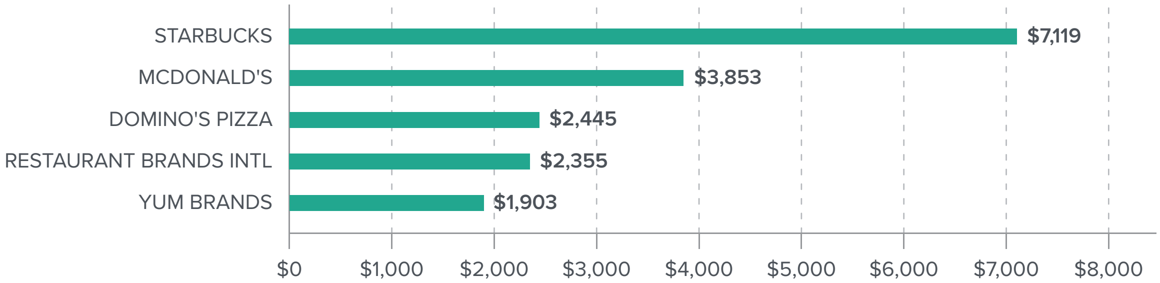
THE HIGH COSTS OF STOCK BUYBACKS FOR WORKERS IN THE RESTAURANT INDUSTRY

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 restaurant industry—McDonald's; Domino's; Yum Brands, which includes Taco Bell, KFC, and Pizza Hut; and Restaurant Brands International, which includes Burger King—employs 11 million workers. The median wage for a front-line fast food worker is just $9.57, with 40 percent of fast food workers living in poverty and nearly 52 percent forced to rely on public assistance programs. Seven out 10 of these workers are women and are disproportionately black and Latinx.

Part of what accounts for the restaurant 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 to themselves through stock buybacks instead of back into their firms, leaving less money available for raising wages or other types of activities that grow the economy. In the restaurant industry, the top five corporations issuing stock buybacks have spent more than 100 percent of the total profits earned on stock buybacks—meaning that, in some cases, companies actually borrowed money to repurchase shares, rather than spending money on workers or on the long-term growth of the company.

AVERAGE ANNUAL AMOUNT SPENT ON BUYBACKS PER WORKER FOR TOP BUYBACK SPENDERS IN THE RESTAURANT INDUSTRY, 2015-2017



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

The opportunity cost of stock buybacks within the industry—that is, where those profits could have been spent had they not been spent on stock buybacks—is substantial. If the top five issuers of stock buybacks in the restaurant industry during the period from 2015 to 2017 ended the practice, these companies could pay their workers an average of 25 percent more each year. McDonald's could have given each of its 1.9 million workers worldwide almost $4,000 in additional compensation each year—more than a 50 percent income increase for the median worker. Starbucks spent the most on buybacks per worker, and if it had reallocated funds from stock buybacks to compensation, could have given each worker more than a $7,000 raise.

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These extractive practices in the restaurant 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, 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.