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COSTCO TO RAISE MINIMUM HOURLY WAGE TO \$16

Retailer tops Amazon and splits with Walmart, which is keeping starting pay at \$11 an hour.

By Sarah Nassauer
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Costco Wholesale Corp. will pay its US workers at least \$16 an hour starting next week, the company's chief executive told Congress on Thursday as lawmakers debate raising the federal minimum to \$15 an hour.

The warehouse retail chain's minimum US wage has been \$15 an hour, the same as the starting wage at Amazon.com Inc. and Target Corp. Rival Walmart Inc. recently said it would raise wages for some workers but keep its starting wage at \$11 an hour. Costco has about 180,000 full-time and part-time US employees.

Capitol Hill waited Thursday for the Senate parliamentarian to weigh in on whether the chamber's rules would permit Democrats to increase the minimum wage to \$15 an hour as part of President Biden's \$1.9 trillion coronavirus relief package.

Costco has long paid its store workers more than most competitors, in part to reduce turnover as part of its low-cost operating model. Costco Chief Executive Craig Jelinek said at the hearing Thursday that Costco's average wage for hourly workers is \$24 an hour. Walmart's average US wage after recent increases take effect will be more than \$15 an hour, the company has said.

"Although there's a lot of external focus on starting wages and minimums, it is important to us that Costco employees have an opportunity to make more than \$15 or \$16," he said, noting the company offers regular raises, bonuses and healthcare benefits. About 89 percent of workers are currently eligible for healthcare coverage, he said.

"This isn't altruism," Mr. Jelinek said. "It helps in the long run by minimizing turnover, maximizing employee productivity, commitment and loyalty." In the US, employees average more than 9 years with the company, he said. Mr. Jelinek didn't say whether he supports a \$15 minimum wage. "I'm not here to discuss a proposal. I'm here strictly to discuss Costco," he said.

When asked by Sen. Lindsey Graham (R., SC) if he would support a bill that raised the federal minimum wage to \$11 per hour, Mr. Jelinek said, "11 dollars? It's better than \$7.25."

Compared with some big-box competitors, such as Walmart, Costco's stores tend to be close to higher-income, urban centers that typically offer workers higher wages generally. At Costco, shoppers pay a membership fee for access to discounted, bulk goods, a model that tends to attract higher-income shoppers willing to pay a membership fee and more each shopping trip for a large amount of goods.

Sen. Bernie Sanders (D., VT), the new chair of the Senate Budget Committee, said other big employers such as Walmart and McDonald's Corp. are underpaying workers.

“While Costco, Amazon, Target, Best Buy and other major corporations have all raised their minimum wage to at least \$15 . . . the minimum wage at Walmart has remained stuck at \$11 an hour for the last three years,” Mr. Sanders said at the hearing.

Walmart CEO Doug McMillon and McDonald’s CEO Chris Kempczinski declined invitations to testify at the hearing, Mr. Sanders said.

Walmart declined the invitation in a letter outlining its wage and benefit structure, including recent wage increases for some workers, according to a spokeswoman. Mr. McMillon has said he supports raising the federal minimum from \$7.25 but that \$15 is too high for some sectors and locations.

McDonald’s said it is open to discussion on the minimum wage that takes into consideration how it impacts its employees and franchisees. It said franchisees employ 95 percent of those working at McDonald’s restaurants in the US, and they set their own wages.