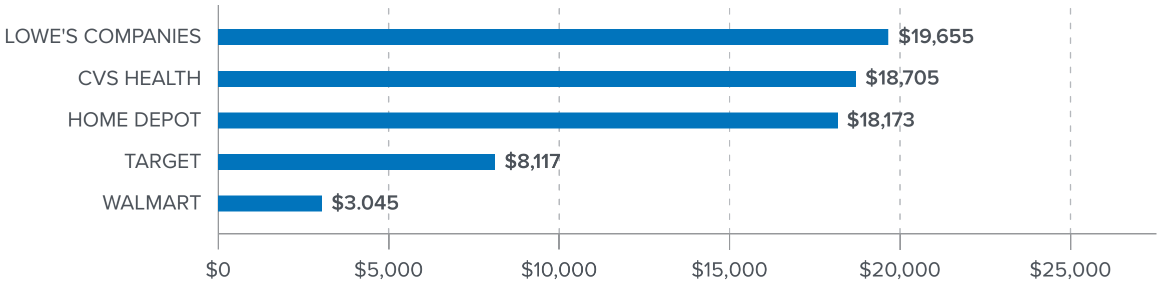
THE HIGH COSTS OF STOCK BUYBACKS FOR WORKERS IN THE RETAIL INDUSTRY

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 retail industry—including Home Depot, Walmart, CVS, Lowe's and Target—employs 1 in 10 U.S. workers. Median hourly wages are $10.12 for retail cashiers, and, as with many other low-wage occupations, women and people of color make up a disproportionate share of the workforce.

Part of what accounts for the retail 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 retail industry, Home Depot, Walmart, CVS, Lowe's, and Target—the top five corporations in the industry issuing stock buybacks during the period from 2015 to 2017—have spent on average more than 87 percent of their profit on buybacks.

The opportunity cost of stock buybacks within the retail industry—that is, where those profits could have been spent had they not been spent on repurchasing a company's stock—is substantial. If these five major corporations ended the practice of stock buybacks during

AVERAGE ANNUAL AMOUNT SPENT ON BUYBACKS PER WORKER FOR TOP SPENDERS ON BUYBACKS IN RETAIL, 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.

this period and redirected them to worker compensation, these companies could have paid their workers thousands more a year. With the money spent on buybacks, Lowe's, CVS, and Home Depot could have given each of their workers raises of at least $18,000 a year. Home Depot spent $21.8 billion on buybacks during this period, representing 93 percent of its profits. If the company redirected what it spends on buybacks to workers, the company could have paid its employees on average an additional $18,172 per year. CVS also spent a large share of its profits on buybacks, spending $13.8 billion—more than 80 percent of its profits—which could have been redirected to provide each employee an $18,705 raise.

If these five major corporations ended the practice of stock buybacks during this period and redirected them to worker compensation, these companies could have paid their workers thousands more a year. With the money spent on buybacks, Lowe's, CVS, and Home Depot could have given each of their workers raises of at least $18,000 a year.

These extractive practices in the retail industry, where the benefits of corporate profits accrue almost exclusively to executives 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.