



Statement of
Howard Schultz
Chairman Emeritus, Starbucks Coffee Company

before the
Committee on Health, Education, Labor, and Pensions
United States Senate

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Good morning, Chairman Sanders, Ranking Member Cassidy, and Members of the Committee. I am pleased to have the opportunity to speak with you today.

Starbucks Vision as a Different Kind of Company

As a young boy, I experienced first-hand the consequences of a family without resources or adequate benefits. My father, a World War II veteran, held a number of low-paying jobs during his life. In 1960, he had a home delivery route exchanging clean for dirty cloth diapers when he slipped on a sheet of ice, fracturing first his hip – and then our family – when he was promptly fired. I grew up in public housing in Canarsie, New York, often dependent on the generosity of others. The image of my dad, lying on the sofa and immobilized in a body cast has been burned into my memory, and I decided at an early age that if I ran a business, it would be a company based on respect and shared success, unlike the company that had fired my dad.

My vision for Starbucks Coffee Company has always been a company steeped in humanity, respect, and shared success. It is a company committed to listening to its partners and creating a better future for them while delivering innovation and an increasingly more elevated and differentiated experience to its customers. Starbucks follows its guiding principles, lives its mission and values, celebrates diversity and inclusion, and welcomes all on the belief that our differences make us better and stronger. We are a different kind of public company that balances profitability with social conscience. Aspiring to achieve that vision has been my life's work.

Today, with my one-year term as Starbucks interim chief executive officer having come to a close, I appear before you with love and gratitude for what we have built at Starbucks over the last 40 years. I could not be more grateful for the contributions and support of millions of Starbucks partners who have believed in the company, joined our vision, and made Starbucks a success. In fact, we call our employees “partners” to underscore our shared ownership and success. Today, Starbucks has more than 36,000 stores in 84 markets, employs more than 450,000 people, serves more than 100 million customers around the world every week and, on average, is opening eight stores around the world every day.

When a partner joins Starbucks and puts on our iconic green apron, it is far more than a job. They are joining a diverse group of partners committed to being their best selves and making a difference to each other and their communities. Across all 50 states, our partners include young

people who have come for their first job, working parents, veterans and military spouses, students, and many more. Our partners create moments of connection and that defines the Starbucks experience.

How we Built Starbucks – It Starts with Our Partners

The essential operating approach at Starbucks since 1987, when we had 11 stores, has focused on values-based decision making. The leaders who built Starbucks believed if we exceeded the expectations of our partners, they would, in turn, exceed the expectation of our customers.

Exceeding the expectations of our partners includes a legacy of industry-leading benefits for all eligible full-time and part-time partners. We were among the first companies to provide comprehensive health care to part-time employees starting 35 years ago, in 1988, and we have provided 401(k) benefits to eligible partners since 1987. The term “partner” is not simply a moniker. Since 1991, we have issued “Bean Stock,” equity in the form of stock ownership, to all eligible full-time and part-time partners, the first company to do so, to underscore our commitment to shared ownership and success. The Starbucks Bean Stock program remains a unique partner benefit that both rewards and recognizes the contributions of our partners. To date, Bean Stock has awarded more than \$2 billion in pre-tax earnings to partners who have used those funds for everything from a down payment on a home, to a child’s education, to health care for their parents, to a wedding or car – and so much more.

We also provide significant benefits to our partners to advance their education. Today, nearly 24,000 partners are currently enrolled in our Starbucks College Achievement Plan and Pathways to Admission programs. By the end of the current semester, more than 10,000 partners will have graduated with a college degree, and 100 percent college tuition coverage, through our partnership with Arizona State University (ASU). And to further reduce academic barriers, our Pathways to Admission program provides a roadmap for eligible partners who do not initially qualify for admission at ASU. Starbucks was also one of the first companies to offer student loan assistance.

Many employers in our sector do not offer any paid sick leave unless mandated. In contrast, Starbucks provides the same generous paid sick leave benefit across all states, even where not mandated to do so, and partners start accruing sick leave from their first day of work. Similarly, many employers do not provide fully paid parental leave. Starbucks offers fully paid parental leave for eligible birth parents and non-birth parents. Most employers offer mental health support through their health insurance plans where employees must pay a cost share or through an Employee Assistance Program with an average of three visits. All Starbucks partners and their eligible family members are eligible, from date of hire, for up to 20 free therapy sessions each year. Starbucks offers a free premium membership to Headspace in support of mental health to all partners from date of hire. And we provide reimbursement for the renewal fee for our partners who are Deferred Action for Childhood Arrivals recipients.

We are also one of the few employers that offers backup care benefits for employees. All Starbucks partners are eligible for 10 backup care days per year from date of hire through our

Care@Work program. Most employers offer no reimbursement program assistance for family expansion and if one is offered, it is often limited to adoption expenses. Starbucks partners may also be reimbursed for up to \$40,000 for eligible expenses and the Starbucks program includes adoption and surrogacy expenses, recognizing different ways to expand a family. Starbucks was the first company to offer emergency savings with a direct payroll deposit and incentives to create an emergency savings account.

At Starbucks, we created a range of benefits and have inspired other companies to follow suit. The attached chart shows the evolution of our industry leading benefits.

Over the years, we have employed millions of partners in our U.S. stores, in many cases providing a first job. In the three fiscal years ending September 30, 2023, we will have deployed more than \$20 billion in wages and benefits in our business, including providing full support through the COVID-19 pandemic, while making more than \$3 billion of partner investments, and \$6 billion of investment in our customers and stores. Our business generates significant economic activity in virtually every state in the United States, including contributing more than \$1 billion in sales and other state and local taxes over the last three fiscal years. Today, the average wage in our stores is \$17.50 per hour. With benefits and other income included, the average value approaches \$27 per hour. And we have been recognized by AON for providing higher value benefits to retail hourly employees than any other company measured and significantly above-average benefits to salaried employees. I am very proud of our Starbucks partners and where the company is today. We will continue to invest to innovate, grow the company, and elevate the experiences we deliver to our partners and customers.

We have been widely recognized for our commitment to our partners. Organizations and indexes have benchmarked Starbucks in the highest quartile, including:

- 100 percent on the Disability Equality Index by Disability:IN in 2022 for the sixth time.
- 100 percent on the Human Rights Campaign Corporate Equality Index for the ninth consecutive year.
- #1 for the Food Services industry on Fortune's 2023 World's Most Admired Companies list.
- #1 in the Restaurant & Leisure category on 2023 JUST Capital rankings.
- #12 on Diversity First's 2023 Top 50 Companies for Diversity.

We have delivered all of this value and innovated to deliver benefit programs that meet partners needs and provide opportunities for the future. We did this because it was the right approach, and it demonstrates the value of our direct relationship with our partners.

Many times, during moments of company economic challenge, investors have urged us to cut our benefits because we had "cover" to do so, occasionally citing the fact that we were, at times, paying more for health care than we did for green coffee for our U.S. stores. My response was always the same: If you think our benefit programs for our partners are too rich, it means you do not understand what drives Starbucks success.

When we put our partners first and exceed their expectations, they exceed the expectations of our customers – setting in motion an accelerating cycle of deepening customer connection and loyalty to the Starbucks brand that reverberates all around the world. The trust our partners have in the company and our commitment to providing opportunities for partners, their families and their communities, is what propels Starbucks’ business forward globally. And as Starbucks grows, all stakeholders benefit, including our partners.

A Direct Relationship with Our Partners is Fundamental to Our Culture and Success

The direct relationship we have with our partners enhances our ability to anticipate and meet our partners’ needs, provide opportunities for their success, and is fundamental to who we are and to the success of our business.

We strive to address issues relevant to our people, including pay equity, financial literacy, student debt, human and civil rights, environmental sustainability, hiring military families, civic engagement, “ban the box,” partnering on food security and addressing the mental health crisis, while doing our part to help our partners build life skills and a career launching pad.

We have also addressed emergent situations during which Starbucks and our partners responded with urgency, including racial profiling in one of our stores in Philadelphia, after which we closed our stores to implement unconscious bias training and education. Following the murder of George Floyd and the Uvalde and Highland Park shootings, we immediately responded by creating forums to listen to our partners share their feelings and experiences. We have also closed stores when necessary out of concern for the safety of our partners and our customers.

Our business model, and our mission and values, is imprinted with our people. I remember with profound emotion:

The late Jim Kerrigan, one of our first baristas in 1986. Jim contracted AIDS and became too ill to continue to work. We learned that there was a gap in his health care coverage and promptly updated our policy to make critical care a part of our health plan, a benefit that we continue to offer today.

The three young partners senselessly gunned down at closing time in a Washington, D.C., store in 1997. While this was the first-time tragedy and societal evil entered our stores and destroyed lives, sadly it was not the last. We implemented enhanced safety measures in our stores which we continue today.

Sage guidance from Starbucks Board Member Secretary Bob Gates that led us to establish a goal of hiring 10,000 military veterans and spouses to help our heroes and their families transition to civilian life. In fact, we have hired more than 30,000 veterans and military spouses since making that commitment a decade ago. In addition, my family foundation, the Schultz Family Foundation, committed \$30 million to support veterans transitioning into civilian life and research on the consequences of post-traumatic stress and traumatic brain injury.

Our efforts to welcome refugees through a commitment to hire 10,000 displaced people worldwide. This also includes work with refugee resettlement organizations to identify potential partners and provide additional tools, resources and support to address the unique needs of refugee applicants.

After the killing of 18-year-old Michael Brown, I traveled to St. Louis, Missouri, in early 2015, for the fourth in a series of partner forums on race and also took the opportunity to visit nearby Ferguson. We moved quickly to announce our plans to build a store in Ferguson, as part of an accelerated program to open stores in diverse urban communities across the United States. There are now 30 Starbucks Community Stores across the country, and we have a commitment to build 100 Starbucks Community Stores. These Community Stores are intended to help strengthen the communities where we live, work and grow. Community Stores focus on providing economic opportunity in communities and creating impact in partnership with local nonprofit organizations. In those stores, we prioritize hiring partners from the local community because our partners know their communities best.

This is the story of Starbucks. It is a tapestry of stories created by millions of Starbucks partners around the world who have worn the green apron. The direct relationship with our partners is also fundamentally linked to our decision not to franchise but to have company-owned stores. While franchising was a logical route to national expansion and a lower cost business model, we rejected that approach. We train our partners, link them to a set of values and guiding principles, and exceed their expectations in terms of the overall partner experience, generating enthusiasm, loyalty, and tremendous engagement. This has been the secret sauce of Starbucks over the years. And the strong, company-owned approach has allowed us to be a pathway for many in the company to grow life skills, customer service skills, barista craft and operational roles within and outside the company. Today, 63 percent of our retail managers started as hourly baristas, underscoring the opportunity we provide for shared growth and success.

Compliance and Good Faith Bargaining

As labor issues are a focus of this hearing, I would like to take this opportunity to address that topic directly.

Starbucks respects the right of all partners to make their own decisions about union representation, and Starbucks is committed to engaging in good faith collective bargaining for each store that has a union. I embrace these commitments. At the same time, our business requires speed and flexibility, both on the job and when operating more than 9,000 U.S. company-operated stores of every shape and size while addressing ever-changing customer preferences. Our business also depends on having trust, connection, and shared commitment among Starbucks, its partners, and its customers. For five decades, our strength has always been to look for answers based on full engagement with our partners.

Starbucks has engaged in good faith bargaining. We have been arranging more than 350 bargaining sessions involving more than 200 sets of negotiations – each relating to a single store – and Starbucks representatives have been physically present at more than 85 sets of negotiations. However, union representatives have improperly demanded multi-store negotiations, delayed or refused to attend meetings, and insisted on unlawful preconditions such as “virtual” bargaining and participation by outside observers, among other things.

Moreover, Starbucks has complied with the National Labor Relations Act. After Workers United prevailed in National Labor Relations Board (NLRB or the Board) certified elections, we recognized the union without appealing and began the bargaining process in more than 200 stores. Where partners have been subject to discipline, those partners engaged in misconduct contrary to Starbucks policies and procedures. No Starbucks cases involving Workers United have been decided by the Board, and the NLRB litigation process usually takes years to complete.

My Return to Starbucks as Interim CEO

Looking back, it is clear that prior to my return last April the company had lost its way on many levels.

Under former leadership, the dangerous influence of Wall Street short-termism that I had always rejected had found its way into the company. Instead of innovating and delivering more relevant and meaningful experiences to our partners and customers, we were relying on prior successes. Instead of thinking entrepreneurially and playing the long game, we were deploying capital in areas that would assuage Wall Street for the moment but assure lower long-term returns than our historic standard. Focusing on Wall Street short-term targets as a priority, and not our people and customers, is antithetical to our history and breaks the equation that built Starbucks. As I watched the company over the last few years after I stepped away, it became clear to me that Starbucks had lost sight of what drove the company’s success – making our partners and customers proud – and that the company’s culture and its future were at significant risk. Starbucks is addressing those shortcomings.

Starbucks Reinvention Plan

It was obvious that we had some significant investments in our partners – and in our business – to catch up on, which is why immediately upon my return, I suspended Starbucks stock buyback program. We would no longer be rewarding shareholders at the expense of our partners or the long-term success of our business.

The list of shortcomings we identified last spring and summer through our co-creation sessions, where partners directly told us what they needed, is long, and solving them is not a one-year fix. But we are back on the right path. Starbucks’ Reinvention Plan investments – informed by our co-creation sessions – are beginning to have impact. The significant improvement in hourly partner retention, a measure that is already twice the industry average, is a fantastic proof point that underscores the success of our Reinvention-driven investments to elevate the partner

experience. The spirit of leadership at the company has returned to the mindset required. Every day we wake up thinking about how we put all Starbucks partners in a position to win.

We Play the Long Game on Our Terms: Investing in our Partners for Long-Term Success

Over the years, I have never wavered from the view that to achieve long-term value for shareholders, a company must first create value for its employees and customers. Our shareholders and partners, past and present, have come to recognize and appreciate that the investments we make to enhance total rewards and partner well-being strengthen us as a company. This is the value proposition of Starbucks. This is what makes us different.

Over the last year, we have demonstrated the success of this model through investments that would enable our partners to have improved pay, benefits, and stability. Below are some areas supported by the more than \$1 billion of incremental investments:

- Raised minimum starting rate for all U.S. hourly partners to \$15 or more.
- Launched new financial well-being benefits – from support and incentives to help start and grow savings to resources to help with financial education and student loan management.
- Implemented faster paid sick time accrual.
- Launched a new partner recognition platform.
- Brought back the Coffee Master program at the request of partners, and 800 partners who completed the program have traveled to Costa Rica to participate in the Origin Experience.
- Updated our Family Expansion Reimbursement Program, including increasing the lifetime maximum.
- Updated our dress code policy to provide more flexibility based on partner feedback.
- Developed portable cold foamers to reduce the burden on our partners; they are being rolled out in the United States starting this month and are slated to be in all stores by late summer.
- New coffee delivery equipment called “Clover Vertica” beginning to deploy.
- Launched better print ordering system to help customer service.
- Credit and debit card tipping, enabling customers to recognize directly the great work of our partners.
- Doubled training hours for new barista and shift supervisors.
- Launched supply chain product delivery enhancements.
- Added more time for hourly performance and development conversations.
- Added quarterly foundational training for all partners including upcoming sessions during the spring promotional season.
- Updated inventory tracking tools.
- Co-created our new Green Apron Coffee Blend made possible by more than 24,000 partner submissions.

Although not a complete list of everything we are doing, these partner-focused efforts are the cornerstone of our reinvention. Properly designed and implemented, these investments lead

to increased partner engagement and satisfaction, increased productivity, and longer employee retention, all of which drive sales and reduce costs, particularly in connection with training. We have more work to do at a systemic level, but the intention and early progress is happening, and it will no doubt be fueled by the new mindset and future leadership of the company.

In closing, our Board and our leadership are in complete agreement that a direct relationship with our partners, where we have the flexibility to implement improvements quickly in wages and benefits and share success in the future, as we have in the past, is the right path forward for Starbucks, our partners and all company stakeholders. Our leadership team and Board of Directors share a common view on our heritage and our aspiration for the future.

We are a different kind of company, in a different kind of world. We are in the human connection business. We exist to build bridges. With every cup, with every conversation, with every community, we nurture the limitless possibilities of human connection. At our best, we commit to mutual success for all. We work closely with our partners to bridge to a better future. We promise our customers that we will uplift their everyday. We contribute positively to our communities. With our farmers, we ensure the future of coffee for all. We give the earth more than we take. For our investors, we generate long-term returns. The beauty of Starbucks is the balance we create – between the work outside, and the work inside; between the partners and customers in our stores and the farms, roasting plants and distribution centers supporting our stores; between the limitless possibilities that human connection brings and the work it takes as a company, as a team and as individuals.

Thank you for the opportunity to be here today, and I welcome the opportunity to answer your questions.

Highest-rated benefits for retail hourly workers.



A COMMITMENT TO SHARED SUCCESS.

OUR TRACK RECORD OF PUTTING PARTNERS FIRST* (FULL AND PART TIME WORKERS)

- 1972 **Vacation and Other Time Off Options**
- 1972 **Weekly Coffee Markout**
- 1972 **Life Insurance**
- 1972 **Short and Long Term Disability**
- 1988 **Future Roast 401(k)**
- 1988 **Healthcare Insurance**
- 1991 **Bean Stock Equity for All Partners**
- 1995 **Stock Investment Plan (SIP)**
- 1998 **Partner Perks and Benefits**
- 1998 **Caring Unites Partners (CUP) Fund**
- 2002 **Family Expansion Reimbursement**
- 2005 **Catastrophe Pay**
- 2007 **Partner Networks**
- 2009 **Commuter Benefits**
- 2014 **Starbucks College Achievement Plan**
free 4-year degree

*Aon Hewitt, the gold standard in benefits analysis, cited Starbucks for providing higher value benefits to hourly retail employees than any other company measured.

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- 2015 **Fitness Reimbursement Program**
- 2016 **DACA Reimbursement**
- 2016 **Spotify**
- 2017 **Paid Parental Leave**
- 2017 **Starbucks Global Academy Academic Curriculum**
open source
- 2017 **Pathway to Admission**
free curriculum to qualify for college
- 2018 **Care @ Work**
family support model
- 2019 **Partner and Family Sick Time**
- 2020 **Mental Health Benefits (Headspace and Lyra)**
- 2020 **COVID Self-Isolation Pay and Benefits**
- 2022 **Shift Marketplace**
app to facilitate scheduling
- 2022 **\$15 Per Hour Wage Floor**
- 2022 **Coffee Master & Black Apron Training/Credential**
- 2022 **Updated Dress Code**
- 2022 **Doubling Training Time for New Barista & SSV**
- 2022 **New Barista Training Program**
- 2022 **Enhanced In-App Tipping & Unlocked Credit Card Tipping**
- 2022 **Incentivized Savings Program**
- 2022 **Student Loan Management**
- 2022 **Faster Sick Time Accrual**



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