

**Testimony of Craig Jelinek,
President and CEO of Costco Wholesale Corporation
Before the U.S. Senate Committee on the Budget
February 25, 2021**

Good morning Chairman Sanders, Ranking Member Graham, and Members of the Committee.

I'm Craig Jelinek, President and CEO of Costco Wholesale. I appreciate the invitation to speak with the Committee today.

Costco is a membership-based retailer with headquarters in Washington state, and 803 locations worldwide, including 558 in forty-five U.S. states, Washington D.C. and Puerto Rico. The basic principle of Costco's business is to provide our member customers with high quality goods and services at the lowest possible prices. Our business model is based on very high sales volume on a limited selection of products, in an efficient, no-frills shopping environment.

Costco is fortunate to be one of the top retailers in the U.S. and the world. We owe our success to many different factors, but one of the most obvious is that we have the best employees in the retail industry. There are currently more than 180,000 Costco employees in the U.S., and 275,000 worldwide.

Since Costco's inception, the company has been committed to paying employees very competitive retail wages and providing them broad and affordable health care benefits. Two years ago, we moved our starting hourly wage to \$15 or more everywhere in the U.S. Effective next week, the starting wage will go to \$16.

Although there's a lot of external focus on starting wages and minimums, it's important to us that Costco employees have an opportunity to make more than just \$15 or \$16 an hour. Costco employees receive regular, scheduled increases based on their hours worked. Employees working full-time hours will generally see two wage increases during the course of each year, and employees working part-time hours will see one increase - until they reach the top of our scale, which increases every year. More than half of our

hourly employees in the U.S. are paid at the top of our scales, in excess of \$25 an hour.

And most of these Costco employees also receive regular, twice-yearly 'extra checks' or bonuses - up to \$4000 twice each year - which benefit long-term employees.

Our average wage for hourly employees in the U.S., excluding any overtime premium, but including the extra check component, is around \$24.

This average wage doesn't take into account the premium pay Costco employees have received during the Covid-19 pandemic. Beginning in March 2020, as we saw increased business sparked by the pandemic, we instituted a \$2 an hour premium for hourly employees in our locations. We've now extended this premium pay multiple times, and it continues today. As we approach the one-year mark of this extra pay, we will end the temporary premium but convert some of the premium to a permanent increase by raising each step on our hourly wage scales.

At Costco we're also proud to provide our full-time and part-time employees with broad and affordable benefits, including health care coverage for employees and dependents. About 89% of our employees are currently eligible for our health care plans, and about 97% of those eligible are enrolled, which speaks to the quality and affordability of the benefits. And we guarantee employees will be scheduled enough hours to maintain their benefits. We also make sizable annual contributions to employees' 401k retirement accounts, based on employees' years of service, irrespective of their own contributions. We also believe our paid sick time and vacation time policies for hourly employees are very competitive by retail standards.

I want to note: this isn't altruism. At Costco, we know that paying employees good wages and providing affordable benefits makes sense for our business and constitutes a significant competitive advantage for us. It helps us in the long run by minimizing turnover and maximizing employee productivity, commitment and loyalty. We encourage our employees to view Costco as providing a career rather than just a job.

And as a result, our employee retention rates are very high by retail standards. In the U.S., our employees average over nine years of service with the company. Over 60% of U.S. employees have five or more years with Costco, and over one-third have more than 10 years. We're very proud of the fact that more than 12,000 of our U.S. employees have worked for Costco for 25 years or more. Again, we feel the experience level and loyalty of our employees is a significant advantage for our company.

As I conclude my remarks, I'd like to make it clear that the past 37 years of my long retail career have been working for Costco, and Costco is what I know. I'm not an economist, regulator or legislator, and I don't pretend to know what methods or models are right for any other large or small companies or any other industries. But I do know what is right for Costco. We're certainly not perfect, but we try to take care of our employees, because they play such a significant role in our success.

I'd be happy to answer any questions about Costco that you might have.

Thank you.