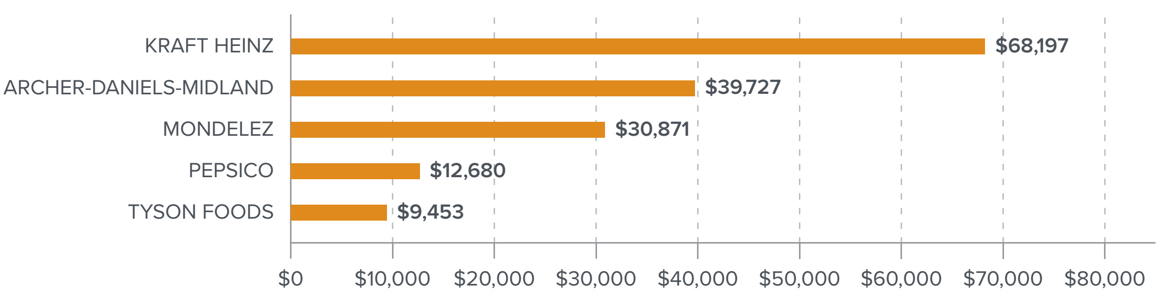
THE HIGH COSTS OF STOCK BUYBACKS FOR WORKERS IN THE FOOD MANUFACTURING INDUSTRY

For the past four decades, corporate profits and executive pay have skyrocketed, while wages for most of our nation's workers have remained low and largely stagnant. The food manufacturing industry—including PepsiCo, Kraft Heinz, Archer Daniels Midland (ADM), and Tyson Foods—employs 1.5 million workers (43 percent of whom are Black and Latinx) and pays a median hourly wage of just $14.80 or a little over $30,000 per year.

Part of what accounts for the food manufacturing industry's low wages is the dramatic rise of stock buybacks within the industry. Today, corporate executives are funneling profits up and out of companies through stock buybacks instead of back into their firms, leaving less money available for raising wages or other types of activities that could grow the economy. Between 2015 and 2017, more than half of the total profits earned by PepsiCo, Kraft Heinz, Mondelez International, ADM, and Tyson Foods were spent on stock buybacks—between 50 and 80 cents of every dollar earned.

The opportunity cost of stock buybacks—that is, where those profits could have been spent had they not been spent on repurchasing a company's stock—is substantial. If these top five issuers of stock buybacks in the industry during this period ended the practice, these companies could have paid their workers an average of 79 percent more each year. For

AVERAGE ANNUAL AMOUNT SPENT ON BUYBACKS PER WORKER FOR TOP SPENDERS ON BUYBACKS IN FOOD MANUFACTURING, 2015-2017



Source: The authors' analysis of Standard and Poor's Compustat database, 2015-2017; and SEC filings, 2015-2017.
Note: All dollar values used in calculations are nominal and unadjusted for inflation.

the 263,000 workers at PepsiCo, for example, who earn a median annual salary of $47,801, eliminating their buyback program would have allowed them to give each worker an average raise of more than $12,000 per year. And because PepsiCo spent more on dividends in the years 2015–2017 than it did on stock buybacks, the company could divert all of the money it spent on stock buybacks to workers and still spend more than 77 percent of their total profits on shareholders during that same period.

> ***If these top five issuers of stock buybacks in the industry during this period ended the practice, these companies could have paid their workers an average of 79 percent more each year.***

For the nearly 91,000 workers who make Oreos, Ritz Crackers, and other Mondelez International products, ending the company's buyback program and spending it on workers' wages instead would allow them to give each of their workers a raise of more than $30,000 per year. And the more than 40,000 Kraft Heinz workers could get a whopping $68,197 raise per year if the company ended its stock buyback program and invested that money back into its workforce instead.

These extractive practices in the food manufacturing industry, where the benefits of corporate profits accrue almost exclusively to CEOs and an elite few, are the result of policy choices that can and should be changed. We can rewrite the rules of our economy—by banning stock buybacks, substantially raising the top effective marginal tax rate on wealthy executives and shareholders, and strengthening the tools workers have to bargain collectively within their workplaces and across their industries—so that corporate profits result in broadly shared prosperity and a stronger economy for all of us.