

W. Craig Jelinek
President and CEO, Costco Wholesale
Corporate Office
999 Lake Drive
Issaquah, WA 98027

July 9, 2012

Dear Mr. Jelinek,

We are writing you today to urge Costco to publicly support raising the minimum wage. In early June, Congressman Jesse Jackson Jr. proposed legislation, the “Catching Up to 1968 Act of 2012” (H.R. 5901), that would raise the minimum wage to \$10 per hour and index it to the Consumer Price Index (CPI). This is something that could aid millions of workers, the economy, and business by stimulating greater consumer spending.

In 2007, your predecessor, Jim Sinegal, expressed his support for raising the minimum wage. He said: “The more people make, the better lives they're going to have and the better consumers they're going to be...It's going to provide better jobs and better wages.”¹

Unlike many corporations in this country, Costco understands that the success of its business relies on the prosperity and happiness of its employees. When *CFO Magazine* asked Costco's CFO, Richard Galanti, in 2010 why Costco pays its workers above its competition, the initial response was simply: “Because it's the right thing to do.”² Mr. Galanti continued to say that it was a philosophy and business practice that started under Sol Price at FedMart and Price Co. He explained that it made business sense to provide employees with livable wages and affordable, quality healthcare, because you get the best employees. In 2010, Costco's lowest starting wage was \$11 per hour – far ahead of competitors like Walmart.

Unfortunately, other corporations do not adhere to the same business model as Costco, leaving many of their employees barely scraping by and living pay check to pay check. The inflation-adjusted value of the minimum wage has been in decline since the 1960's, leaving hard-working Americans across the country with less and less disposable income. Meanwhile the cost of living has continued its steady increase over that time, further impacting consumer purchasing power.

In the throes of an ailing economy, consumer spending has declined sharply. Raising the minimum wage to \$10 per hour could benefit as many as 30 million workers throughout the country. But that wouldn't just benefit the workers; it could benefit businesses too by helping to jumpstart the economy and increase consumer spending.

A 2011 study by the Chicago Federal Reserve Bank found that for every dollar increase to the wage of a minimum wage worker, the result is \$2,800 in new consumer spending from that worker's household over the year.³ A 2009 study from the Economic Policy Institute estimated that simply by

¹ Montgomery, Lori. “Maverick Costco CEO Joins Push to Raise Minimum Wage.” *Washington Post*. January 30, 2007. <<http://www.washingtonpost.com/wp-dyn/content/article/2007/01/29/AR2007012901783.html>>

² Teach, Edward. “Because It's the Right Thing To Do.” *CFO Magazine*. March 1, 2010. <<http://www.cfo.com/article.cfm/14476783>>

³ Aaronson, Daniel, Sumit Agarwal, and Eric French. “The Spending and Debt Responses to Minimum Wage Increases.” Federal Reserve Bank of Chicago. February 8, 2011. <http://www.chicagofed.org/digital_assets/publications/working_papers/2007/wp2007_23.pdf>

raising the minimum wage to \$9.50 per hour, \$60 billion in additional spending would be added to the economy over a two year period.⁴ This could not only help start our economy on the path to recovery, but could have a significant impact on the spending and purchasing power of many of Costco's customers.

As you know, higher wages have been shown to decrease employee turnover and improve productivity. A 2006 article in the Harvard Business Review, "The High Cost of Low Wages,"⁵ shows the positive impact that greater wages and benefits can have by comparing Costco's compensation practices to those of Walmart. Costco provided its employees with higher average wages and provided better healthcare benefits. Consequently, Costco had less than half the employee turnover rate of Walmart, the lowest employee theft figures in the industry, and had greater productivity among its employees. Former Costco CEO, Jim Sinegal, made precisely these points when he supported increasing the minimum wage in 2007, saying, "In my view, some of these industries that pay minimum wage are constantly turning their people... They spend more on turnover than they would in paying the additional wages."⁶

Had the minimum wage kept pace with inflation since 1968, it would be \$10.57 per hour today (still below the \$11 per hour starting wages that Costco offers). Costco is already paying its employees wages that are significantly higher than the current minimum wage of \$7.25 per hour. There is the potential to reap benefits from increased consumer spending.

A prominent businessman had a similar idea in 1914. In the midst of a deep recession, Henry Ford announced his plan to more than double the hourly wages of his employees. The increased wages solved a few problems for Henry Ford: it decreased worker turnover, increased productivity, and provided his workers with enough pay that it allowed them to buy the same product that they were manufacturing. I'll leave you with a quote from Mr. Ford:

"If you cut wages, you just cut the number of your own customers. If an employer does not share prosperity with those who make him prosperous, then pretty soon there will be no prosperity to share. That is why we think it is good business always to raise wages and never to lower them. We like to have plenty of customers."⁷

May we hear from you soon.

Sincerely,



Ralph Nader and Jeff Musto
P. O. Box 19367
Washington, D.C. 20036

⁴ Filion, Kai. "A Stealthy Stimulus: How Boosting the Minimum Wage Is Helping to Support the Economy." Economic Policy Institute. <http://www.epi.org/page/-/IssueBrief255_Final.pdf>

⁵ Cascio, Wayne F. "The High Cost of Low Wages." Harvard Business Review. 2006. <<http://hbr.org/2006/12/the-high-cost-of-low-wages/ar/pr>>

⁶ Montgomery, Lori. "Maverick Costco CEO Joins Push to Raise Minimum Wage." *Washington Post*. January 30, 2007. <<http://www.washingtonpost.com/wp-dyn/content/article/2007/01/29/AR2007012901783.html>>

⁷ Ford, Henry and Samuel Crowther. "Great Today and Greater Future." 1926. Kessinger Publishing, LLC (June 26, 2003). Page 198 - 199.