipotle's Brian Niccol has overseen a strong financial and operational turnaround during his short tenure with the company, and would almost certainly have highly compensated opportunities elsewhere.

One could also make the argument that erasing COVID-19's impact from CEO performance calculations is fair. After all, CEOs could not control the fact that there was a pandemic. But by this logic, no worker should have been furloughed, laid off, or forced to work reduced hours, either. Yet hundreds of thousands of workers just at these 10 companies bore these losses directly, through no fault of their own. By their actions, boards and shareholders seem to consider frontline workers to be expendable, and CEOs irreplaceable. Companies offload the costs of financial protection for these workers to workers, while absorbing the costs of protecting their CEOs.

The current system automatically rewards—and often insulates—shareholders and executives

The contrast between company executives, shareholders, and workers gets to the heart of why the distribution of gains and losses was so inequitable during the pandemic. When times were good, our system of corporate ownership and executive incentives ensures that shareholders and executives benefit automatically and substantially. Workers, however, must rely on the whim of executive decisions to raise wages if they are to access gains. As shown in the previous section, that generosity has been modest, and dwarfed by gains to shareholders. Executives and shareholders amassed trillions of dollars while most of the workers generating those fortunes still do not earn a living wage.

When times are bad, we would expect shareholders and executives to take a hit through reduced share prices and lower compensation. Yet at the 10 mixed-performing and struggling companies, that financial hit was minimal. With one exception, share prices bounced back, generating hundreds of billions of dollars in wealth at companies that had suffered losses and furloughed hundreds of thousands of workers. And at nearly half of these companies, the boards changed the rules so their multimillion-dollar-earning CEOs did not have to take a pay cut.

Some of the 10 companies did take some steps to protect their workers from the worst of the losses, including by paying health benefits during furloughs. Disney and Best Buy paid workers during the initial weeks of their furloughs, while Starbucks had a COVID-19 policy that continued paying workers who needed to stay home. But on a per-worker basis, this mitigation was limited. Government support was instrumental in providing a safety net, but gaps remained and hardship endured. Workers bore the brunt of financial losses through layoffs, furloughs, and reduced hours—all of which amounted to reduced (from already low) wages. As a result, workers shared only minimally in pandemic gains, and bore the brunt of the losses. In comparison, shareholders were mostly insulated from losses.

Company choices that contributed to inequitable outcomes

In this report, we reviewed the performance of the 22 companies to answer three questions: Are companies paying their workers fairly? Are workers—not just shareholders—benefitting from companies' success? And are losses shared equitably? The results were disappointing. In general, worker pay is still far too low, compared to either a living wage or company financial performance; shareholders reaped tremendous rewards while workers shared only minimally in company success; and executives and shareholders were mostly insulated from losses that workers bore.

Company executives and boards were not wholly responsible for these outcomes. The fact that the richest 5% of Americans grew more than $800 billion richer while the bottom 50% gained only $12 billion reflects the existing—and unequal—distribution of stock ownership and wealth in society. Because the wealthiest Americans own most stock, rising share prices tend to increase wealth inequality.

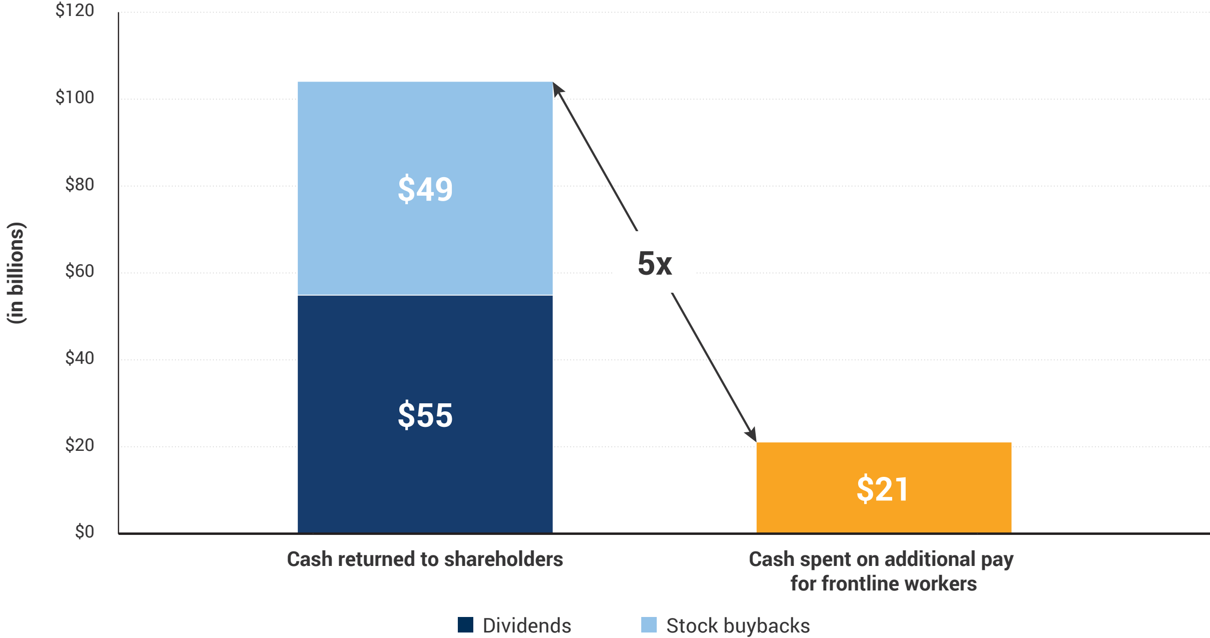
Many external factors contributed to share price increases that executives and board members benefitted from: a pandemic shift in consumer spending from services to goods, which drove record-breaking sales; actions taken by the Federal Reserve in 2020 and 2021 to stabilize the economy, including keeping interests rates close to zero and buying bonds and other securities; and trillions of dollars in additional government spending, which increased consumer demand and contributed directly to rising company revenues.

Nonetheless, executives and boards do have significant control over whether workers share equitably in gains and losses. Executives and boards choose how much money to pay their workers. They choose how much to return to shareholders, and how much to pay executives. They choose how much of their revenue to accumulate as profit. They choose whether to make business and operational decisions that enable workers to be more productive and paid higher. And they choose whether to use their power to suppress workers' voice.

In this section, we examine how companies' choices during the pandemic across three dimensions contributed to inequitable outcomes for workers, with a focus on how companies could have chosen to pay workers more.

Figure 15: Companies spent five times more on cash to shareholders than on raising pay for workers

The amount companies spent on dividends and stock buybacks over six pandemic quarters versus the amount companies spent on additional pay to workers over seven quarters, post-tax



Source: *Brookings analysis of company Covid pay, permanent wage increases, profit sharing, and performance bonuses from the start of the pandemic through October 2021; company SEC filings; and direct company communications.*

Note: *We excluded dividends and stock buybacks from Q1 2020. See full explanation at the report's webpage found at https://brook.gs/3EtNlOK.*

Companies spent cash on shareholders instead of workers

During the pandemic, the 22 companies spent five times more on dividends and stock buybacks than on all additional pay for workers (Covid pay, permanent wage increases, and profit sharing) combined. Diverting some, or all, of that shareholder cash would have allowed companies to increase wages significantly. (We excluded Q1 2020 dividends and buybacks from our calculations, because most were announced pre-pandemic, but included Q1 2020 spend on workers.)

It's worth taking a closer look at buybacks. Stock buybacks, or share repurchases, happen when a company buys shares of its own stock on the open market, pushing up its stock price in a way that is tax advantageous to shareholders. The concept of buybacks is linked to the idea of "excess cash": When a company buys back its shares, the implication is that executives believe they have cash the company cannot put to any more productive use. Instead of investing it or storing it as cash, they return it to shareholders.

Table 13: Companies spent nearly 40% of their profit on stock buybacks

Share repurchases over six pandemic quarters (excluding Q1 FY20)

Company	Pandemic stock buybacks (in millions)	Pre-pandemic stock buybacks (in millions)	Change (in millions)	Change (%)	Profit (in millions)	Stock buybacks as % of profit
WINNING COMPANIES						
Lowe's	$13,004	$5,504	$7,500	136%	$12,529	104%
Home Depot	$10,374	$13,807	-$3,433	-25%	$23,702	44%
Walmart	$9,270	$11,283	-$2,013	-18%	$24,571	38%
Target	$5,042	$2,735	$2,307	84%	$9,617	52%
Dollar General	$4,463	$1,858	$2,605	140%	$3,806	117%
Kroger	$1,951	$496	$1,455	293%	$3,885	50%
FedEx	$748	$858	-$110	-13%	$7,371	10%
Costco	$618	$324	$294	91%	$7,720	4%
UPS	$500	$1,494	-$994	-67%	$13,666	4%
Albertsons	$201	$26	$175	680%	$2,434	8%
TOTAL	**$46,171**	**$38,385**	**$7,786**	**20%**	**$109,302**	**42%**
MIXED-PERFORMING & STRUGGLING COMPANIES						
Best Buy	$1,978	$1,734	$244	14%	$3,751	53%
Walgreens	$479	$5,073	-$4,594	-91%	$6,940	7%
Chipotle	$301	$254	$47	18%	$784	38%
Macy's	$294	$0	$294	—	$865	34%
Gap	$128	$398	-$270	-68%	$827	15%
McDonald's	$18	$6,987	-$6,969	-100%	$8,727	0%
TOTAL	**$3,197**	**$14,446**	**-$11,248**	**-78%**	**$21,894**	**15%**
OVERALL TOTAL	**$49,369**	**$52,831**	**-$3,462**		**$131,196**	
OVERALL AVERAGE				**-7%**		**38%**

Source: *Company SEC filings*

Note: *We excluded Q1 FY2020 because most buybacks were announced pre-pandemic; stock buyback and profit data are from the six quarters between Q2 2020 and Q3 2021.*

Table 14: Companies could have raised annual pay by an average of nearly 40% had they redirected stock buybacks to workers

Company	Per worker stock buybacks (previous 4 Qs)	2020 median pay	If buyback were redirected to workers: Annual median pay	% increase
Lowe's	$36,594	$24,544	$61,138	149%
Home Depot	$20,551	$27,389	$47,940	75%
Best Buy	$19,453	$30,542	$49,995	64%
Dollar General	$18,733	$16,688	$35,421	112%
Target	$12,328	$24,535	$36,863	50%
Walmart	$3,829	$20,942	$24,771	18%
Chipotle	$3,079	$13,127	$16,206	23%
Kroger	$2,976	$24,617	$27,593	12%
Macy's	$3,267	$20,085	$23,352	16%
Costco	$1,573	$39,585	$41,158	4%
FedEx	$1,496	$34,544	$36,040	4%
Gap	$1,094	$7,037	$8,131	16%
UPS	$913	$39,143	$40,056	2%
McDonald's	$89	$9,124	$9,213	1%
Walgreens*	$489	–	–	–
Albertsons*	$58	–	–	–
AVERAGE	**$7,908**	**$23,707**	**$32,705**	**39%**

* *Albertsons did not report a 2020 total annual median compensation figure and Walgreens' figure included benefits*

Source: *Company earnings reports, proxy statements, and ESG reports. See full explanation at the report's webpage found at https://brook.gs/3EtNlOK.*

While the majority of companies in our analysis repurchased stock during the pandemic, six companies did not. Amazon, CVS, and Disney were not doing buybacks in the quarters prior to the pandemic, and continued not to through October 2021. (Amazon began repurchasing shares in January 2022.) Hilton, Marriott, and Starbucks were repurchasing shares as of Q1 2020, but suspended their programs when the pandemic hit, and have not resumed them as of Q3 2021. Starbucks resumed stock buybacks in its final quarter of 2021 that ended in January 2022, repurchasing $3.5 billion in shares.

In April 2022, acting CEO Howard Schultz announced a suspension of its stock buyback program, noting the decision "allow[s] us to invest more profit into our people and our stores—the only way to create long-term value for all stakeholders."[66]

We focus here on the 16 companies that repurchased shares in the six pandemic quarters between Q2 2020 and Q3 2021. Overall, these companies spent $49 billion on buybacks—nearly 40% of their total profit over these six quarters, and more than double what they spent on additional pay for workers.

We can also look at how much the companies could have paid to each of their workers over the past year had they reallocated the money spent on share repurchases. There are different ways that companies could equitably allocate this additional pay to workers, including through an across-the-board pay increase. As an illustration of the scale of the potential pay bumps, the figure below shows how much the company's median annual pay would have increased had the companies evenly divided the past year's stock buyback spend by the company's total number of employees. (Including stock buybacks from the fourth quarter of 2021 would have resulted in even higher pay bumps for workers.)

At five companies, the additional annual pay from redirecting stock buybacks exceeded $10,000, and would have raised median pay at those companies to a living wage. It is difficult to overstate how transformative an additional $10,000 of income would be for a worker who currently is making $30,000 or less. To give just a few examples, that additional $10,000 could: enable some small amount of savings to prepare for future cash needs or even retirement; allow workers to seek timely health care rather than waiting until issues are emergent; and provide the peace of mind that comes with knowing one can pay rent and buy food. The potential wage increase for workers from redirecting stock buybacks is especially significant at the following companies:

- **Lowe's:** Lowe's more than doubled the amount it spent on share repurchases in the six pandemic quarters compared to the previous six. In total, the company spent $13 billion buying back its stock—more than the company's entire profit for the six quarters. While Lowe's initially offered its employees relatively generous hazard pay in 2020 and has provided nearly $800 million in profit-sharing bonuses to its employees over seven quarters, it has not implemented a company-wide pay increase since the start of the pandemic. The company spent nearly eight times as much on stock buybacks over six quarters than it did on Covid pay and profit-sharing bonuses over seven quarters. Redirecting stock buybacks to workers would increase the median employee pay from less than $25,000 (below a living wage) to over $60,000—well above a living wage.
- **Dollar General**: Dollar General also more than doubled the amount spent on share repurchases in the six pandemic quarters. The $4.5 billion that the company spent on share repurchases was greater than its total profit over the same quarters. In 2020, Dollar General spent $167 million on "appreciation bonuses" for employees; the company has not announced a company-wide pay increase since the start of the pandemic. In total, Dollar General spent 27 times more on repurchasing stock than it did on additional pay to workers (through the 2020 bonuses) since the start of the pandemic. The median employee at Dollar General earned just under $17,000 in 2020, which would put a single parent under the federal poverty line. Redirecting stock buybacks to employees would more than double the 2020 pay for the median employee.
- **Home Depot**: Home Depot's six-quarter stock buyback amount was nearly 50% of its total profit for the same period. In 2021 alone, the company bought back nearly $15 billion of its stock across all four quarters—15 times its planned investment in worker wages during 2021.[67] Redirecting stock buybacks to Home Depot employees would represent a 75% pay increase for the median employee, who would then earn nearly $50,000 a year.

Companies struck an inequitable balance between profits and pay

Companies could have invested more in worker pay by balancing wages and profit more equitably. During the pandemic, the winning and some of the mixed-performing companies exceeded Wall Street's profit expectations quarter after quarter and posted some of highest profits in company history. A few significantly expanded their market share; most will exit the pandemic stronger than they entered it. Soaring stock prices reflect investors' expectations that these companies are positioned to do well in the future.

Yet during this time, real worker wages grew just 2% to 5% on average. At the five winning companies for which we have wage data, profits rose 41% when adjusted for inflation, while real wages increased just 5%. In other words, corporate profits at the five winning companies rose eight times faster than worker wages.

The divergence between company success and worker pay is a relatively recent phenomenon. In the years after World War II, when unionization rates were substantially higher, worker pay rose alongside productivity and profits. But under the shareholder capitalism that has characterized recent decades, the dominant paradigm of companies has been the pursuit of profit maximization. To many business leaders, this has meant paying workers only as much as necessary to keep the business running.

Pandemic wages and profitability at the companies we analyzed reflect the resulting lack of balance. There is no question profit is important, both to companies and the broader economy—it funds growth, drives innovation, and creates jobs. And while investments in workers can pay off in the long term, meaningfully raising pay is expensive and, in the short run, can reduce profit substantially. For instance, it could cost Walmart upward of $10 billion per year to raise all of its workers to a living wage—nearly two-thirds of the total profit the company posted in the 12 months through the third quarter of 2021.

But equity is also important, and most of these companies pledged to move toward a more equitable model of capitalism. There is currently a robust national debate about the correct minimum wage for workers; however, there is not a national conversation about a fair, equitable, or even reasonable balance between company profits and worker compensation.

As a crude but illustrative measure, consider what would happen if each of the winning companies redirected one quarter of their total profit to their workers. There are different ways companies could distribute these additional resources to increase pay, including a percent increase. The chart below displays an illustrative example of companies evenly dividing a quarter of their profits among all workers. (Note that this would not cost companies a full quarter of profits, because lower profit means lower taxes. A company with a 20% tax rate that reinvested a quarter of its profits in higher worker pay would really only be spending a fifth of its profits.)

At some companies, such as Kroger, the employee impact would be relatively small. At others, such as Home Depot, Lowe's, and Amazon, choosing to invest even a quarter of profits in workers would be life-changing for the workers involved. For example, the additional pay would put the median Home Depot employee (as of 2020) above the living wage.

Executives are not wrong that minimizing labor costs (e.g., underpaying workers, forcing workers to accept part-time hours, and understaffing stores) can be profitable. Research shows that one way a company can maximize profitability is with low pay, high turnover, and low-empowerment jobs.[68] (Many call this the "low-road" model.)

Of course, higher pay and higher profits are not necessarily zero sum, especially over the long run. One way that the companies could have increased pay more than they did—even as they maximized profitability in the long run—was to build a high-productivity, high-pay, "high-road" system. This is what the MIT Sloan School of Management's Zeynep Ton calls "the good jobs strategy."[69] One of us, working with Ton and the Good Jobs Institute, demonstrated that a retailer with only 2% profit margins can use these practices to raise frontline wages by 20% with no reduction in profit.[70] As we discuss in this report's conclusion, Costco embodies this approach.

Despite the benefits of a high-pay, high-productivity approach, many companies—including most of the companies in this analysis—continue to take the low road. There are various reasons, including the mismatch between short-term executive compensation incentives and the years it takes to build a better system; pressure from investors to meet quarterly profitability targets; and entrenched assumptions about how much low-wage workers can contribute to the business.[71] Nonetheless, investing in better jobs remains a profitable option for every business in this analysis.

Table 15: Corporate profits at the five winning companies rose eight times faster than worker pay

January 2020 to October 2021

Company	Profit adjusted for inflation		Stock price % change	Real wage increase
	7 pandemic Qs (in millions)	Change from 7 previous Qs (%)		
Amazon	$37,816	94%	80%	10%
Walmart	$25,999	6%	26%	9%
CVS	$17,222	17%	22%	3%
Target	$9,229	73%	101%	3%
Kroger	$4,521	59%	40%	1%
TOTAL	**$94,788**	**41%**	**54%**	**5%**
Lowe's	$12,908	74%	94%	⊗
Dollar General	$4,148	44%	41%	⊗
Home Depot	$24,151	24%	68%	–
UPS	$13,738	23%	80%	–
Costco	$7,920	26%	67%	–
FedEx	$7,417	28%	56%	–
Albertsons	$2,976	302%	106%	–

Source: *Brookings analysis of average hourly wage data via company reporting or direct communication; company SEC filings; Bureau of Labor Statistics CPI Inflation Calculator; Yahoo Finance. See full explanation at the report's webpage found at https://brook.gs/3EtNlOK.*

Note: *Lowe's and Dollar General did not implement a company-wide pay increase. Albertsons, Costco, FedEx, Home Depot, and UPS did implement company-wide pay increases, but we do not know the amount of the increase.*

Table 16: Companies could redirect some of their total profit to meaningfully raise worker pay

An illustrative example of the annual pay increase for the median employee if the company redirected a quarter of their profits

Company	Prev. 4 Qs profit (in millions)	Number of employees	If 25% of previous 4 Qs profit was redirected equally to workers: per worker increase	% increase on 2020 median pay
Home Depot	$15,938	504,800	**$7,893**	**29%**
CVS*	$10,235	300,000	**$8,529**	–
Lowe's	$8,213	340,000	**$6,039**	**25%**
Amazon	$26,263	1,335,000	**$4,918**	**17%**
Costco	$5,165	288,000	**$4,484**	**11%**
UPS	$9,825	548,000	**$4,482**	**11%**
Target	$6,502	409,000	**$3,975**	**16%**
Dollar General	$2,445	158,000	**$3,868**	**16%**
FedEx	$4,785	500,000	**$2,393**	**7%**
Walmart	$16,310	2,300,000	**$1,773**	**8%**
Albertsons*	$1,691	285,000	**$1,484**	–
Kroger	$2,747	465,000	**$1,477**	**6%**

* *Albertsons did not report a 2020 median pay figure and CVS' figure included benefits*

Source: *Company SEC filings and ESG reports. Profit figures from the previous four quarters are from Q4 2020 – Q3 2021. See full explanation at the report's webpage found at https://brook.gs/3EtNlOK.*

Companies were aggressive in responding to unionization efforts

One of the key ways that companies can move toward a more balanced model—something more akin to stakeholder capitalism—is to allow their workers greater power. Historically, unions have served as an important counterweight to shareholder and corporate power by curbing inequality, moderating excess profits, and securing wage gains for workers.[72]

That counterweight is mostly absent from the 22 companies in this analysis. The majority of them have no union representation at all, and only four have a union density of at least half of their workers. When workers try to change this, they are met with aggressive resistance, such as at Amazon, Dollar General, and Starbucks in 2021.

Two examples demonstrate how collective bargaining can help workers secure better wages:

- **UPS:** The Teamsters union represents more than three-quarters of the UPS workforce, giving the company the highest union density of any in this analysis. UPS drivers earn $36 per hour on average, among the highest in the industry.[73] In comparison, Amazon and FedEx pay their (non-union) drivers considerably less. A 2018 analysis found that Amazon Flex and FedEx drivers earned around $5.30 and $14.40 per hour, respectively, compared to UPS's then-rate of over $23 per hour.[74] Unsurprisingly, better-paid UPS drivers stay in their jobs—average tenure is 16 years, according to company communications.

- **Disney**: About half of Disney's parks and resorts employees belong to unions. In 2017, the six unions that represent Disney World employees in Orlando began a campaign to secure long-term wage increases. After a year of organizing and protests, which drew public attention to Disney's low wages, the unions secured a four-year contract from Disney that raised the minimum wage by 50% over several years, from $10 per hour (2018) to $15 per hour in 2021. (Florida's minimum wage was $8.25 per hour at the time.) A similar union campaign in California resulted in a three-year Disney contract that raised the minimum wage from $11 to $15 per hour by 2019 for some union workers—three years ahead of California's minimum wage increase. In 2019, when Disney unions secured the $15 wage commitments, only one other company in our analysis (Amazon) had a $15 per hour minimum wage.

The presence of a union alone does not always guarantee family-sustaining wages. Kroger and Albertsons both have high union density, with more than half of workers covered by multiyear union contracts with regular pay increases and health benefits. But neither company meets our standard of paying at least half its employees a living wage. (Safeway did not disclose median pay, but we do not expect the company to have met that bar.) However, on average, unions help workers earn more—members earn 11% more than non-union peers—and secure benefits and job protections.[75]

Two of the highest-profile stories about labor unions since the start of the pandemic featured companies in this analysis: Amazon and Starbucks. In 2021, Amazon warehouse workers held an (unsuccessful) union election in Bessemer, Ala., and Starbucks workers held elections at three stores in the Buffalo, N.Y. area, two of which voted to form a union. The stakes in each election were high: A successful vote would create each company's first unionized store or warehouse. Both companies responded to organizing efforts with aggressive campaigns to deter workers from voting for the union. Tactics included mandatory anti-union trainings (known as "captive audience meetings"), text messages, flyers, leaflets, and workplace visits by senior management. While most of these actions were legal, the National Labor Relations Board ordered Amazon to redo the Bessemer election after the company improperly pressured staff to vote against the union through "dangerous and improper" messaging.[76]

Amazon and Starbucks' aggressive resistance to unions is typical among major corporations, including many of the companies in this analysis. To avoid having to negotiate with a union, companies spend millions of dollars on anti-union consultants, trainings, and even store closures. They do this because they believe that unions are bad for business—in part because, as discussed above, many believe that higher wages are bad for business.

But especially in a tight labor market, the assumption that unions are bad for business may not be true. With workers quitting jobs at record rates and employers struggling to hire, unionized companies have a major competitive advantage: lower turnover.[77] Even in a normal labor market, the cost of replacing a single low-wage worker is around 20% of annual pay; that includes direct hiring costs and the lost productivity that comes with turnover.[78] At a high-turnover company such as Amazon, that can add up to billions of dollars each year. Furthermore, high turnover is bad for operations. In Q3 2021, lost productivity due to understaffing cost Amazon and FedEx hundreds of millions of dollars. Unionized UPS, on the other hand, had such a strong quarter that they raised their targets for the year.[79]

Table 17: Most workers in this analysis are not represented by unions

Union density among U.S. employees

Company	Union density	Unions
UPS	>75%	International Brotherhood of Teamsters (Teamsters)
Albertsons	70%	United Food and Commercial Workers (UFCW)
Kroger	>50%	UFCW
Disney (Parks & resorts)	~50%	The Service Trades Council Union (Florida) and Masters Services Council (California), including: the International Alliance of Theatrical Stage Employees (IATSE), the Bakers, Confectionery, Tobacco Workers and Grain Millers' (BCTGM), Service Employees International Union (SEIU), Teamsters, Transportation Communications International Union (TCU), UFCW, UNITE HERE
Hilton	45%	UNITE HERE
Marriott	20%	UNITE HERE
Costco	9%	Teamsters
Macy's	7%	UFCEW / RWDSU
CVS	4%	UFCW
FedEx	1%	Air Line Pilots Association
Amazon*	0%	
Best Buy	0%	
Chipotle	0%	
Dollar General	0%	
Gap	0%	
Home Depot	0%	
Lowe's	0%	
McDonald's	0%	
Starbucks*	0%	
Target	0%	
Walgreens	0%	
Walmart	0%	

* *Excludes the 2022 Starbucks stores and Amazon warehouse that voted to unionize*

Source: *Company SEC filings, annual reports, and union websites*

Conclusion and policy recommendations

If the pandemic was a test of corporate commitment to a more equitable business model, nearly all the companies in this analysis performed poorly. Although most of these companies raised wages since the pandemic started, the pay bumps overall were modest. Today, the majority of frontline workers are still not paid enough to get by. And while workers shared very little in companies' financial gains during the pandemic, shareholders—including executives—grew over a trillion dollars richer. When companies in hard-hit industries performed poorly, the unrecoverable losses disproportionately fell on workers.

The fact that change was limited should come as no surprise. Executives and boards benefit from the current system, and face consistent pressure to maintain it. The lack of ambition in the Business Roundtable stakeholder capitalism pledge was not a bug—it was a feature.

As we discuss, it is possible for companies to take a higher-road approach (as Costco has done) and invest in higher wages while still maximizing profits in the long run. Starbucks' recent decision to suspend stock buybacks to "invest more profit into our people and our stores" shows that companies can buck short-term pressure from investors. We strongly encourage the companies in this analysis, and others, to pursue this approach. But we believe the high-road model will remain an exception in a system that incentivizes short-term returns.

Rather than hoping that companies will transform the system they are incentivized to sustain, the U.S. needs to build counterweights to corporate influence. Below we discuss why company leaders are unlikely, by themselves, to fundamentally change the system—specifically, we consider the specific incentives and pressures that discourage company executives from investing more in workers. This is followed by recommendations for restoring a more equitable balance of power.

Table 18: Most of CEO compensation is tied to company financial performance

Percentage of executive compensation from base salary versus company financial performance, 2020

	% of compensation from	
Company	**base salary**	**company financial performance**
Amazon	100%	0%
Best Buy	10%	70%
Chipotle	9%	76%
Costco	12%	85%
CVS	10%	86%
Disney	10%	68%
Dollar General	11%	89%
FedEx	8%	92%
Gap	5%	77%
Hilton	7%	68%
Home Depot	12%	76%
Kroger	9%	51%
Lowe's	11%	59%
Macy's	12%	41%
Marriott	10%	40%
McDonald's	10%	82%
Starbucks	4%	56%
Target	9%	65%
Walgreens	0%	75%
Walmart	6%	41%

Source: *Company proxy forms*

Executive compensation is based on short-term financial performance and shareholder returns, which often discourage investments in workers

The vast majority of executive compensation is tied to company financial performance, including profit and/or returns to shareholders. (Returns to shareholders include the company's stock price and dividends.) The stronger the company's financial performance, the higher the executive compensation. This incentive structure is not limited to the C-suite. Middle managers at major corporations also receive significant portions of their compensation in company stock, and are thus similarly incentivized to avoid actions that might reduce share price.

It is important to understand the element of timing. CEO compensation is often based on a three-year performance period; a performance decline in even one year can greatly limit compensation. Furthermore, a non-performing CEO may find himself out of a job.

The timing issue matters to a company's willingness to invest more in workers. Generally, executives must be long-term thinkers if they are to create good jobs. In the short term, as a company moves to a high-road model, profits may take a hit before productivity gains catch up with wage investments. Knowing that higher worker pay may mean lower profits in the short run disincentivizes companies from pursuing it.

It is important to note that the short-term thinking baked into executive incentives is not insurmountable. Costco demonstrates what is possible when companies take a longer view—it offers the highest pay in the retail industry (a $17 per hour starting wage and $24 average wage[80]) despite having profit margins below 3%. The only companies in our analysis that have comparably low margins are Albertsons, Kroger, and Walmart; and all have considerably lower wages. (It isn't only Costco's warehouse model where this can work. Grocer Trader Joe's and convenience store chain QuikTrip use a similar approach to keep pay high, turnover low, operations efficient, and customers happy.[81])

Costco can afford those wages in part because of their very low employee turnover of 13%. [82] This allows Costco to avoid spending time and money recruiting, training, and managing low-productivity newcomers. Costco's low turnover also enables it to design operations to make its workers more productive and empower them to contribute more to the business.[83] For Costco, this system isn't benevolence—it's good business. As the CEO Craig Jelinek told the Senate Budget Committee in February 2021, "At Costco, we know that paying employees good wages and providing affordable benefits makes sense for our business and constitutes a significant competitive advantage for us."[84]

As Costco demonstrates, higher pay for workers paired with improved productivity and lower turnover can be profit-maximizing. However, this analysis indicates that this high-road mentality remains the exception, and incentives built in the system deter its adoption. Costco co-founder Jim Sinegal captured this challenge when he said: "We have been in the business of trying to build a company that's here for years and years and years. Wall Street is generally in the business of trying to make money between now and next Tuesday, so there is that difference."[85]

Executives also face pressure from investors to maximize short-term shareholder returns

Executives may be wrong to believe that there is always a trade-off between worker pay and profitability. However, their belief that raising wages will decrease share price—and therefore their own compensation—is not necessarily misguided. Investors tend to view worker pay investments skeptically. For example, when Walmart announced wage increases in 2015, the company share price dropped 10%—wiping out $20 billion of value.[86] In February 2021, when Walmart announced it was moving to a $15 per hour average wage, share prices dropped 6%.[87] In both cases, the share price recovered within months. But few CEOs will voluntarily undergo a share price decline; their compensation, and sometimes job security, depend on them keeping the share price up.

To understand investor priorities and the pressure they exert on company executives, we reviewed transcripts of each company's earnings calls for each of the seven pandemic quarters. We focused on the questions investors asked—and, often, the questions they did not ask—pertaining to worker wages and welfare, and how company executives justified their investments in workers.

The trends were consistent. With few exceptions, investors framed questions about wage increases around their necessity (to maintain staffing levels) and their impact on the bottom line. Implicit in these questions is the assumption that labor costs should be kept at the lowest level possible that is compatible with running the business. For instance, they asked: How quickly would temporary (Covid-related) wage increases end? Could companies sustain lower pandemic staffing levels? Could companies address hiring needs without raising wages?

Often, their questions sought to clarify the extent to which companies would be forced to raise wages due to market conditions and external factors, as well as the potential impact on future earnings. The external factors company executives and investors cited included labor shortages, minimum wage increases, and enhanced unemployment benefits. Often, when executives discussed wage investments as a long-term business strategy, investors sought assurance that the investments would increase shareholder returns.

What was more striking than the questions investors asked were the questions that were not asked. In the more than 100 calls we reviewed, investors never asked about worker welfare, even perfunctorily, including during the devastating initial months of the pandemic when millions of workers' lives were at risk and hundreds of thousands of employees were furloughed. Questions that were not asked included:

- How many workers were furloughed or laid off, how many returned to their jobs, and what support did companies offer them?
- How many workers were ill, or even died, from COVID-19?
- Were Covid pay and benefits adequate to compensate workers for the risks they were taking? (To the extent investors spoke about this at all, it was only to ask how long they needed to factor the increased costs into their models.)

We also never heard investors ask how company decisions would impact worker welfare. For instance, as the Delta variant wave started to surge in late summer 2021, investors on a July 28 earnings call asked McDonald's executives whether franchisees had any hesitations about reopening all dining rooms. CEO Chris Kempczinski stated bluntly why opening 100% of dining rooms was important for their bottom line: "When you open the dining room, you get a sales lift."[88] In the discussion, no one on the call acknowledged or asked about the risks that this would pose to McDonald's employees, nearly half of whom were still unvaccinated as of early fall 2021.[89] Kempczinski explained: "We're 70% open today and on our way toward getting to 100%...There's not anybody kind of questioning why we need to have dining rooms open. It's a key part of what we offer here at McDonald's. We just have to work through what I would call transitory issues right now to just be able to get there by September."[90]

Investors' lack of interest in even the most rudimentary information about worker well-being, juxtaposed with their detailed, business-oriented questions about issues like hot trends in denim, fresh produce sales, and advertising revenue, was jarring.

Company boards of directors face similar incentives

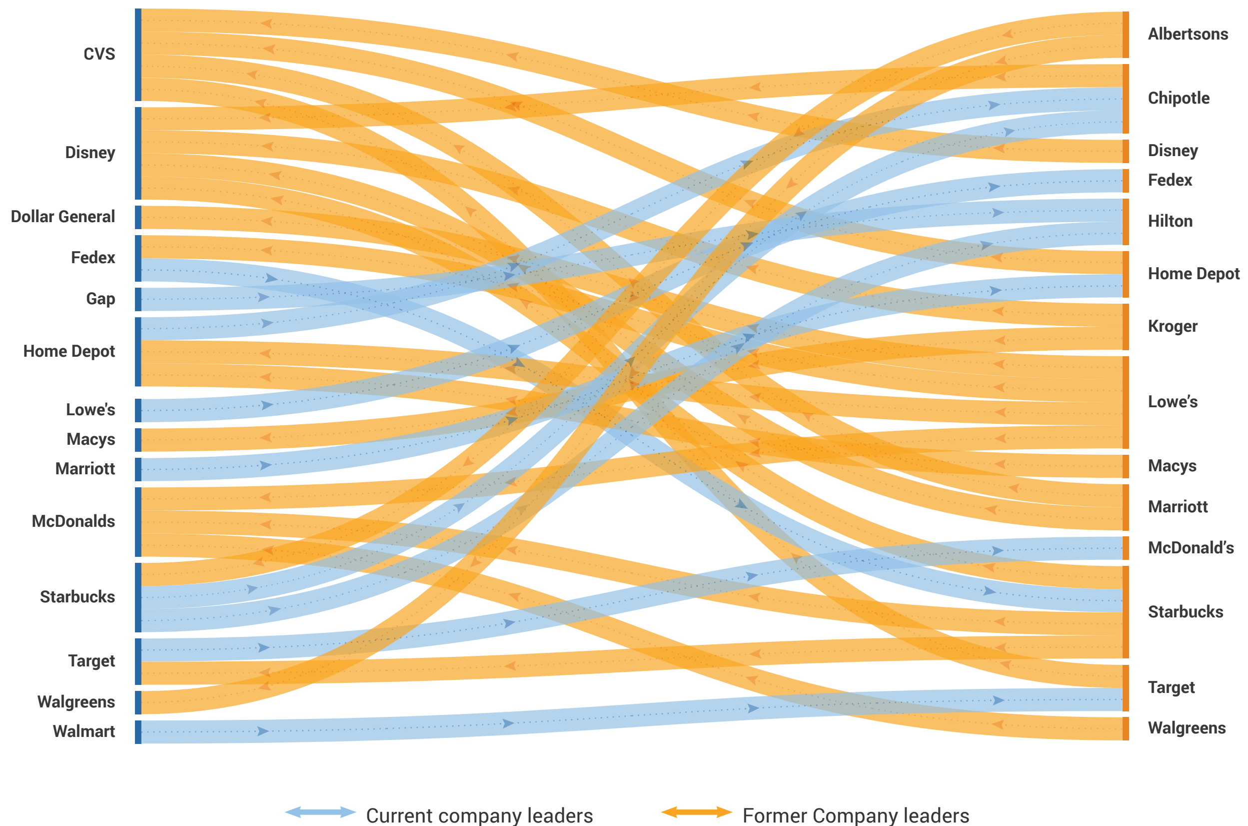
Boards of directors have significant influence on executive decisions, in part because they set executive compensation. They could provide a voice for workers and champion investments in worker pay, benefits, and safety. Yet their incentives, like those of company executives, discourage this. Board members are compensated in company stock, often around $300,000 a year for attending a handful of meetings.

Furthermore, board members come from a small, elite group of corporate executives and investors. They are the friends, former and future colleagues, and potentially, future replacements of the very executives they are overseeing.

We found substantial board of director overlap between just the companies in this analysis:

Given these relationships, board members do not represent a strong, independent check on company leaders. Rather, they themselves *are* company leaders, with the same incentives and pressures.

Figure 16: Board members are former and current company leaders



Source: *Company websites, SEC filings*

Note: *Blue arrows from left to right represent current company leaders (from companies on the left) as board members of companies on the right. Orange arrows from right to left show former company leaders (from companies on the right) who are current board members of companies on the left.*

Companies often stand in the way of change

While we noted earlier that change is unlikely to come from companies themselves, opposition to these reforms *has* come directly from companies. Notably, many of the leading corporations in this analysis—and the Business Roundtable itself—have actively opposed some of these reforms.

- **Opposition to labor law reform:** The National Retail Federation (NRF), which is closely linked to several companies in this analysis, opposes the Protecting the Right to Organize (PRO) Act—legislation that would introduce pro-worker labor law changes, as described below. The NRF is chaired by the CEOs of Walmart and Macy's, and its board includes the CEOs of Target, Albertsons, and Old Navy (part of Gap). The group has consistently and openly lobbied against provisions of the PRO Act—a bill that would make it easier for workers to unionize and would increase penalties on companies that violate workers' rights.[91] The NRF has called the proposed legislation "the worst bill in Congress."[92]
- **Opposition to a $15 per hour federal minimum wage:** In February 2021, the Business Roundtable expressed vocal opposition to the $15 per hour federal minimum wage legislation that Congress was considering.[93] Walmart CEO Doug McMillon, who is also chairman of the Business Roundtable, voiced similar opposition, expressing concern that the legislation did not take into account "regional differences" in wages.[94]

- **Opposition to worker representation on boards:** Several of the companies in this analysis have opposed efforts to give workers representation on company boards. In 2020, a Starbucks shareholder recommended that workers be allowed to submit potential board members for consideration. The recommendation fell short of workers *themselves* being selected as board members; rather, the suggestion was for workers to nominate board candidates for shareholders to consider. Starbucks recommended that shareholders vote down the proposal, which they did. In 2021, a shareholder resolution, backed by the nonprofit Oxfam America and top proxy adviser Institutional Shareholder Services, called for Amazon to consider nominating an employee to its board. Amazon's board recommended that shareholders reject the proposal.[95]

Ultimately, meaningful change will not happen because of company action, but *despite* company opposition. Building a more equitable model of capitalism will require a new balance of power between executives, shareholders, and other stakeholders, such as workers, government, and society at large.

Recommendations

The growing inequality of the past decades grew out of a power imbalance. As workers' power declined, they had limited ability to demand fair treatment. Short of threatening to quit, they had to hope that executives would *choose* to share gains with them and mitigate their losses. But with executive compensation increasingly tied to company performance that is measured quarterly—not for the long term—the system's incentives discourage investment in workers.

Building a more equitable system will require a more equitable balance of power. Rather than hoping companies will exercise their discretion to benefit workers, the U.S. needs laws, institutions, and policies requiring, pressuring, and incentivizing them to do so. Policy reforms are needed to enable labor to reclaim power. These reforms span labor law, regulation of working conditions (including wages), corporate disclosure, corporate governance, and more. No single step outlined below is sufficient in and of itself to create more equitable outcomes—they are all necessary.

Consumers, policymakers, and workers need better data

At a bare minimum, the federal government should require companies to disclose basic details of their compensation. Currently, companies are not required to disclose nearly any data on employee compensation, which is why it was challenging for us to say for certain what companies were paying today. The one existing requirement is the median employee pay disclosure. In 2015, the Securities and Exchange Commission (SEC) adopted a rule requiring public companies to disclose the ratio of compensation between CEOs and the median employee, as mandated by the Dodd-Frank Act.[96] However, the SEC gave considerable flexibility to companies in how they report median employee compensation. As a result, the pay data is neither standardized nor detailed enough, making it difficult to accurately compare companies' median pay.

For instance, we encountered several discrepancies in how the 22 companies in this report determined their median pay. Some companies included benefits in their figure, while others did not; only a handful of companies detailed the benefits amount. Most companies annualized the compensation, while at least one company (Gap) did not. Most companies included at least some workers outside of the U.S. in their calculation, while only Amazon disclosed a U.S.-only median wage. However, Amazon only included full-time workers in its U.S. median pay figure, whereas all other companies included part-time and, often, seasonal workers in their calculation.

Without being required to share basic details on employee compensation, many companies simply do not. Of the 22 companies in this report, only seven companies publicly disclose both their minimum and average wages; another two companies shared this data with us directly. Seven companies disclose no wage data at all, beyond their mandated median pay disclosure.

Table 19: Level of pay transparency at each company

Company	Disclose minimum wage	Disclose average or median hourly wage	Level of transparency
Amazon	✓	✓	High
Best Buy	✓	✓	High
Chipotle	✓	✓	High
Costco	✓	✓	High
Starbucks	✓	✓	High
Target	✓	✓	High
Walmart	✓	✓	High
CVS*	✓	✓	Somewhat high
Walgreens*	✓	✓	Somewhat high
Disney	✗	✓	Medium
Gap	✓	✗	Medium
Kroger	✗	✓	Medium
Macy's	✓	✗	Medium
McDonald's	✓	✗	Medium
UPS	✗	✗	Medium
Albertsons	✗	✗	Low
Dollar General	✗	✗	Low
FedEx	✗	✗	Low
Hilton	✗	✗	Low
Home Depot	✗	✗	Low
Lowe's	✗	✗	Low
Marriott	✗	✗	Low

Source: *Company ESG reports, annual reports, company websites, and direct company communication*

Note: *For companies marked with *, we received some of this data through direct company communications; the data was not publicly disclosed.*

This lack of pay transparency undermines the potential pressure on companies from customers and socially minded investors to raise wages. Several of the companies in this analysis have cultivated a socially conscious brand—an image that would be at odds with disclosures that they are not paying their workers enough to get by. Without pay data, however, the media and researchers like us have less ability to scrutinize companies' compensation, engaged consumers cannot discern whether companies are paying workers adequately, and investors have limited ability to act on the worker dimensions of their ESG (environmental, social, and governance) priorities.

As one of us has previously argued, a much better solution would be for the SEC to require that all publicly listed companies provide an annual report on the distribution of worker take-home pay.[97] Such a report should include the percentage of workers earning less than $5,000 or $10,000, for example, on an annualized basis. The advantage to using take-home pay as opposed to hourly wage is that it captures the impact of inadequate hours on how much a worker actually earns. The advantage of using a distribution is that it tells us how all workers are faring—not just the average or the median. It would not be a burdensome exercise, as companies already collect this data for payroll purposes.

Some promising efforts at the state level have been proposed. A bill proposed in the California state legislature would have required the state's largest private sector companies to disclose 18 job quality metrics such as pay and the percent of full-time workers that earn above the MIT living wage.[98]

Labor law reform is needed for workers to exercise their power

Historically, unions have served as one of the most important counterweights to shareholder and corporate power: curbing inequality, moderating excess profits, and securing wage gains for workers.[99]

Yet partly as a result of government policy, organized labor's power has significantly eroded. In the 1950s, more than one-third of workers[100] were members of a union. Today, after decades of declining union participation, that number is around 10%.[101] In 2021, the union membership rate across all American workers declined from 2020, dropping from 10.8% to 10.3%.[102] The decades-long decline in union density has been most precipitous among private sector workers; in 2021, just 6% of private sector workers were members of a union.[103]

Union density at the 22 companies in this analysis reflects national trends. Most companies in this report have no union membership at all. Only five companies have union density of approximately 50% or higher.

Surprisingly, this decline is occurring as labor unions are enjoying their highest popularity in decades. According to a 2021 Gallup poll, 85% of Americans approve of labor unions—the highest level since 1965.[104]

The fact that union membership is declining despite unions' growing popularity is in large part a function of the structure and implementation of labor law. The recent union drives at more than 100 Starbucks locations and in Amazon's Bessemer, Ala. and Staten Island facilities showcase the lengths employers are allowed to go to suppress unionization.[105] The tactics that Starbucks and Amazon deployed included mandatory anti-union trainings (known as "captive audience meetings"), text messages, flyers, leaflets, and workplace visits by senior management; recently, Starbucks fired several workers who were leading the union efforts. Amazon was rebuked by the National Labor Relations Board for violating labor laws and ordered to re-do the Bessemer election.[106] However, most of Amazon and Starbucks' tactics were legal—and representative of the uneven playing field between employers and workers seeking to organize.

Fixing the country's broken labor laws to give workers a more even playing field will require major legislative change. Democrats in Congress have proposed the Protecting the Right to Organize (PRO) Act, which would enable more workers to form a union, exert greater power in disputes, and exercise their right to strike, while curbing and penalizing employers' retaliation and interference and limiting right-to-work laws.[107] The PRO Act passed in the House of Representatives in 2020 but not in the Senate due to strong Republican opposition and fierce resistance from business.

In addition to this broader approach to labor law reform, building a system for sectoral bargaining would restore more power to workers. The existing system of decentralized "enterprise bargaining"—typically between unions and a single firm—is limited in several key ways, including by its small scale and the incentives it gives to employers to fight unionization.[108] In contrast, sectoral bargaining allows workers to bargain collectively at the sector or industry level, overcoming some of the limitations of enterprise bargaining and reaching some of the millions of workers not covered by collective bargaining agreements. For instance, through a sectoral bargaining system, unions representing workers across the fast-food industry (including at franchises, such as McDonald's) could negotiate for higher wages, benefits, and working conditions without putting a specific employer at a competitive disadvantage.[109] At the federal level, new labor laws are needed to establish a system of sectoral bargaining.

Even in the absence of federal labor law reform, several promising legislative initiatives at the state and local level illustrate the potential of sector-level efforts, including sectoral councils and wage boards. For example, tripartite wage boards comprised of representatives from government, employers, and workers can recommend working conditions and standards, such as wages.[110] Wage boards already exist in several cities. In New York City, a wage board raised wages for fast-food workers to $15 per hour, and Seattle has a board to set standards for domestic workers.[111] Legislation proposed in California illustrates this approach: The FAST Act proposes to establish a first-of-its-kind fast-food sectoral council to develop industry-wide minimum standards, including wages, through a state-appointed council spanning workers, employers, and the state government.[112]

Federal, state, and local governments should raise the minimum wage

Government's role should extend beyond enabling workers to exercise voice; government itself should provide protections. In particular, state, local, and especially the federal government should enact minimum wage laws to ensure workers earn a decent wage.

Overwhelmingly, the American public supports a $15 per hour minimum wage.[113] This was true two years ago, even before the pandemic cast a harsh light on low wages and shifted Americans' perceptions of the wages essential workers deserve to earn.[114] Today, due to inflation, a worker would need to earn over $16.50 per hour just to have the same purchasing power as $15 provided at the start of 2020.

Yet today, the federal minimum wage is less than half that level. For over a decade, it has been stuck at $7.25 per hour—a wage is so low it would put even a full-time worker with a dependent under the poverty line. So far, policy momentum for raising the minimum wage has happened mostly at the state and local level. At the start of 2022, 21 states and 35 cities and counties raised their minimum wage, including 33 (mostly in California) which moved to at least $15 per hour.[115] In addition, as of January 2022, the federal government implemented a $15 per hour minimum wage for all federal employees and contractors.[116]

In 2022, more states could follow. Possible ballot initiatives during the midterm elections could give voters an opportunity to pass $15 and $18 per hour minimum wages, similar to the ballot initiative that passed in Florida in 2020.[117] This state and local momentum is crucial given federal inaction. But large gaps remain: 20 states—mainly in the U.S. South—have not raised their minimum wages above the federal minimum.

Given the slow national progress, minimum wage laws alone are unlikely to be sufficient to ensure workers earn a living wage. This is especially true of the companies in our analysis, which include some of the most profitable and iconic corporations in America, and which have vastly more resources than smaller businesses to invest in worker wages. We should expect these companies to go beyond minimal standards.

Still, the companies we analyzed chose to pay their workers too little to get by. Despite their commitment to paying their workers "fairly," we found that the majority of them pay fewer than half of their workers a living wage. Just one company (Costco) pays a minimum wage that ensures all employees earn close to a living wage. Today, only six of the 22 companies pay a minimum wage of at least $15 per hour, with three more companies planning to raise their minimum wage to $15 per hour later this year. Many companies that we analyzed pay workers far less. Even a minimum wage as low as $11 or $12 per hour would raise wages substantially at several companies we analyzed.

Workers should have a greater voice in corporate governance

If companies are serious about shifting to "stakeholder" capitalism and going beyond a narrow pursuit of shareholder interests, they should give workers a greater voice in corporate governance, including through representation on corporate boards.

This already exists In European countries through a widespread practice known as "co-determination." For instance, German law requires that up to half of supervisory boards at certain companies be comprised of employee representatives.[118]

Taking a page from these models, two proposals from U.S. lawmakers would make such representation mandatory. Sen. Elizabeth Warren's (D-Mass.) Accountable Capitalism Act and Sen. Tammy Baldwin's (D-Wis.) Reward Work Act each would mandate that companies give workers the ability to elect a certain percentage of the boards of directors. Under Sen. Warren's proposal, companies with at least $1 billion in annual revenue would need to allow employees to elect no fewer than 40% of board directors.

Conclusion

When we started this analysis nearly a year ago, there were multiple reasons for optimism that the 22 companies in this analysis might live up to the potential of this moment. The deadly COVID-19 pandemic had heightened awareness of inadequate pay and conditions for frontline workers and shifted public sentiment about what workers deserve. Corporate leaders had made pledges to adopt "stakeholder capitalism" and enhance racial and economic equity. A historically tight labor market pressured companies to increase compensation and enhance benefits. And record profits filled company coffers with ample resources to raise pay.

Yet despite all that, the pandemic test of these companies reveals little meaningful change. Overwhelmingly, financial gains benefitted wealthy shareholders, including executives, while frontline workers bore the greatest losses and benefitted minimally from company success. This disappointing lack of progress suggests that change is unlikely to come from corporations themselves, and instead requires policy reforms and a new balance of power between executives, shareholders, and other stakeholders, such as workers, government, and society at large.

Methodology and data sources

Timeframe

We analyzed the 22-month period from January 1, 2020 through the end of October 2021. We chose January 2020 instead of March 2020 as our pandemic "start" for several reasons. First, to be as accurate as possible, we wanted a baseline for metrics such as stock price and worker pay just before the COVID-19 pandemic impacted them. Second, we used the first quarter of 2020 for profits and revenue, which for most companies started in January 2020.

Financial data

We gathered financial data primarily from earnings reports, SEC filings and other company financial disclosures, as well as external sources that track stock values.

- **Revenue and profit data:** We drew most financial data on revenues and profits from company earnings reports. The "seven pandemic quarters" that we analyze include the seven quarters beginning in January 2020 and ending in November 2021. When we compare to the "seven pre-pandemic quarters," we use the seven quarters between the second quarter of 2018 and the fourth quarter of 2019. Not all companies report their quarterly earnings on the same timeframe, so we aligned all companies' Q1 2020 for the quarter released in the first three months of the pandemic beginning January 2020. (For example, Starbucks' quarter that ended on March 29, 2020 is Q1 FY2020 for our calculations, even though the company calls it called Q2 FY2020). Throughout the report, we used companies' adjusted net income for their profit; for Amazon, Costco, and Home Depot, we did not adjust profit, as those companies did not provide an adjusted figure. When noted in the report, we adjusted a company's profits for inflation using the CPI inflation calculator.
- **Stock price**: We used Yahoo Finance for historical stock price data. We evaluated each company's change in stock price between December 31, 2019 and November 1, 2021.
- **Stock buybacks and dividends**: Our data on stock buybacks and dividends came from company quarterly earnings reports and 10-Ks, and specifically the cash flow statement.
- **Market capitalization:** Our historical market cap data—the total dollar market value of a company's outstanding shares of stock—is from Macrotrends. We evaluated each company's change in market cap between December 31, 2019 and November 1, 2021.
- **Shareholder wealth increase**: To calculate the wealth that companies generated for shareholders, we used companies' market cap information and stock price. For specific shareholders, such as the billionaire heirs and founders, we used beneficial ownership share data from company proxy forms (SEC Form DEF 14A) and from SEC Form 4.

Workforce data

We gathered workforce data primarily from company sources.

- **Company demographic data:** Data on company demographics, including employee headcount and race, came from company annual reports, ESG reports, direct company communication, and company press releases.
- **Furloughs, layoffs, and hiring:** Data on furloughs, layoffs, and hiring came from company annual reports, ESG reports, quarterly earnings calls, direct company communication, and news stories.

Compensation data

Data on company compensation and employee wages was the most difficult to access. Currently, companies have only minimal requirements to disclose their compensation to employees. They are not required to report minimum or average hourly wages, and most do not; only seven out of 22 companies in this analysis publicly reported both minimum and average hourly wages. While the SEC requires companies to disclose the annual pay of their median employee, companies have wide discretion in how they calculate this pay, and thus the disclosures are not standardized. We address these data gaps by leveraging an array of sources and directly communicating with each company, which in a few instances yielded additional pay data.

- **Minimum hourly wage:** We tracked company minimum wages through company websites and press releases, annual reports, ESG reports, and through direct company communication. We were able to identify the minimum wage at 13 of the 22 companies.
- **Average hourly wage:** Fewer companies publicly disclosed or shared directly with us their average hourly wage. Ten companies shared an average hourly wage, and one company disclosed a median hourly wage; 11 companies shared neither. We tracked company average wages through company websites and press releases, ESG reports, and direct company communications.
- **Median annual pay:** We tracked the median annual compensation through each company's proxy form (SEC Form DEF 14A) and clarified some of our questions through direct company communication. Throughout the report, we reference the annual total compensation of the median-paid employee as "median pay." While we compare each company's median compensation in the report, there are limitations to these comparisons due to the lack of standardization across company disclosures. The SEC requires U.S. publicly traded companies to annually disclose the ratio of their CEO's annual total compensation to the median of the annual total compensation of all employees of the company (other than the CEO). However, companies are given considerable flexibility in calculating this figure. The rule requires that a median employee be selected from all employees, including full-time, part-time, seasonal, and temporary employees. Companies are permitted to exclude non-U.S. employees from the median employee calculation if non-U.S. employees in a particular jurisdiction account for 5% or less of the company's total number of employees. However, some of the companies in this report included benefits in their calculation while others did not; only some companies specified the amount of their benefits. Most companies annualized the median employee's compensation; one company did not. Companies are not required to calculate a U.S.-specific median employee wage, and thus the companies in this report varied in the percent of non-U.S. workers in their calculation.
- **"Covid pay":** We used our own methodology (see below) for calculating a company's "Covid pay," which we define as the pandemic-related bonuses and temporary hourly pay increases that companies provided their frontline employees. We calculate Covid pay—and the amount companies spent on it—from March 2020 through October 2021.
- **CEO compensation:** We calculated realized CEO compensation using data in each company's annual proxy forms (SEC Form DEF 14A). We used *realized* compensation, meaning compensation that the CEO was paid out that year, as opposed to *awarded* compensation, which includes possible future payouts.
- **Living wage:** When we refer to the "living wage," we are using data from MIT's Living Wage Calculator. Our analysis uses the annual U.S. living wage for each adult in a two-adult, two-child household. When noted, we adjusted this figure for inflation using the CPI inflation calculator.

Methodology for calculating Covid pay

We used our own calculations for the amount of "Covid pay" that companies compensated workers during the pandemic. We define "Covid pay" as the temporary hourly pay increases and bonuses that were directly tied to the pandemic and that workers would *not* have been paid in 2019, pre-pandemic.

Our Covid pay calculations are not exhaustive—they do not include the full range of policies and benefits that companies enacted to support workers during the pandemic, such as COVID-19 paid sick leave, stay-at-home pay, and other important benefits.

The vast majority of Covid pay was awarded in 2020, while a few companies continued to provide it into 2021. We singled out 2020-specific Covid pay in the discussion of worker pay, and included all Covid pay from 2020 and 2021 in our calculations of all additional pay to workers during the pandemic.

Compared to typical data on compensation, companies were substantially more transparent and forthcoming in publicly sharing the amount, duration, and cost of Covid pay. To calculate Covid pay, we tracked data from company press releases, annual reports, ESG reports, and earnings call transcripts. We then reached out to every company to confirm this data and the assumptions we made to calculate the per-worker Covid pay amount. We could not determine their Covid pay for three companies due to insufficient data.

In our calculations, we excluded Covid pay that was ineligible to all or most employees. For instance, Gap provided Covid pay to its warehouse workers, who compose a small percentage of its workforce—thus, we did not include this compensation in our calculations. We also excluded most overtime pay. In some instances, when noted, we included the money a company spent on additional cleaning and safety measures if we could not readily disaggregate that spending from the company's Covid-related expenditures.

We adjusted the Covid pay amounts based on whether employees worked full time or part time. Typically, companies offered larger pandemic bonuses for full-time workers than part-time workers, and full-time workers earned more from hourly Covid pay bumps than part-time workers, in direct proportion to their hours worked. For example, Walmart's Covid pay consisted of four "special bonuses" in the amount of $300 for full-time employees and $150 for part-time employees.

Because the vast majority of companies do not disclose the average hours that employees work, we had to make some assumptions in order to calculate Covid pay. First, we determined whether a company had a majority full-time or part-time workforce through data from company proxy statements, ESG reports, and direct communication. We then made two calculations for our 2020 Covid pay calculations for each company: one for part-time workers, and another for full-time.

We assumed a 37.5-hour work week for full-time workers and a 20-hour work week for part-time workers, with a few exceptions. We used 25 hours for Chipotle, per the information it provided about their median employee's hours in the 2020 proxy statement, and we used 30 hours for Albertsons, Kroger, and Target's part-time employees.

Methodology for calculating real wage increases

For our calculations for real wage increases, we gave credit to companies for increasing pay if: 1) the company made a public announcement of a company-wide increase that impacted all employees and/or resulted in an increase in average or minimum wage; and/or 2) the company reported or shared directly with us an increase in the average pay for workers. Given the tight labor market, it is likely that many companies in this analysis made location-specific pay increases for at least some workers since the start of the pandemic, but our methodology was unable to give credit for these one-off pay increases unless companies shared average pay data with us.

We confirmed our data through direct company communications; all but Disney and Dollar General responded.

For 11 companies, we had enough data to calculate real wage increases over the first 22 months of the pandemic. For these companies, we first calculated the nominal change in the company's average wage from January 2020 through October 2021 based on wage data that we confirmed directly with company communication or that was publicly available. We assumed in our calculation that the average wage started going up from the time that the company made wage announcements. A few companies, including Best Buy and Target, confirmed with us pay increases that happened prior to October 2021 but did not share any further pay increases; in those instances, we used the most recent pay increase and assumed no further wage increases. A few companies, including Macy's, only shared their percent change in nominal wages, not the actual average wages. We then inflation-adjusted the nominal pay increases using the CPI calculator.

Two companies that we know of (Home Depot and Walmart) phased out other bonuses when they increased pay; in several instances, we note this in the text and give illustrative examples of what the lost bonuses might mean for average pay.

In our discussion of real wage increases, we assume that when a company's average wage goes up, that is because the company raised wages. It is plausible that wages rose because a company increased employee retention; however, in our analysis we assume average wage increases are due to pay increases.

Methodology for calculating the additional compensation to workers during the first 22 months of the pandemic

We also calculated the total amount each company spent on additional compensation to their frontline workers during the pandemic through temporary Covid pay, permanent pay increases, profit sharing, and performance bonuses. Our calculation for additional compensation to workers is not exhaustive; it does not reflect *all* the extra money that companies spent on benefits (such as paid leave, health insurance, or education benefits) and pay for their respective workforces during the pandemic. Nor does it include the additional labor costs that companies incurred due to increased staffing. Specifically, our measure of additional compensation includes the following:

- Covid pay from January 2020 through October 2021 (using the same assumptions)
- Compensation companies provided workers as incentives for COVID-19 vaccination (we included the cost of providing the incentive to 100% of employees if companies did not specify exact cost)
- Permanent wage increases from January 2020 through October 2021
- Profit sharing and performance bonuses
- In one case, Home Depot, we included the additional paid time off the company provided workers during the pandemic because employees were able to be paid out at the end of the year

Our sources for this data include company press releases, annual reports, ESG reports, earnings call transcripts, and direct company communication.

Some companies were transparent in their public communications about the total cost of some of these expenditures, such as Covid pay, profit sharing, and wage increases. In a few instances, we confirmed cost data through direct company communication.

When companies did not share cost data, we had to make further assumptions. If a company did not disclose the amount it spent on permanent wage increases but we knew the increase in the average wage between January 2020 and October 2021 (either through company communication, union contracts, or publicly disclosed date), we annualized the increased cost in labor. For Albertsons, Best Buy, Target, and Walmart, we had to make an additional assumption about labor as a percent of sales.

In most instances, we show the pre-tax amount that companies spent on additional compensation to workers during the pandemic. The actual cost to companies is lower when factoring in the company's lowered tax bill. We calculated an average effective tax rate for each company by dividing the income tax expense by the earnings before taxes over the seven pandemic quarters.

Acknowledgements

Brookings Metro would like to thank Omidyar Network, the Families and Workers Fund, and the Open Society Foundation for their generous support of this research and our work more broadly. The program is also grateful to the Metropolitan Council, a network of business, civic, and philanthropic leaders that provides both financial and intellectual partners to Brookings Metro.

The authors would like to thank the following colleagues outside of Brookings for providing valuable insights and comments on the methodology and earlier drafts of the report: John Marshall, Larry Mishel, Steve Rosenthal, and Rick Wartzman.

Within Brookings, special thanks go to our colleagues Alan Berube, Xavier de Souza Briggs, and Martha Ross for their substantive input, and to Olivia Cheche for her contributions to background research and analysis. The authors also wish to thank Alec Friedhoff, Michael Gaynor, David Lanham, and Erin Raftery for their valuable support in producing this report and contributing to outreach efforts, and to Jennifer Knotts for layout and design. We are appreciative of their editorial and communication expertise.

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