



The Right Choice for Giant Eagle and Western Pennsylvania:

**A Partnership with Workers That Improves
People's Everyday Lives and Well-Being**

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About the Keystone Research Center

The Keystone Research Center (KRC) was founded in 1996 to broaden public discussion on strategies to achieve a more prosperous and equitable Pennsylvania economy. Since its creation, KRC has become a leading source of independent analysis of Pennsylvania's economy and public policy. KRC is located at 412 North Third Street, Harrisburg, Pennsylvania 17101-1346. Most of KRC's original research is available on the KRC website at [www.keystoneresearch.org](http://keystoneresearch.org). KRC welcomes questions or other inquiries about its work at 717-255-7181.

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Executive Summary

“Working in a grocery store is important work. It is not a minimum wage job – it has turned into a minimum wage job. After [Hurricane] Katrina, who did they let back into the city first? First, policemen; second, firemen; and third, grocery store workers. The work we do is important. It is valuable.”

– Long-time Giant Eagle employee

Giant Eagle, established more than 80 years ago and the market-share leader in the Pittsburgh region grocery industry, was once a company that provided middle-class careers to its frontline employees. Built by five local families in 1931 and still owned by the descendants of these families, Giant Eagle has since expanded beyond Southwestern Pennsylvania into Northwestern Pennsylvania, Ohio, Maryland, West Virginia and Indiana. Today Giant Eagle also owns the GetGo fuel stations, Market District stores and Giant Eagle Express stores.

Giant Eagle touts itself as a good corporate citizen – a family owned business that is rooted in and cares for the communities it serves. And to be sure, Giant Eagle does provide important charity to the Pittsburgh region and beyond. But in its primary role as an employer of 32,000 employees across multiple states, it falls short of this label. Company-wide each year, the reduction in worker pay today because of wage cuts since the late 1970s is many times greater than the company’s charitable contributions.

An anchor of the community. Prior to the 1980s, Giant Eagle provided family-sustaining careers to its employees. Workers at the company for more than 40 years describe how positions within Giant Eagle were much sought-after in the 1960s and 1970s. Workers felt known and respected by the owners and by managers.

A shift to the low road. But in the early 1980s, things changed.

- Giant Eagle began franchising stores that remained non-union.
- In the first half of the 1980s, Giant Eagle slashed real wages in half or more – to about \$8 per hour for newly hired stock clerks, cashiers, wrappers and deli clerks, and to about \$15 per hour for meat cutters previously paid nearly \$30 per hour. (All wages are expressed in inflation-adjusted 2016 dollars.) The wages lost in these years have not been restored since.
- Giant Eagle starting wages went from near or above the Pennsylvania median wage in 1979 to 43% and 62% below it in 2017. In a country and state in which wages for all workers have been stagnant since 1979, the relative collapse of Giant Eagle’s wages is stunning.
- The company created “multiple tier” compensation, with less generous health benefits and pensions for new workers as well as lower wages. Today, multiple tiers still make it difficult for new employees to ever reach the higher wage rates that older employees enjoy.

- Giant Eagle also increased its reliance on part-time workers with lower wage rates. Part-timers today account for 62% of Giant Eagle's workforce, compared to 50% of all grocery store workers in Pennsylvania.¹

The ratcheting down of Giant Eagle's family sustaining wages mirrored development in the regional and national manufacturing sector, but from lower initial (1970s) wage levels. In the grocery industry, given the inherently local nature of grocery jobs, this downward mobility happened because of labor market dynamics within western Pennsylvania, not because of any need to compete with lower-wage states or countries. And within Western Pennsylvania, Giant Eagle, as the dominant regional grocery chain, spearheaded the transformation of jobs from middle-class to poverty-wage.

A forthcoming report will discuss another disturbing aspect of this transformation: Giant Eagle's mounting interference with workers' rights to organize a union in facilities without union representation. The report will examine unfair labor practice cases that have arisen under the National Labor Relations Act in recent years and months. It will also evaluate Giant Eagle's attacks on workers' rights to form a union against international human rights standards and religious principles and teaching.

Taxpayer-subsidized jobs. Workers are not the only ones who pay a price for Giant Eagles' low wages. Taxpayers also pay because many Giant Eagle workers qualify for and rely on public assistance to make ends meet. In September 2017:

- Over 3,500 (3,605) Giant Eagle workers in Pennsylvania were receiving Medicaid and/or food assistance (through the Supplemental Nutrition Assistance Program (SNAP)) benefits, at least a fifth of Giant Eagle's Pennsylvania workforce and a larger share of the hourly represented workforce;
- Among grocery store chains and discount chains that sell groceries, Giant Eagle had the third-most Pennsylvania employees on these two public assistance programs.
- Giant Eagle has 40 times as many Pennsylvania employees on these two public assistance programs as does Costco.

In October 2017, almost half (46%) of Giant Eagle workers, and two thirds (65%) of part-time workers, earned a "poverty wage," defined as a wage too low to reach the poverty level for a family of four even if the person works full-time, full-year (2080 hours). Moreover, while no workers hired before June 24, 2007 earned a poverty wage, 72% of those hired since that date did. This stark contrast drives home the solution to the poverty-wage problem at Giant Eagle: to reduce the share of its workers that earn too little to support their family, the company needs to significantly lift wages for less senior workers.

The company can afford to pay more. Over the past 35 years, Giant Eagle has grown enormously. It now ranks 31st on Forbes magazine's list of "America's Largest Private Companies" list, with annual revenues of \$9.3 billion. It is the dominant grocery chain in the Pittsburgh metropolitan area with a 37.4% market share (counting its GetGo stores), more than the next three companies combined

(Walmart/Sam's Club, Aldi, and Costco). It also has a healthy market share in Cleveland and Columbus, Ohio, and in Erie Pennsylvania. Over the past three years based on staffing levels at most of its Pittsburgh-area stores, it appears to have increased productivity (sales) per hour of its hourly workforce by 20% to 25%. Moreover, the company and its owners just received a tax cut as a result of the new federal tax law that likely amounts to tens of millions of dollars.

A low-road path has long-term risks for Giant Eagle. While it appears highly profitable currently, the company's current trajectory brings long-term risks.

- The company's market share in the Pittsburgh region has fallen from its peak of 43%.
- Walmart/Sam's Club has nearly a quarter of the regional market.
- Three companies that offer low cost and/or good service have increased market share by six percentage points since 2010 (Aldi, Trader Joe's and Whole Foods).
- And Amazon recently bought Whole Foods.

Customer and worker ratings of the company also spell trouble.

- Public ratings of Giant Eagle customer service rank it near the bottom of the industry, as indicated by the company's appearance on lists such as "The 15 worst supermarkets in America" and "10 Retailers with the Worst Customer Service."
- On-line ratings by employees rate the company near the bottom among grocery chains as a place to work, closer to Walmart than to Costco and Trader Joe's.

In addition, the company's few remaining middle-wage workers – with decades of experience and institutional memory, and deep commitment to the company – will soon retire.

Long-term employees remember that "...back in the day, Giant Eagle service and products were far beyond anyone else's" but now "...it's as if they are trying to ruin their own business..." Says another worker, great customer service is "completely gone."

A shift back to the high road. While many U.S. retail food chains have embraced a low-wage model, the well-documented examples of Costco and Trader Joe's – and Target's announcement last year that it will lift pay for all workers to at least \$15 per hour – demonstrate the viability of a higher-wage model.

Today, Giant Eagle as the market leader retains the ability to shape the future of the Pittsburgh regional grocery industry through the strategic choices it makes. It can pay better wages and flourish by doing so in a smart way that also improves customer service.

Giant Eagle has the potential to be a model of 21st century corporate responsibility for its home region and an architect with its employees of a "Just Pittsburgh" and a "Just Western Pennsylvania."²

It isn't a Walmart, with far-flung owners with no ties to the community. Giant Eagle is rooted in Western Pennsylvania and has done positive things for the region. The company's deep Pittsburgh roots gives it even more reason, and responsibility, for helping the region build shared prosperity.

Giant Eagle workers and their union have made clear to the company for the past four years that they want to partner on a relationship that works for the company as well as for workers and their families. In a country and a home town that believes in second chances, we believe customers would shop more at Giant Eagle if they saw the company seeking to restore its reputation with customers, workers, and the community.

To start Giant Eagle's shift to the high road, we urge the company to use some of its \$9.3 billion in revenues to restore its lowest and entry-level pay to wages approaching those of 40 years ago – \$15 per hour – and to pledge to honor its workers' basic freedom to organize and bargain collectively.

We estimate that lifting wages statewide in the Pennsylvania grocery industry to \$15 per hour would raise wages for about 100,000 workers and put \$861 million in the pockets of working families.

In Allegheny County – where Giant Eagle most clearly has the market power to make this an industry wide standard – a \$15 per hour minimum wage would benefit 7,412 workers and lift wages for hard-working grocery workers by \$103 million. These increases would amount to only 3.5% of grocery sales (less than that at Giant Eagle) – even before considering productivity impacts – one quarter of the impact of a \$15 per hour minimum wage in fast food.

An investment in the dignity of Giant Eagle's workforce would signal to communities in Pittsburgh and beyond that the company really stands behind its mission statement that "Together, we improve people's everyday lives and well-being."³

The Food Industry

Too Big to Remain Low-Wage

The Pennsylvania food system has become increasingly globalized, with much of our food coming from farms and plantations around the world. Even so, 782,000 people work in the food industry within Pennsylvania, on farms, and in processing plants, grocery and other food stores, full-service and fast food restaurants.⁴ This is more than one out of every eight Pennsylvania workers – nearly 40% more people than in the manufacturing sector, over 60% more than in education (“eds”), and 83% as many as the health and social services (“meds”) sector.

Most jobs in the food industry are in retail supermarkets, convenience stores and in eating and drinking places. These segments must locate near their customers and thus are tied to the Pittsburgh region. Unfortunately, many companies in these segments rely on low wages and worker exploitation as a central part of their business model. Given the size of the food sector, that reality poses a major obstacle to broadening Southwestern Pennsylvania’s new prosperity. This report focuses on how the region might overcome this obstacle in the second largest part of the food sector – food stores, in which more than a quarter million Pennsylvanians work.

A transformation of the food store industry in Southwestern Pennsylvania must begin with the region’s largest corporate player, Giant Eagle. Decades ago, Giant Eagle provided a model of corporate responsibility to workers and the community. It provided family supporting jobs with good health care and retirement benefits and delivered good customer service by capitalizing on experienced, skilled and committed employees. For the sake of, and in partnership with, its Western Pennsylvania stakeholders, the company needs to begin navigating back to an updated version of this “high road” partnership in 2018.

A Mature But Dynamic Sector

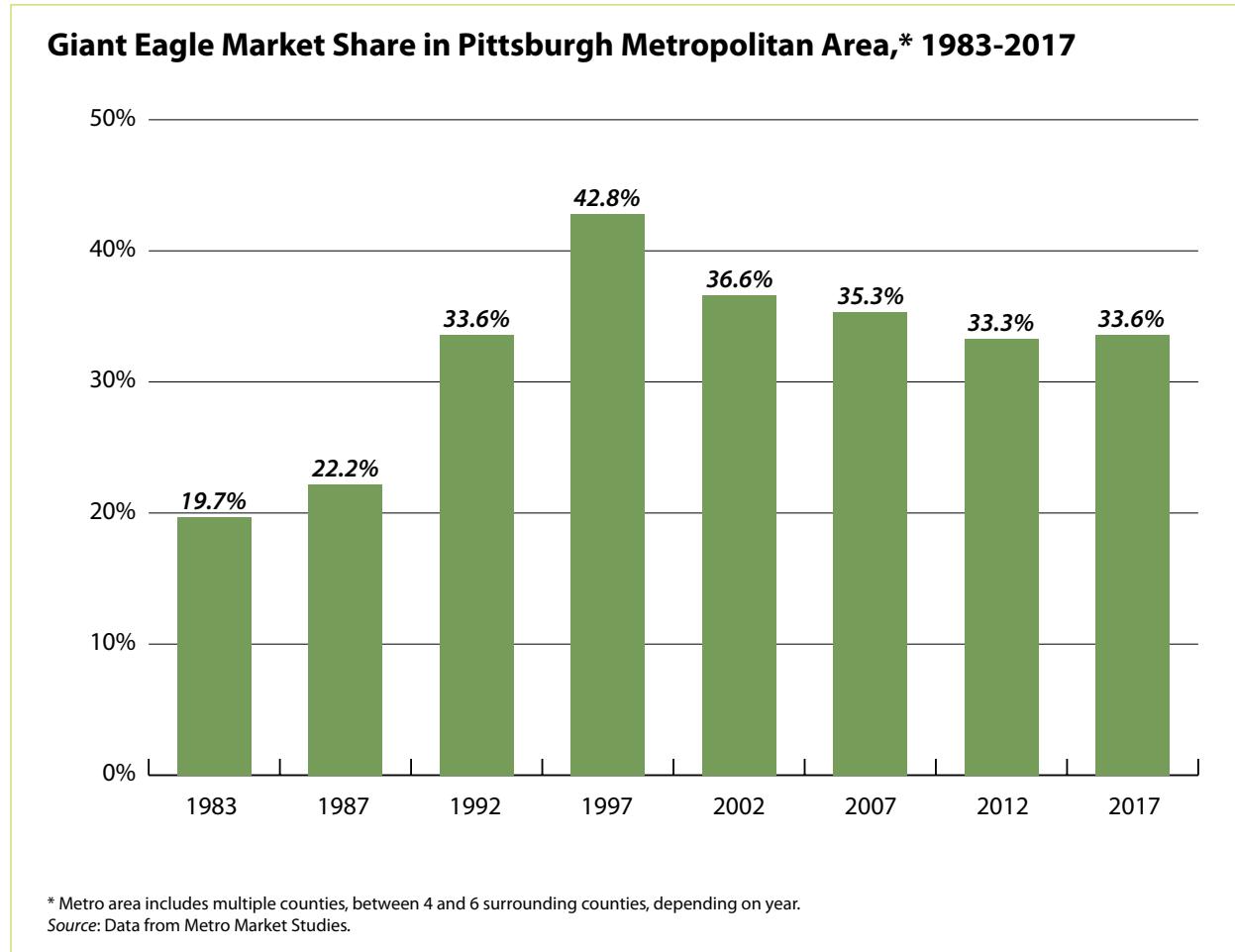
The food retail industry - the selling of food by retailers like supermarkets, convenience stores, mass merchandisers and drug stores - has changed significantly over time. In the early 20th Century, people shopped at multiple, often small, specialized stores to buy food. Grocers sold “dry groceries,” butchers sold meat and green grocers sold produce. Grocery store chains grew exponentially in the 1920s and, by the 1930s and 1940s, began experimenting with small meat and produce sections. This signaled the transition towards the supermarket, largely complete by the 1950s and 1960s. The 1970s and 1980s saw the growth of discount and warehouse stores, setting the stage for grocery store segmentation in the 1990s, and the proliferation of stores that catered either to lower-income shoppers using a warehouse model or to more upscale shoppers.⁵

The 1990s (well after the biggest wage declines in Southwestern Pennsylvania) also saw the entry into Pennsylvania of the discount general merchandise chain Walmart.⁶ In the past quarter century, other general merchandise chains (e.g., K-Mart and Target⁷) and drug stores (Walgreens and CVS) have also increasingly sold groceries to bring people into their stores on a more regular basis. This has eaten away at the market share of grocery chains, contributing to a wave of mergers and acquisitions that have increased concentration in the industry.⁸ Nationally, Walmart now has nearly a quarter of

grocery sales, Costco 6% and the five leading discount chains 39%.⁹ The leading supermarket chains in the United States are Kroger's, Ahold,¹⁰ and Publix, with 12.6%, 7.1%, and 4.9% percent of the market, respectively, or a combined market share equal to Walmart's one quarter.

In Pittsburgh, Kroger closed its stores in the 1980s, and neither Ahold nor Publix has a presence here. Thus, Giant Eagle's market share rose dramatically in the 1980s and 1990s (Figure 1).

Figure 1.



Even today, Giant Eagle retains over a third of the regional market (37.3% including GetGo), Walmart has nearly a quarter, and Costco just over 5% (Table 1). Other significant recent competitive dynamics in the industry include the more-than-doubling of Aldi's market share from 2010 to 2016 (to 5.5%), the expansion of Trader Joe's (from almost nothing to 1.8% of the market), the more-than-doubling of Whole Foods' market share in Pittsburgh (from 0.6% to 1.4% of the market), and the loss of market share by smaller regional chains (e.g., Supervalu).¹¹

Table 1.**Pittsburgh, PA Grocery Market Share**

Company	2010	2013	2016	%Δ'10-'16
Giant Eagle	37.7	34.7	35.4	-6.0%
Walmart/Sam's	21.6	22.7	23.5	8.7%
Other ¹	9.1	6.8	6.7	-26.7%
Aldi Foods	2.4	3.5	5.5	128.8%
Costco (Dis)	5.2	5.6	5.3	1.2%
Other (New Players after 2010) ²		3.8	4.0	
Supervalu (whl)	6	5.0	3.7	-39.0%
Kuhn's Markets	3.3	2.6	2.0	-38.5%
Ross/Shop'n Save	1.5	1.4	2.0	31.3%
Get Go (c)	1.2	1.4	1.9	55.8%
Duritz Shop'n Save	1.8	1.6	1.8	0.0%
Trader Joe's	0.3	1.0	1.8	486.7%
Jamieson Supermarkets	1.8	1.9	1.7	-5.6%
Target Super Center		0.4	1.6	
Save-A-Lot	2.3	1.8	1.5	-33.0%
Whole Foods	0.6	1.4	1.4	135.0%
Other (companies no longer in the region by 2016) ³	5.3	1.1		-100.0%
Food Lion		2.9		

¹ Includes: Mihelic/Shop'n Save, Nossokoff/Shop'n Save, GFS Marketplace, Giant/Martin's, Sabora Shop'n Save, Friedman's Freshmarkets, Brodak's Shop'n Save, Jobar Inc., Sprankle's Supermarket, Associated Wholesalers (co-op), Pechin Super Foods

² Charley Bros./Shop'n Save, Penn Hill Shop'n Save, Seven-Eleven, Spagnola/Shop'n Save, The Fresh Market, Comet Supermarkets, Kmart SuperCenter

³ Includes: CG&P's Shop'n Save, Genuradi's (Safeway), Handee/7-Eleven, Hartley Shop 'N Save, Jefferson Shop N'Save, Kmart SuperCenter, Prima Seven-Eleven, Skatell/Shop 'N Save, Spagnola/Shop 'N Save

Source: Metro Market Studies, 2010, 2013 and 2016

The shifts above underscore that the grocery industry, while “mature,” remains highly dynamic. Anticipated trends over the next decade include increasing online purchases, increasing demand for “organic” and local produce, increasing use of automation in check out and inventory management, the expansion of prepared foods as the line between grocery stores and take-out restaurants blur, and the expansion of home delivery.

In sum, Giant Eagle and its workers confront a highly competitive industry in which the quality of the labor-management relationship could well prove decisive to their ability to successfully navigate choppy seas ahead.

Giant Eagle Jobs: From Middle-Class to Poverty Wage

The National Context

Following the lead of manufacturing workers, grocery store workers joined unions in droves in the 1930s and 1940s, lifting their jobs into America's prosperous post-World War II middle class. Long-time Giant Eagle workers attest that grocery jobs were hard to get and much sought after in the 1970s.

All that changed in the 1980s because of economic and political dynamics that began in the U.S. auto industry. From 1979 to 1982, in the context of Chrysler's near-bankruptcy and then the early 1980s recession and a flood of Japanese auto imports, the U.S. Big Three auto companies and the United Auto Workers agreed to end a three-decade practice of workers receiving roughly 3% increases in inflation-adjusted hourly wages.¹² In 1981, President Reagan also fired striking air traffic controllers, leading to the decertification of the controllers' union, an act seen then and now as signaling to employers that it was open season on workers and their unions.¹³

In this context, while the grocery industry faced no foreign competition, grocery chains took the opportunity to reset their collective bargaining relationships and to slash wages deeply, including in Pennsylvania and Maryland.¹⁴ Some retailers imposed "two-tier" pay scales which paid new workers a fraction of more senior workers' wages and benefits.¹⁵ Companies also relied increasingly on part-time workers. According to Carre, Tilly and Holgate, part time work "operate(d) as 'shock absorbers' in the [retail] industry" giving companies flexibility to increase (or lower) hours without having to pay overtime.

Today, most grocery store jobs pay low wages. The middle-class, family-sustaining jobs for high-skilled meat cutters, cashiers and stock clerks, have become poverty-level positions. The next sub-sections document how Giant Eagle achieved this shift.

Giant Eagle Pre-1980: A Tradition of Company-Worker Harmony

Giant Eagle was founded in 1931 by five local families – the Chait, Goldstein, Moravitz, Porter and Weizbaum families. In 1936, the partners opened their first real "supermarket" at Brownsville Road in the South Hills, shifting from their previous 750-square foot store to a 5,000-square foot store. As time went on, the size of the stores kept growing. By the 1950s the average Giant Eagle store was 15,000 square feet and today the largest stores are as big as 120,000 square feet. In 1968 Saul Shapira became CEO and President of Giant Eagle, taking over from Joe Goldstein. Prior to Saul Shapira's death in 1981, his son, David Shapira took over the business. In 2011, the company named David Shapira's daughter, Laura Shapira Karet, as CEO.¹⁶

Prior to the 1980s, Giant Eagle had a good relationship with its workers and their union. Interviews with Giant Eagle workers hired in the late 1960s and 1970s recall Saul Shapira as a friendly and engaged owner who frequented the stores and knew his employees by name. One Giant Eagle employee who worked there since 1976 recalls Saul telling workers to go to the deli if they were hungry and get themselves a sandwich. "They were concerned about the workers." Other workers

recall Saul as very personable, a hands-on owner. Workers had respect for Saul and the union had a good relationship with him. When Giant Eagle opened new stores, it did not try to block workers choosing to form a union. But as the leadership turned over in the 1980s, coinciding with the national attack on workers, long-term employees report a noticeable change in Giant Eagle's stance towards them.¹⁷

Giant Eagle Post-1980: Corporate Restructuring Sets the Stage for Lowering Wages

Giant Eagle set the stage for roughly halving its new workers' wages through a series of corporate organizational changes in the early 1980s. In 1981, Giant Eagle bought the Tamarkin Company and its subsidiary Tamco, a retail and wholesale grocer in Youngstown, Ohio, which owned a warehouse and 36 independently operated ValuKing grocery stores in Ohio.¹⁸ Giant Eagle moved Tamarkin's headquarters to the Pittsburgh region and changed the name to the OK Grocery Company.

According to Stanley Moravitz, Vice President and Treasurer of Giant Eagle at the time, Giant Eagle purchased Tamarkin so that it could continue operating in the event of a strike: "The purpose of buying [Tamarkin] was because we were totally unionized. When we had a strike, we had to completely shut our company down - like you disappeared from the marketplace. By buying a wholesaler, we could franchise stores. We could have wholesale customers. And during a strike, we would keep the company alive and have activity. And from them, we learned the wholesale business."¹⁹

The company also began to operate some stores as non-union franchise stores. It opened the first one in Monaca, Pennsylvania, in 1981, about 25 miles north and slightly west of Pittsburgh. Workers at each franchise store had to organize themselves into a union one store at a time. Even when franchised stores did organize, they had to negotiate a separate store-specific agreement; they did not become part of the multi-store corporate union contracts.

Jack Draper, President of UFCW Local 23 in 1983, said that Giant Eagle wasn't a runaway company like many manufacturers in the Pittsburgh region that closed facilities and moved to non-union states. Rather, by opening franchise stores, "Giant Eagle is running in place...They want to stay in Pittsburgh and not pay union rates."²⁰

In an era in which other companies moved away from vertical integration, Giant Eagle's purchase of Tamarkin signaled an opposite shift.²¹ The company also bought Butler Refrigerated Meat (a cold storage meat warehouse), American Seaway Foods (grocery and perishable warehouse), HBC Service Company (a General Merchandise warehouse and wholesaler), Talon Logistics (trucking), the Aetos Construction Company (now the construction division of Giant Eagle), and Maryland Convenience Company.²² Today, Echo Real Estate and Phoenix Intangibles are also important parts of the Giant Eagle family of companies. Through Echo Real Estate, the Shapira family serves as landlord to many Giant Eagle stores. In addition, Echo has built several Walmart Super Centers.²³ Phoenix Intangibles is a Delaware Holding Company that holds the copyrights on Giant Eagle's intellectual property and brands. Phoenix allows Giant Eagle to use the Delaware loophole to lower its corporate income tax payments in Pennsylvania.

Many of the company's acquisitions have served the company well, in part because its market share grew substantially in the second half of the 1980s and the 1990s.²⁴

Since the 1980s, Giant Eagle has used acquisitions and expansion to grow its geographical footprint and number of stores. In 1997, Giant Eagle bought Ohio-based Riser Foods for \$403 million in cash, nearly doubling the size of the company. Between 2003 and 2010, Giant Eagle bought the Big Bear stores in the Columbus market, Tops stores in Cleveland, a beverage manufacturing company in Latrobe, and PennTraffic stores in northwestern Pennsylvania. In 2006, Giant Eagle opened its first Market District stores, which sell luxury and international food items as well as typical grocery products. Giant Eagle Express stores opened in 2007 aimed at providing quick prepared foods. The company also owns 167 Fuel Centers and convenience stores called GetGo.²⁵

As of 2014, Giant Eagle had 232 Giant Eagle supermarkets located in five states, most of which operate under the Giant Eagle banner. Of those 232 stores, 63% (147 stores) are covered by a collective bargaining agreement, most of them with workers represented by the UFCW.²⁶ All but four of the stores are in Ohio (with 123 stores) and Pennsylvania (105 stores). Giant Eagle corporate owns 180 stores and the rest (52) are franchised and independently owned (down from 90 franchised stores in 2002).

Most of the expansion in company-owned stores has been in Ohio, including in the Columbus area, which had five non-union stores in 2002 and 25 in 2010. Non-union corporate stores have also expanded in Pennsylvania since 2010, from four to 17 in 2014.²⁷

The Giant Eagle Shift to Low-Wage Jobs

In the context of national attacks on workers, with Pittsburgh facing depression-era unemployment rates of 18.2% (and 28% in Beaver County), and with flexibility enhanced by corporate acquisitions, Giant Eagle in the early 1980s cut wages for entry-level workers roughly in half from their peak levels.²⁸ Giant Eagle eliminated four holidays and froze pay for those at the top rate for their jobs.²⁹ The company also cut Sunday overtime pay from double time to time-and-a-half. In the months leading up to 1983 contract negotiations, Giant Eagle made clear its intention to ask for "major concessions" from its employees.³⁰

In February of that year, three Giant Eagle unions (the Amalgamated Meat Handlers Local 424, Food Employees Local 590 and the Retail Clerks Local 1407) merged to form UFCW Local 23. Local 23 has ever-since bargained two separate corporate contracts, one for the meat and deli departments and the second for the other departments ("grocery").³¹ (Effective May 2, 2018, Local 23 will merge with UFCW Local 1776, based in eastern Pennsylvania.³²)

In 1983, Giant Eagle's then-director of labor relations, Ray Huber, said "We changed our mindset and took a tougher position. We had serious negotiations, intended to make Giant Eagle healthier." According to press documents leading up to contract negotiations, Giant Eagle "said it will either sell or franchise its 44 company-owned markets if it doesn't get [the] wage and benefit reductions [it seeks]." The company was asking for "a wage reduction of \$3.50 an hour for full time workers,

a 50% cut in company health benefits, cuts in holiday and night premiums and several work-rule changes.”³³

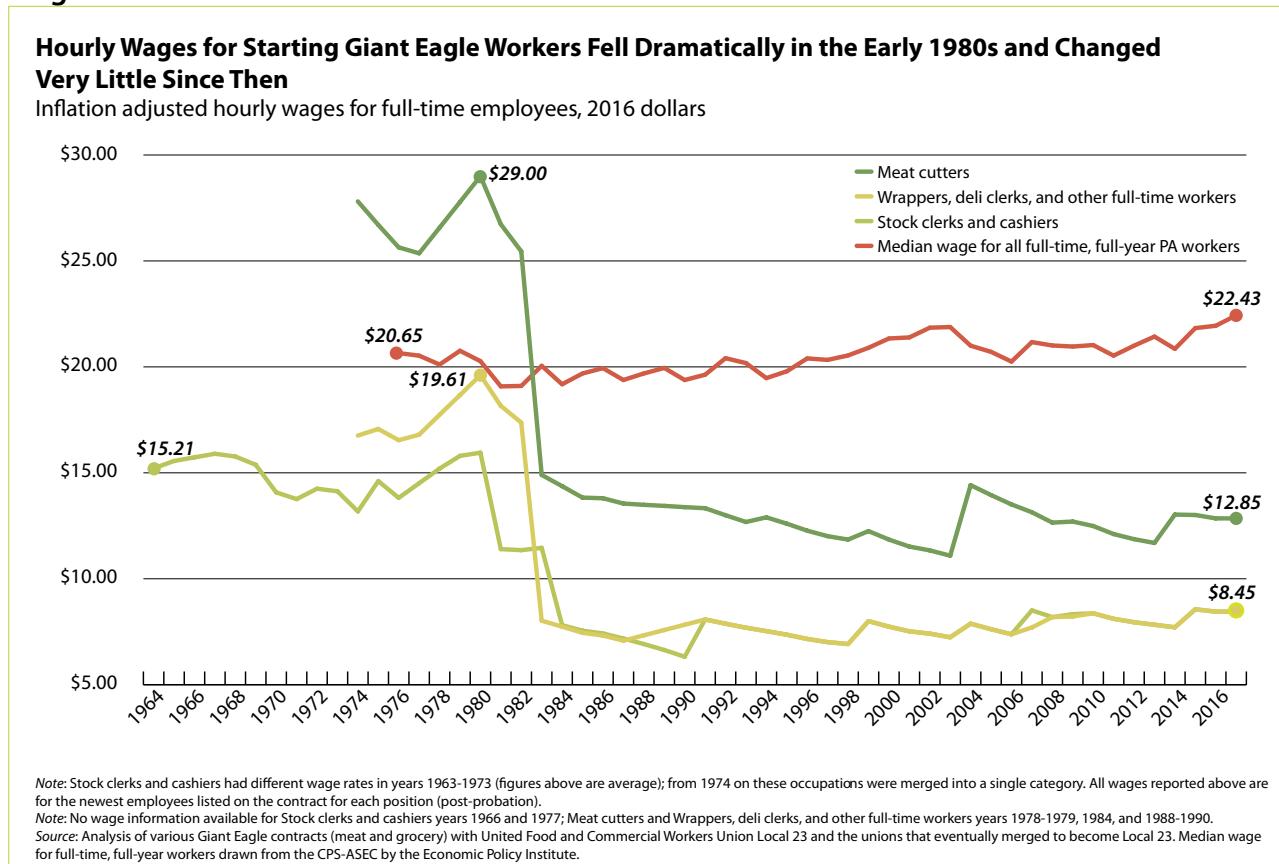
On October 16, 1983, Giant Eagle workers went on strike because the company was trying to cut wages by 30%. Some 650 meat and deli workers (covered by the grocery contract, set to expire in December of 1983) went on strike and the picket lines included an additional 3,000 employees. The strike resulted in Giant Eagle closing its 44 stores in the region for 19 days. David Shapira called the strike “bitter,” adding “...we were telling our employees they had to take these gigantic cuts in wages. I hated this. I’m not in the business to take money away from our employees. I want to pay our employees. But I felt there was no alternative. So, our stores were closed down for a month.”³⁴

According to Giant Eagle workers interviewed, workers eventually agreed to 20% wage cuts in part because CEO David Shapira promised workers they would get their wage levels restored in future years. The company told workers “We need your help to get back on our feet.”³⁵ Nominal wages for starting workers, post-probation, decreased from \$4.50 per hour to \$3.55 per hour, a 21% decline.³⁶ The strike ended, and workers went back to work. To this day, over 30 years later, Giant Eagle has not restored workers’ (inflation-adjusted) pay levels.

The 1983 wage reductions combined with the impact of high inflation in the late 1970s and early 1980s resulted in even more dramatic real wage cuts for Giant Eagle workers, resetting wages for new workers at low levels for the last three decades. Figure 2 shows that Giant Eagle lowered inflation-adjusted wages for new workers in three of its most populated occupations by 50% to 60% (in 2016 dollars) between their 1979 peak and the mid-1980s. Giant Eagle has since lowered wages for new meat cutters a further 10%, while wages for the other two occupations have crept up slowly above 1983 level but remain today just \$1.20 above the minimum wage of \$7.25 per hour.

The red line in Figure 2 shows the median wage for all Pennsylvania workers, which has hovered at around \$20-\$21 per hour since 1980. In the 1980s, Giant Eagle’s starting wages in the three occupations were distributed around the Pennsylvania median wage, with one well above that level, one right around, and one somewhat below. By 2017, Giant Eagle starting wages were 43% and 62% below the Pennsylvania median wage.

Figure 2.



After it reset wages in 1983, Giant Eagle rolled out a new Absolute Minimum Pricing program and ran advertisements explaining that “...workers had given up wages, so Giant Eagle wanted to give that back to the customers...”³⁷

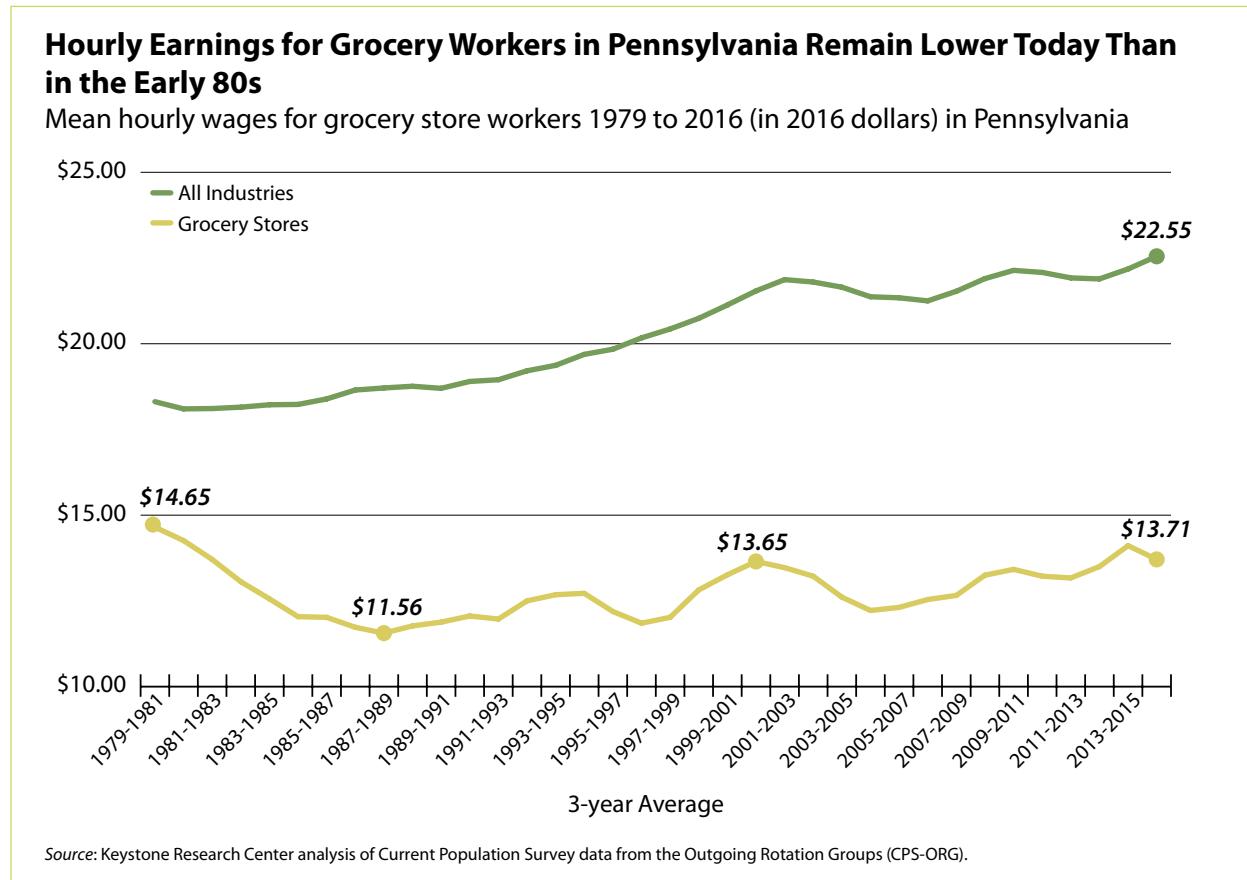
A few months later, in a boon for Giant Eagle, Kroger decided to leave the region. In early 1984, Kroger employees in the region went on strike for six weeks, refusing to accept wage cuts the company – seeking to follow Giant Eagle’s example – said it needed to survive. The company decided in February of 1984 that rather than negotiate, it would close every one of its 45 Pittsburgh region stores, putting 2,854 workers out of work.³⁸ Shortly after its decision to leave Pittsburgh, Kroger used this win to force a wage freeze from 4,500 employees in Cincinnati and reductions of \$1 per hour from workers in Houston and Little Rock.³⁹

Two other grocery store chains with significant market share in the region, A&P and Thorofare, also left the region in the 1980s.⁴⁰ After Kroger left, Giant Eagle “gained more... than Kroger’s entire market share.”⁴¹

Giant Eagle also grew outside the Pittsburgh region in the 1980s. In most cases, new supermarkets outside the region were corporate stores not franchisees. Since Giant Eagle did not then actively resist union organizing in its corporate stores, stores in Erie, for example, typically became UFCW-represented.

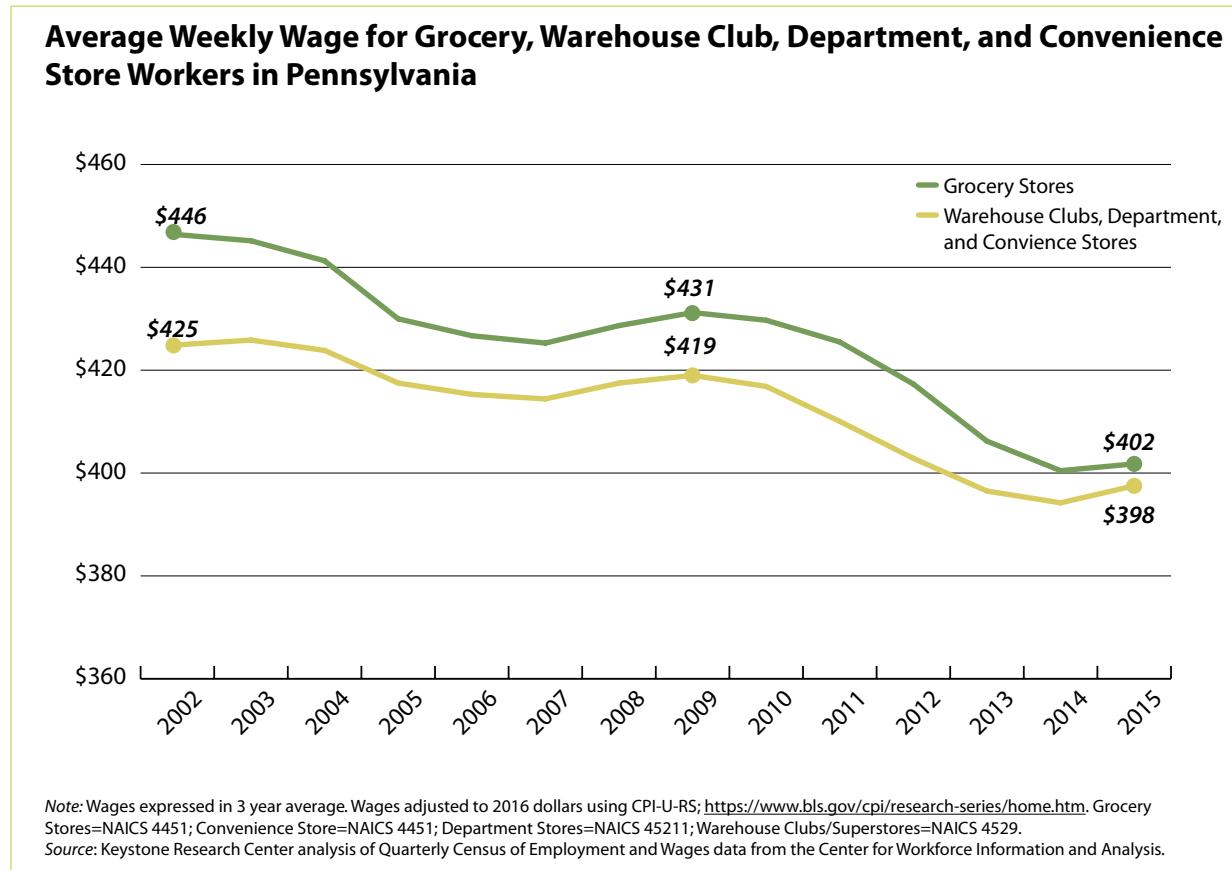
Grocery workers throughout Pennsylvania experienced a plunge in average hourly earnings in the 1980s of 21% (Figure 3), but not one as large as that experienced by new hires at Giant Eagle. Average wages for all Pennsylvania grocery workers recovered some in the late 1990s but remain today 6% below their early 1980s peak.

Figure 3.



Another data source, available only since 2002, shows a 10% decline in Pennsylvania grocery store weekly wages since 2002 (Figure 4). Warehouse clubs, department and convenience stores have also seen wages fall since 2002, from a lower starting point. The gap in wages between these related, once-lower-wage, industries and grocery stores has virtually disappeared.

Figure 4.



Giant Eagle workers covered under the corporate union contracts have access to good health benefits, including dental and vision care. Full-time workers are eligible for family coverage on the first of the month at least 60 days from the date of hire; part-time workers get access to individual coverage generally after 12 months of work. The company pays the full monthly premium. Workers have access to these health benefits as long as they are not part-time employees who are students or work for another employer (restricting hours available to work at Giant Eagle). Over 3,400 unionized workers currently receive this health insurance, about 72% of the total covered by the corporate contracts. This is more than twice the share of hourly workers industrywide that receive health insurance from their grocery or retail employer.⁴² Most members of the union at Giant Eagle also enjoy access to low-cost legal services that can be used in family, civil, or criminal cases, or for tax preparation.

Giant Eagle Wages and Staffing 2014-17: a “Worse Jobs Strategy”

Today, Giant Eagle wage levels are similar to the Pennsylvania-wide average wage for hourly grocery store workers. In 2016, the average wage for all Giant Eagle workers covered by the UFCW local 23 corporate contracts equaled \$12.32 per hour, compared to \$12.82 for all Pennsylvania hourly grocery store workers.⁴³ Giant Eagle’s heavy reliance on part-time workers (65% of staff at the end of 2014 and 62% in October 2017) lowers its overall average wage relative to the state-wide Pennsylvania grocery industry.⁴⁴

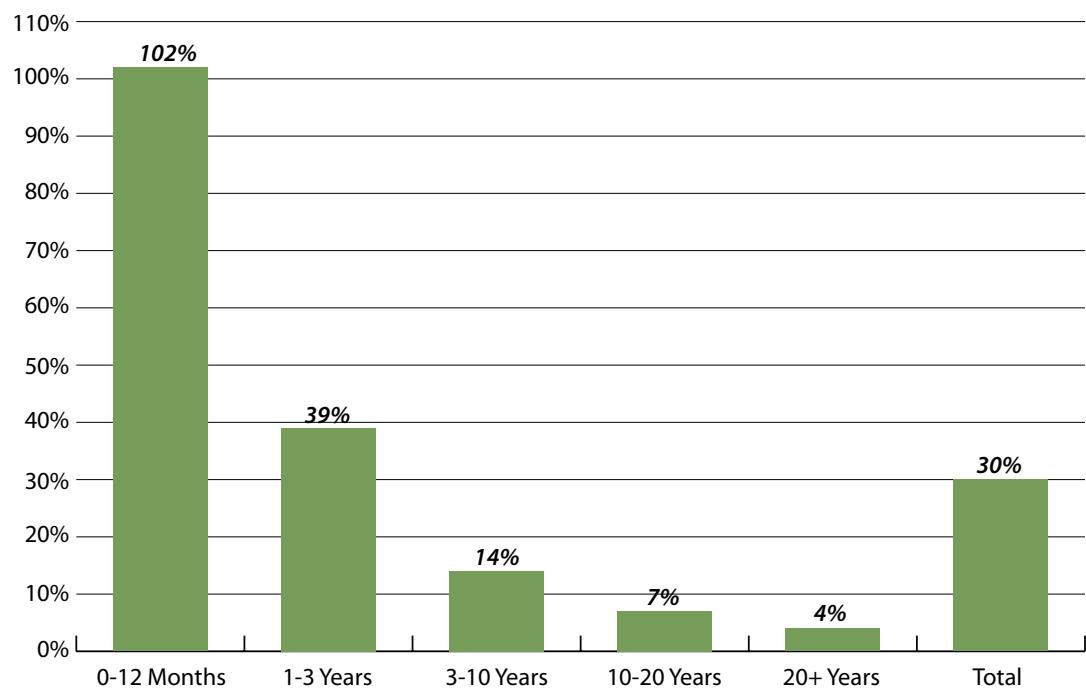
Giant Eagle's low wages go along with high turnover rates, especially among lower-paid (and usually part-time), less senior workers (Figure 5).

"This used to be a career 40 years ago. I came in during the [company's] massive growth spurt. You had to know someone to get a job. It was a career... people raised families with these jobs. Now it's a minimum wage job even though it's the same job it was back then."
– Long-time Giant Eagle employee

Despite the company's low wages, its workforce does not consist disproportionately of teenagers. Table 2 shows that Giant Eagle workers covered by the Local 23 corporate contracts roughly reflect the demographics of Southwestern Pennsylvania.

Figure 5.

Hourly Workers' Turnover Rates at Giant Eagle Vary Widely Based on Workers' Tenure



Source: Keystone Research Center based on analysis of United Food and Commercial Workers Local 23 data on workers covered by the corporate contracts in 2014.

Table 2.

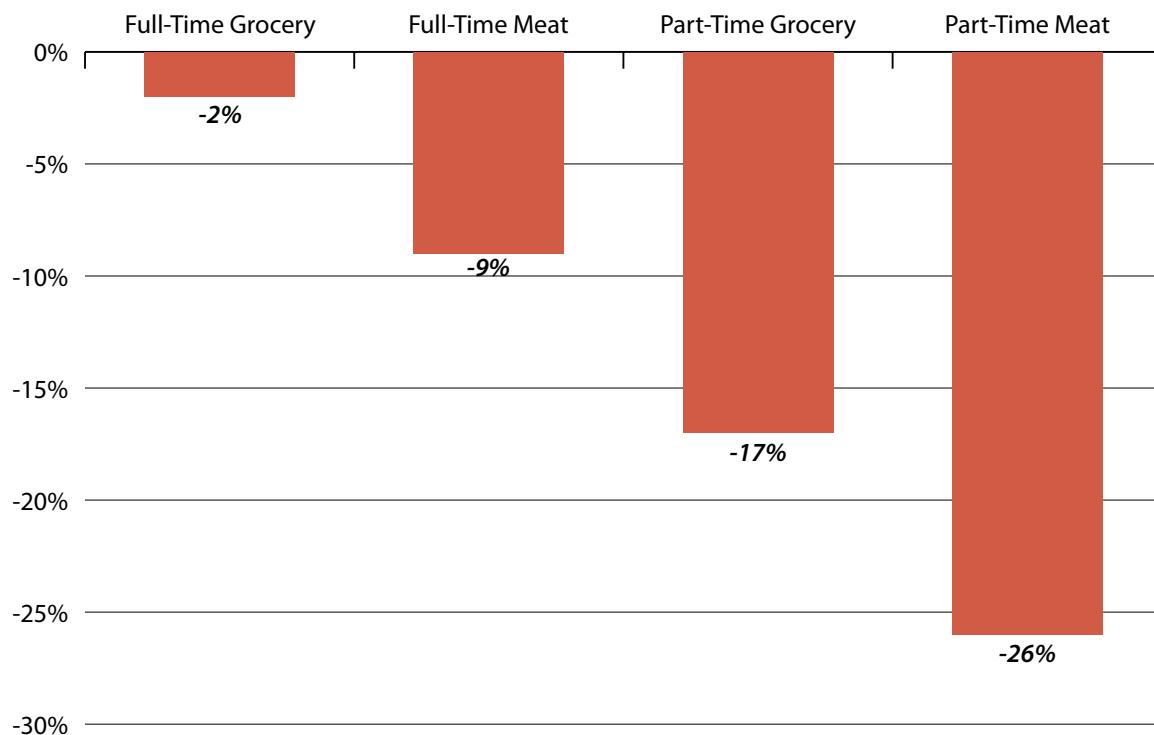
Demographics of Giant Eagle Employees	
Age	
24 or under	22%
25-39	23%
40-54	22%
55-64	24%
65+	9%
Gender	
Female	55%
Male	45%
Race	
White	86%
Black	9%
Other	5%
<i>Note.</i> Data summarized here includes all Giant Eagle employees who are members of UFCW Local 23 in Pennsylvania	
<i>Source:</i> Keystone Research Center analysis of UFCW Local 23 Membership data	

The most pronounced change at Giant Eagle for workers covered by the Local 23 corporate contracts in recent years has been a sharp reduction in staffing levels, despite the company's growing market share and an expanding economy. Total hourly staffing hours have fallen an estimated 12.5% since the end of 2014.⁴⁵

Staffing has decreased as well – a total of 14% between 2014 and today. These reductions in staff have been concentrated among part-time workers, the ranks of which fell from 3,564 to 2,906 – a drop of 658 people, or an 18% reduction (Figure 6). Full-time staff fell by 5%, from 1,907 to 1,810.

Figure 6

**Staffing Reductions, Giant Eagle Hourly Workers Under Corporate Contracts,
Dec. 2014 to Oct. 2017**



Source: Keystone Research Center based on United Food and Commercial Workers Local 23 membership data.

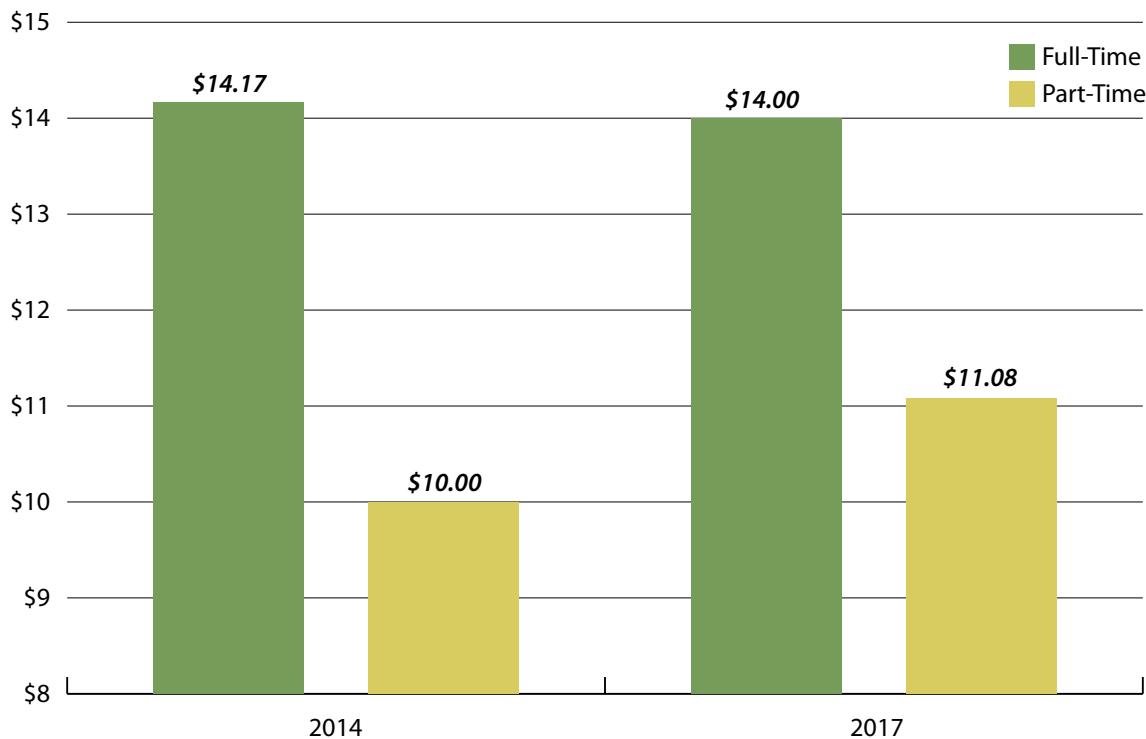
Giant Eagle could reduce staffing in part because it bargained in 2014 a managerial right to “wall-to-wall coverage” from workers – the right to reassign workers in one department to other departments when needed. The new contract language said: “The Company can assign any trained and qualified employee, regardless of bargaining unit, to perform any work to support the legitimate needs of the business.”⁴⁶

As discussed below, one reason workers and their union agreed to this change is that such flexibility is a mark of the “Good Jobs Strategy” in food retail. Companies that pay better and have low shares of part-time workers achieve this in part by reassigning full-time workers as needed from cash registers to stocking shelves or other jobs. In successful “Good Jobs Strategy” companies such as Trader Joe’s, flexibility in assignment is accompanied by adequate staffing levels, allowing employees to take time to answer customer questions or walk customers over to where they can find a product.

At Giant Eagle stores covered by the corporate union contracts which expanded managers’ freedom to reassign workers in 2014, a smaller share of part-time workers who quit are now replaced. The number of full-time workers has also fallen through attrition but by a smaller percentage. The median wage of part-time workers has increased because of the reduction in the new, lowest-paid part timers (Figure 7).

Figure 7.

Giant Eagle Median Wage, Full-Time and Part-Time Workers Covered by Local 23 Corporate Contract, 2014 and 2017 (2016 dollars)



Note: Data for 2014 from 12/31/14; data for 2017 from 10/1/17. Inflation adjusted using the CPI-U-RS for 2016 and December 2014; inflation from 12/16 to 10/17 estimated using the CPI.

Source: Keystone Research Center based on Giant Eagle data provided to United Food and Commercial Workers Local 23.

Taking into consideration the increase in grocery sales since 2014, Giant Eagle's increase in market share, and the reduction in staffing levels, the company appears to have achieved a 20% to 25% increase in the productivity of its hourly workers since 2014.⁴⁷

Workers interviewed have experienced “wall-to-wall coverage” and staffing changes since 2014 as an increase in their work load. One worker said: “Workers hate wall-to-wall coverage. We are all short staffed and are trying to get our work done within our own departments – then you get pulled out to another department. You really need to be there every minute to get your own work done.”⁴⁸ A worker at another store described how her catering department has decreased from nine workers to three-and-a-half over the last year. “But we have roughly the same amount of work, we just have to try to do it ourselves. With 25 online orders and 40 phone calls we have a hard time getting to it with such few staff. We spend a lot of time running through the store.”⁴⁹

Some workers say that hours have also been cut for some remaining part timers. “The hours keep getting cut. Full-timers are guaranteed 40 hours per week, but the part time workers are seeing their hours cut. Part-time workers who once had 30 hours are now getting cut back to 16 hours per week [the guaranteed minimum for many workers]. A lot of these folks are single moms – they struggle with so few hours.” Some other workers report that so many meat department part timers have quit

without being replaced that some remaining part-timers are being asked to work 40 hours per week with the possibility of overtime. (Under the union contract, if part-time workers work full-time for an extended period, the company must create a new full-time position; this process could also help explain the larger cuts in part-time vs. full-time positions shown in Figure 5.)

Acknowledging the company's good health care benefits, another worker said "The health care is really great, but health care doesn't pay our rent. When you take into consideration the low pay, many part-time workers have taken it upon themselves to quit and find a job that pays \$15 an hour, or at least guarantees more hours of work a week."⁵⁰

"The hours keep getting cut. Full-timers are guaranteed 40 hours a week, but the part time workers are seeing their hours cut. Part-time workers who once had 30 hours are now getting cut back to 16 hours per week. A lot of these folks are single moms – they struggle with so few hours."

– Giant Eagle worker

While employees covered under the corporate union contract have guaranteed hours, hourly workers in non-union stores do not. Union organizers report that the most severe cuts in part-time hours have occurred in non-union stores.

Workers said that understaffing impacts management as well. "The manager of my department is doing the job of several people. She goes above and beyond to try to get done what several people should be doing. And she is having stress-related health issues. We worry about her."⁵¹

The Human and Community Cost of Low Pay

Giant Eagle Workers Rely on Government Assistance to Make Ends Meet

Workers are not the only ones who pay a price for Giant Eagles' low wages. Taxpayers also pay because many Giant Eagle workers qualify for and rely on public assistance to make ends meet.

According to the Pennsylvania Department of Human Services, in September 2017:

- 3,605 Giant Eagle workers in Pennsylvania were receiving Medicaid and/or SNAP benefits (Table 3);
- Among grocery store or discount store chains that sell groceries, Giant Eagle had the third-most employees receiving support from one or both these two public assistance programs.
- We estimate that over one in five (22.5%) of Giant Eagle's Pennsylvania workforce receives assistance from one or both these programs, and a larger share of the hourly represented workforce.⁵²

Table 3.

PA Grocery Store Workers on Medicaid, SNAP or Both, September 2017				
Employer	Medicaid Only	SNAP Only	Medicaid and SNAP	Total
Walmart/Sam's Club	3,589	1,106	4,175	8,870
AHOLD (Giant, Martin's)	2,829	1,413	339	4,581
Giant Eagle ¹	1,703	966	936	3,605
Weis Markets	963	113	900	1,976
Target	881	109	690	1,680
Costco	^	^	^	90

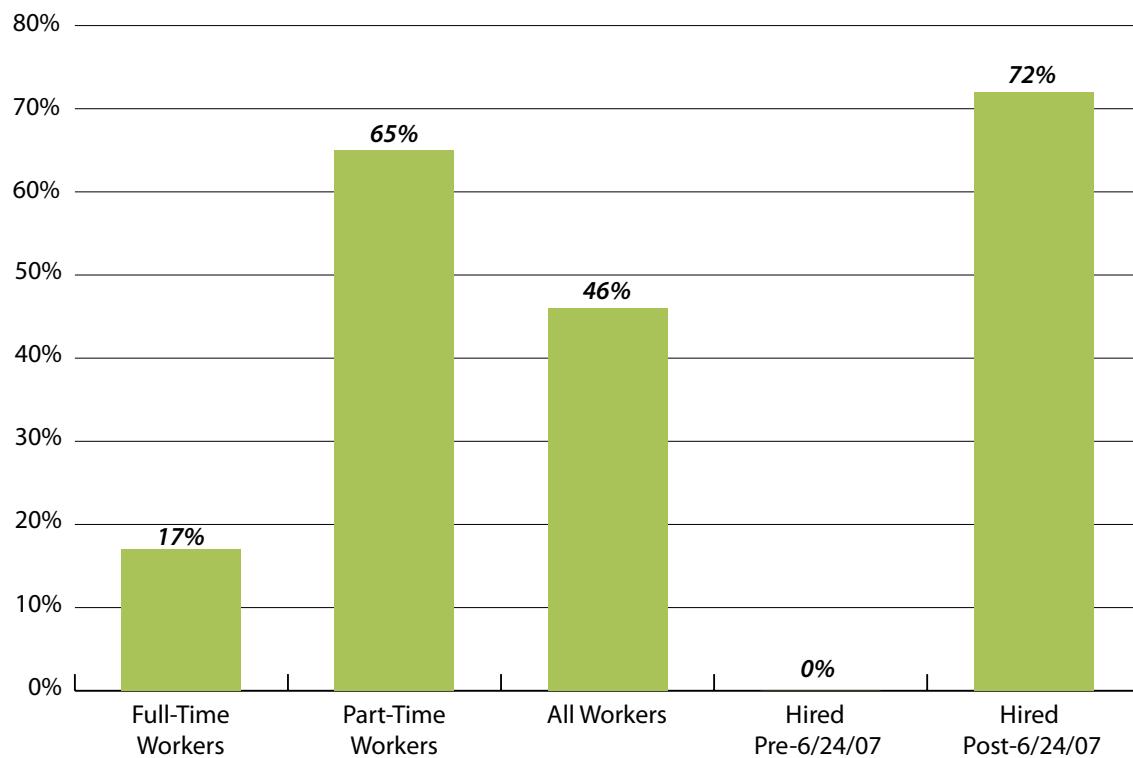
¹ Includes workers at Giant Eagle, Giant Eagle Inc, Giant Eagle Pharmacy, Get Go, and Getgo

Source: Pennsylvania Department of Human Services.

Figure 8 presents the results of an alternative approach to analyzing the share of Giant Eagle workers that earn too little to support a family. The figure shows the share of Giant Eagle workers in October 2017 that earn a "poverty wage," defined as a wage insufficient to reach the poverty level for a family of four even if the person works full-time, full-year. Given that nearly two thirds of Giant Eagle workers, the part-timers, work only 21.5 hours on average (as of December 2014) and even the 38% who work full-time average only 34.3 hours per week, these estimates of the share of workers earning a poverty wage are conservative. Even so, these figures reveal that two-thirds of Giant Eagle's part-time workers and one in six full-time workers earns a poverty wage. Strikingly, no workers with more than 10 years seniority earn a poverty wage; but 72% of workers hired in the last decade earn a poverty wage. To reduce the number and share of workers that can't cover the costs of a basic family budget, Giant Eagle needs to significantly lift wages for lower-tier, less-senior workers.

Figure 8.

Share of Giant Eagle Workers Earning a Poverty Wage, Oct. 2017



Note: We define poverty wage jobs as those paying hourly wages insufficient for a full-time (40 hours per week), year-round (52 weeks) worker to earn an income greater than 100% of the poverty level for a family of four. In 2017 dollars, the threshold for a family of four was \$24,600 (<http://familiesusa.org/product/federal-poverty-guidelines>)

Source: Keystone Research Center based on federal poverty guidelines and United Food and Commercial Workers Local 23 membership data.

Interviews reveal the hardships that come with poverty-wage jobs. Giant Eagle workers at the bottom end of the company pay scale struggle to make ends meet and face hard choices about whether to pay the electric bill or gas bill this month, hoping the unpaid utility doesn't shut off service. One young man could not afford to wash his laundry because his last dollars went for a weekly bus pass needed to get to work. He took a second job at a gas station working overnight. However, this proved unsustainable because he was sacrificing his health with no time for sleep. Another Giant Eagle employee borrows money from her coworkers to afford Giant Eagle's Wednesday \$5 lunch special so that she doesn't finish her shift hungry. A female worker moved into her ex-boyfriend's house with her elderly mother because the two of them couldn't afford a place of their own. Another employee relied on her boyfriend to buy groceries for six months so that she could pay her other bills.

One Giant Eagle employee who had been working less than a year did not yet have health insurance (which, in union stores, typically kicks in after a year for part-timers). Her glasses broke and the arm on one side of her glasses was bent. She felt embarrassed to walk around the store with crooked glasses on her face, eliciting sympathetic efforts from coworkers and customers to fix the glasses. One young woman bought a dress on Friday for a wedding Saturday, knowing she would have to return the dress on Monday. These examples illustrate the indignity that comes from working a job full time and still not being able to pay for life's necessities. Worker after worker said this type of stress and depression permeate Giant Eagle stores.⁵³

Given the poverty wages Giant Eagle pays, none of the examples above are surprising. Indeed, Giant Eagle's creation of the "Team Member Care Fund" indicate that the company itself knows how close to the financial edge many employees are (Box 1).

Box 1. Giant Eagle's Team Member Care Fund

Giant Eagle has acknowledged that some of its workers struggle to pay for their basic needs by setting up a 501(c)3 in 2010 called the *Team Member Care Fund*. Other employees may donate some amount of their weekly paychecks to "team members," which Giant Eagle calls its "employees in need." On company documents, Giant Eagle reported that in 2016 3,800 of its employees donated more than \$394,000 to other employees in need – not a small amount of money considering their wages. Over the last six years, this fund has given grants to employees in need to cover utility payments (1,143), rent payments (789), mortgage payments (219), funeral expenses (105) and fire assistance requests (33).⁵⁴

Ninety-four percent of the funds raised from workers in the care fund go to help workers struggling to afford necessities (utilities, rent, and mortgage payments).⁵⁵ As one employee reports: "A great percentage of people getting help are getting help to pay their electric bills or rent. If workers were paid well, they wouldn't need this fund."⁵⁶

Giant Eagle's Commitment to the Community

Separate from the operation of its for-profit entities, Giant Eagle is known as a pillar of the community. The company contributes to the broader community in a number of ways including donations to organizations like 412 Food Rescue and to local food banks.⁵⁷ Two foundations supported by the families that own Giant Eagle – the Giant Eagle Foundation and the Beacon Foundation – gave \$4,028,076 out in contributions, gifts and grants in 2014.⁵⁸ Their contributions were primarily made in Pennsylvania and Ohio, and grants were given to education and youth programs, Jewish institutions, arts and cultural organizations and other non-profits.

Given Giant Eagle has more than 30,000 employees across several states, yearly contributions made through these two foundations equal \$134 per year per worker employed at their stores – about 10 cents per worker per hour.⁵⁹ This is a few percent of the roughly \$10 per hour reduction in Giant Eagle entry-level wages since the late 1970s.

In sum, while any contribution to the community is admirable, the scale of this giving – and the good it does – is small compared to the scale of economic stress that results from the poverty wages earned by many Giant Eagle's workers. The company's primary role in the community, and the place where it has the most impact for better or for worse, is as an employer of tens of thousands of workers across several states. The most powerful way Giant Eagle could improve and invest in the community would be by paying its workforce a living wage and investing in its employees. As the next section shows, a growing number of other grocery stores have figured out ways to take the high road by valuing the frontline workers who make their businesses successful.

There Is a Better Way for Giant Eagle, Its Customers and Its Workers

The Good Jobs Strategy

Most researchers and industry participants from 1980 to 2005 assumed that retail food companies could only achieve healthy profits along the low road – by paying low wages and benefits to a poorly paid and heavily part-time workforce. In the last dozen years, however, research and the success of leading food retailers pursuing a high-road strategy have exploded the myth of the low road's inevitability in the grocery industry. *The Good Jobs Strategy* by Zeynep Ton, and the larger body of Ton's research, offer compelling detail on food retailers who combine wages and benefits far above industry standards with operating practices that capitalize on committed, experienced, and predominantly full-time workers to deliver low costs and great service.⁶⁰ Ton also highlights that companies such as Costco, Trader Joe's, QuikTrip (a convenience store chain) and Mercadona (a Spanish supermarket chain) achieve robust profits, while offering low cost and high quality to food shoppers and good jobs to workers.

Table 4 (next page) profiles “good jobs” retailers and “standard” retailers based on Ton's research. Among other systemic differences, these retailers tend to have sufficient staff to enable workers to answer customer questions or walk customers over to a product on a shelf. Employees are cross-trained so that they can shift from the cash register to stocking shelves or other tasks as customer traffic fluctuates. Multi-skilling, adequate staffing, and stocking fewer products (having lower “stock keeping units” or SKUs) mean that inventory is better organized and there are fewer “phantom stockouts” – incidents in which customers are told a product is not in stock, even though it is. These phantom stockouts reduce sales and throw off future orders (which are based on past sales).

Box 2. Sick Days Policy at Giant Eagle

One Giant Eagle policy that contrasts with the policies at “Good Jobs” food retailers relates to paid sick days. In the food industry, paid sick days are important not only to maintain the health and well-being of employees but also to reduce the chance that employees will get customers sick and/or contaminate food products. Some non-union and non-exempt workers at Giant Eagle do receive incidental days a year that they can use these for paid sick leave, including those in the catering departments, pharmacy, and the Eagle's Nest (Giant Eagle's daycare for shoppers and managers). But most hourly workers do not receive paid sick leave. As a result, if employees or their children are sick, employees must choose between losing a day's pay or coming to work ill. Workers who stay home also get a point against them, with too many points leading to a potential firing. A doctor's note can eliminate the point received for missing work; workers are allowed three doctors notes per year.

Table 4.

Good and Bad Jobs Strategy Human Resource Practices, Work Organization, and Operating Practices Compared		
Variable	Good Jobs Strategy	Bad Jobs Strategy
Job Quality	Family supporting wages and benefits; compensation 40% above industry norms	Poverty wages with low or no benefits
Hours of work	Low share of part-time jobs (< 20%), predictable hours	High share of part-time jobs (as much as 65%), unpredictable hours
Employee Turnover	Low (<10%)	High (100% or more for part-time workers)
Work Organization/ Job Classifications	Multi-skilled, cross-trained workers, facilitating high levels of worker utilization/ productivity, more full-time jobs, and more standardized schedules	Narrow job definitions; manage variability in customer traffic by changing staffing levels, leading to part-time jobs and unpredictable "just-in-time" schedules and fluctuating weekly pay for workers
Product Variety	Offer fewer products and promotions (and sometimes hours), cutting costs and often increasing customer satisfaction	Offer a wide range of products, promotions, and hours, complicating inventory management and increasing costs and phantom stockouts
Production Methods/ Employee Discretion	Standardize (for efficiency) and empower (for responsive service)	Limit employee discretion and accept lack of standardization that comes with high turnover/lack of experience
Staffing Levels	Operate with slack, enabling relaxed, committed employees to deliver good customer service and participate in continuous improvement that cuts costs	Understaff, contributing to disorganized inventory, high "phantom stockout" rates, and poor service
Use of Scheduling Software	To maximize full-time jobs, predictable schedules and accommodate employee work-family balance	For "just-in-time" scheduling that leads to more part-time jobs and unpredictable incomes for workers
Paid Sick Time, Vacation Pay	Paid sick time and two or more weeks of vacation typical	Limited or no paid time off (see Box 2 on sick time policy at Giant Eagle)

Source: Keystone Research Center based on Ton 2013.

Evidence is growing in the Pittsburgh area and Pennsylvania of the viability – in fact, competitive superiority – of the good jobs strategy. Trader Joe's, Aldi and Whole Foods saw significant regional growth between 2010 and 2016 (see Table 1 earlier in the report). These grocery chains paid wages higher than the minimum wage for starting workers (in 2014 Aldi wages started at \$10.50/hour, Whole Foods at \$11/hour and Trader Joe's at more than \$13/hour).⁶¹

Recently Target and Altoona-headquartered Sheetz have more forcefully embraced a higher road jobs strategy. In September 2017, Target announced that it would immediately raise the minimum hourly wages for its employees to \$11 per hour. Target has also made a commitment to raise wages to \$15 per hour by 2020. Family-owned, Altoona-headquartered Sheetz employs more than 17,500 people in 535 stores across six states. The company relies primarily on full-time staff, provides training opportunities and college tuition discounts. Sheetz is ranked by *Fortune* Magazine as one of the 100 Best Companies to Work For, and in the Top 12 Best Places to Work for Women.⁶² In late 2016,

Sheetz announced it would voluntarily raise its minimum salary to \$47,500 per year, consistent with President Obama's proposed increase through regulation in the threshold below which all salary workers receive overtime pay.⁶³

Also, in 2016, another industry leader that sets wage standards for its large service industry, UPMC – the largest non-governmental employer in Pennsylvania – agreed, in the face of labor and community pressure, to increase entry-level wages to \$15 by 2021.⁶⁴ So far, despite an overture from workers and their union in 2014 (Box 3), Giant Eagle has not chosen a Good Jobs path.

Box 3. Workers and Their Union Urge Giant Eagle to Embrace a Good Jobs Strategy

Prior to 2014 negotiations, Local 23 leaders and members became convinced that the current trajectory of Giant Eagle jeopardized long-term success for the company and its workers. They asked the Keystone Research Center to invite Zeynep Ton to Pittsburgh to talk about *The Good Jobs Strategy* in the retail food sector. That forum took place on April 11, 2014, with a welcome from Pittsburgh's Mayor Bill Peduto, who had earlier tweeted out a link to a Ton article explaining that service companies can profit by providing good jobs.

KRC invited Giant Eagle CEO Laura Karet to address the April forum and offered to arrange a separate meeting between Karet and Ton – but got no response. Union members also gave copies of Ton's book to top Giant Eagle managers and summarized her work in their initial bargaining presentation to the company in 2014 negotiations.

The company did not respond to the offer of an opportunity to engage with Ton. CEO Karet, however, did state in the opening session of contract negotiations that she "loved being union," and that the union presentation based on the Good Jobs Strategy was "exactly the company Giant Eagle wants to be." Possibly because of pressure from other company leaders and Board members, however, Karat did not return to the bargaining table, except at the end when she had no speaking role.

In response to the union's overture about the Good Jobs strategy, the 2014 agreement established a new joint labor-management committee with authority to explore staffing and cross-training initiatives. The agreement, as noted in the text earlier, also ceded the company more flexibility in assigning workers.

Since the 2014 agreement, Giant Eagle has implemented its new contractual flexibility in ways antithetical to the Good Jobs philosophy. It has used flexibility to enable staffing cutbacks that may have further eroded Giant Eagle customer service and workers' job satisfaction. As a forthcoming report will document, these changes have also been accompanied by a continuing campaign to discourage non-union workers from exercising their fundamental freedom to form a union. In December 2015, company leadership repudiated to the Local 23 President a 2014 verbal company commitment to explore a more cooperative relationship and to allowing non-union workers to join Local 23 at certain current and future locations without interference.

Giant Eagle's "Bad Jobs" Scores

Since publishing her book, Zeynep Ton has developed a 'Good Jobs Score' which measures, for publicly held grocery stores, 1) customer service, 2) employee satisfaction and 3) productivity using publicly available data.⁶⁵ Since it is privately held, productivity data are not reported for Giant Eagle and so it is not one of the 14 grocery chains rated. Publicly available ratings of Giant Eagle against its competitors are available for customer service and employee satisfaction. Below, therefore, we discuss how Giant Eagle ranks on these two out of the three dimensions of Ton's "Good Jobs Score."

Table 5.

	American Customer Satisfaction Index (ACSI)	Consumer Reports	Average
Trader Joe's	86.0	86.0	86.0
Publix	84.0	86.0	85.0
Wegmans	83.0	89.0	86.0
Costco		85.0	85.0
H-E-B	83.0	84.0	83.5
Aldi	83.0	83.0	83.0
Whole Foods Market	81.0	78.0	79.5
Kroger	79.0	78.0	78.5
ShopRite	79.0	78.0	78.5
Hy-Vee	79.0	82.0	80.5
Target/Super Target	78.0	75.0	76.5
Meijer	78.0	79.0	78.5
Ahold Delhaize (Food Lion, Stop & Shop, Hannaford)	76.0		74.3
Hannaford		78.0	72.0
Food Lion		74.0	71.7
Stop & Shop		69.0	70.7
Albertsons	75.0	73.0	74.0
Giant Eagle	74.0	73.0	73.5
Walmart	74.0	66.0	70.0
Arithmetic Average of Ratings Shown	79.5	78.7	

Note: The ACSI captures customer opinions about store layout and cleanliness, checkout speed, staff courtesy and helpfulness, stores location and hours, sale and promotion frequency, merchandise variety and selection, ability to provide brand names, merchandise availability, etc.

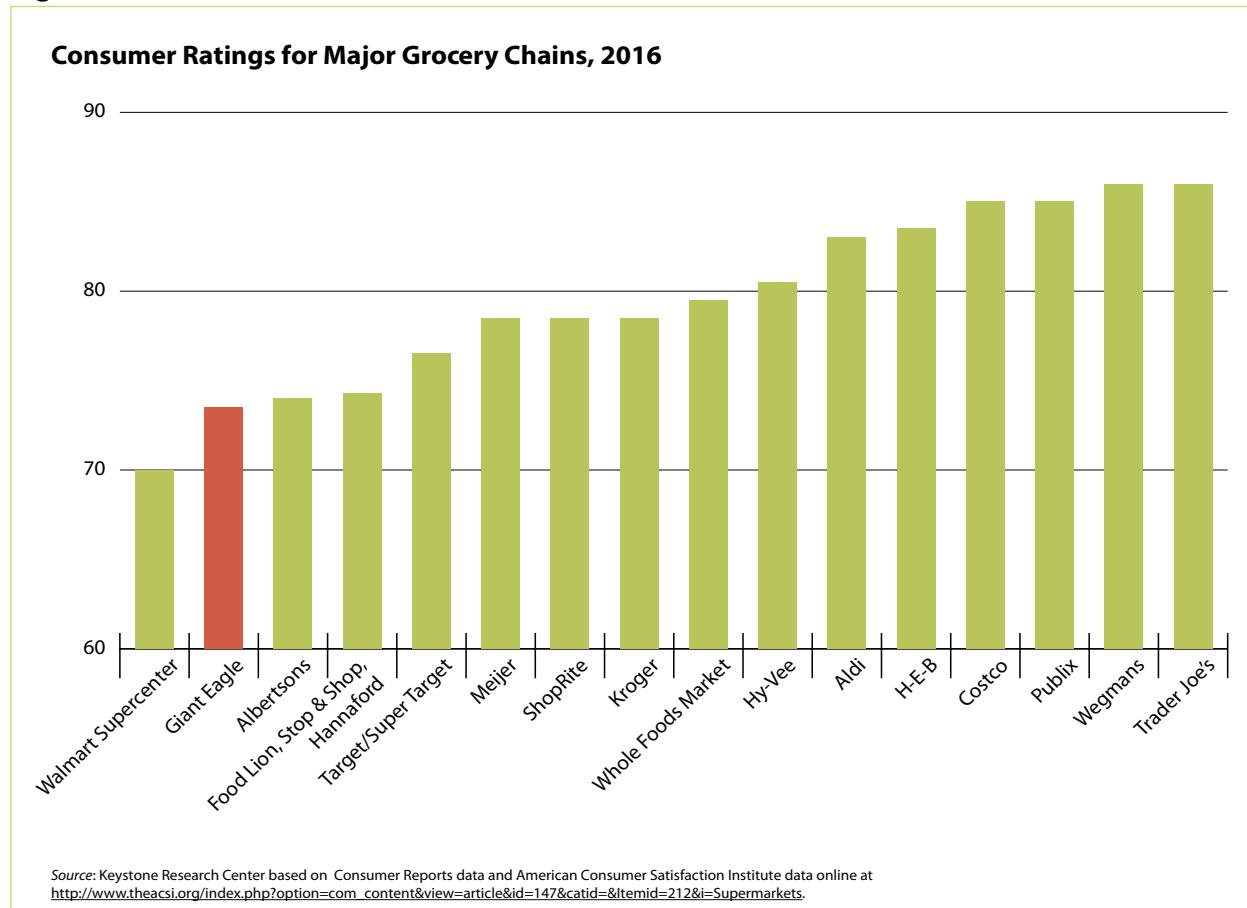
Note: Consumer Reports 2016 Supermarkets Survey ratings based on 50,218 responses about experiences at one or two stores between July 2015 and September 2016 on opinions about store cleanliness, competitive prices, fresh store-prepared foods, staff courtesy, checkout speed, produce quality, produce variety, meats/poultry quality, store brand quality, selection of healthy options, prices of organic options and local produce quantity, etc. Differences of fewer than 4 points are not meaningful.

Source: Keystone Research Center based on Consumer Reports data and American Consumer Satisfaction Institute data online at http://www.theacsi.org/index.php?option=com_content&view=article&id=147&catid=&Itemid=212&i=Supermarkets.

Customer service: In 2016, according to the American Customer Satisfaction Index, Giant Eagle tied for last with Walmart for all grocery stores (Table 5).⁶⁶ Trader Joe's, Publix and Aldi took the top three spots. According to Consumer Reports, Giant Eagle ranks 51st out of 62 stores (Walmart being #62 and Wegmans #1) based on 50,000 customer service surveys (Table 5). These surveys evaluate store cleanliness, staff courtesy, competitive prices, produce quality, checkout speed, and more. Giant Eagle ranked poorly in areas related to prices (competitive prices and prices of organic options) and fair on check-out time.⁶⁷

Figure 9 used both customer service ratings to rank a dozen chains, with Giant Eagle second from the bottom. Consistent with this low rating, Giant Eagle has made lists like “The 15 Most Hated Grocery Store Chains in America,” “The 15 worst supermarkets in America,” and “10 Retailers with the Worst Customer Satisfaction.”⁶⁸ Long-time employees interviewed say that Giant Eagle no longer lives up to the customer service standards that Saul Shapira once had. “Back in the day, Giant Eagle service and products were far beyond anyone else's.” Another worker said “The workers keep getting their hours cut. It makes no sense... it's as if they are trying to ruin their own business. The biggest difference between Giant Eagle today and of the past is that Giant Eagle used to have a very strong level of customer service. Now that is completely gone.”⁶⁹

Figure 9.



Employee satisfaction. To rate employee satisfaction, Ton relies on data from Glassdoor.com and Indeed.com (<http://www.goodjobsscore.com/good-jobs-score-2015/>). Ratings from these two online sources are shown for seven grocery chains including Giant Eagle in Table 6 and Figure 10. Again, Giant Eagle ranks second from the bottom, in this case a bit below Walmart and above Weis. Giant Eagle ranks far below top-rated Costco with 3.9 stars (out of 5.0) and 79% of employees recommending the employer to a friend. The average approval rating for Giant Eagle's CEO is the lowest of the seven shown, especially on Glassdoor.com, which rated the Giant Eagle CEO more favorably ratings four years ago. One possible interpretation of this decline is that it reflects disappointed hopes that Laura Karat's ascension to Giant Eagle CEO position might open the door for a return to the high road.

Table 6.

Employee Ratings of Major Grocery Retailers as Places to Work							
	Weis	Giant Eagle*	Walmart	Target	Whole Foods	Publix	Coscto
Glassdoor.com Overall Ratings	2.8	3	3.2	3.4	3.5	3.7	3.9
Recommend to a friend	43%	46%	56%	64%	66%	71%	79%
Approve of CEO	54%	40%	68%	75%	66%	75%	91%
Indeed.com Ratings	3.3	3.6	3.6	3.7	3.9	4.2	4.2
CEO approval	67%	66%	71%	75%	76%	85%	90%
Average score (Glassdoor and Indeed)	3.05	3.3	3.4	3.55	3.7	3.95	4.05

Source: Ratings accessed online on Feb.7, 2018 at www.glassdoor.com and www.indeed.com (at both sites, click on "company reviews" and enter the company name).

Figure 10.



Ray Burgo, a Giant Eagle leader before 1980, once said “The company’s culture, integrity and longevity in the marketplace have created an extremely loyal workforce that believes in Giant Eagle.”⁷⁰ The ratings available indicate that the sentiment Burgo described is less common today.

Is Giant Eagle’s Profitable Low Road Sustainable?

Available evidence suggests that Giant Eagle is highly successful financially. Due to its acquisitions and growth over the past four decades, it now ranks 31st on *Forbes* magazine’s “America’s Largest Private Companies” list, with \$9.3 billion in revenues in 2017.⁷¹ Its market share has fluctuated but remains the largest in the Pittsburgh area and it has expanded substantially outside the region and in other states. Also, as noted, its hourly labor productivity appears to have increased 20% to 25% since 2014.

But can it last, given low customer and worker ratings and these additional challenges?

- Competition within the industry from good-jobs retailers as well as Amazon and Whole Foods, and Walmart.
- The forthcoming retirements of high-seniority, long-term Giant Eagle workers with the most institutional knowledge and commitment to the company.

- Benefit levels above those at typical grocery store chains, which constrain the company's ability to go full-tilt down the low road.
- A reported shift away from "hiring from within" – a centerpiece of Giant Eagle's pre-1980s good jobs strategy – and increased reliance on younger managers with an MBA but little-to-no food retail experience.

One long-time worker contrasted the switch to managers with degrees but no experience with what could be termed the "old," pre-1980 Giant Eagle "good jobs strategy."

What brought Giant Eagle to the pinnacle of its success was it always moved people up from the inside. Store manager, zone manager... all of them used to be a stock boy. Now all the company cares about is hiring managers from the outside, with a degree. If they don't understand the business, it doesn't matter. [They won't] ask people on the front line what would work, what wouldn't work.... They are not valuing the people and the expertise of those who work for them – the front-line workers know the business like the back of their hand. Now they hire managers who have an MBA but know nothing about the business.⁷²

Giant Eagle's current strategy has so far been a win-lose-lose – highly profitable for the company but detrimental for workers and their families, and for the community. Given the competitive challenges the company faces, its current strategy could become a lose-lose-lose proposition.

What Would It Mean for Grocery Workers if the Company Did Transition to Paying \$15 Per Hour?

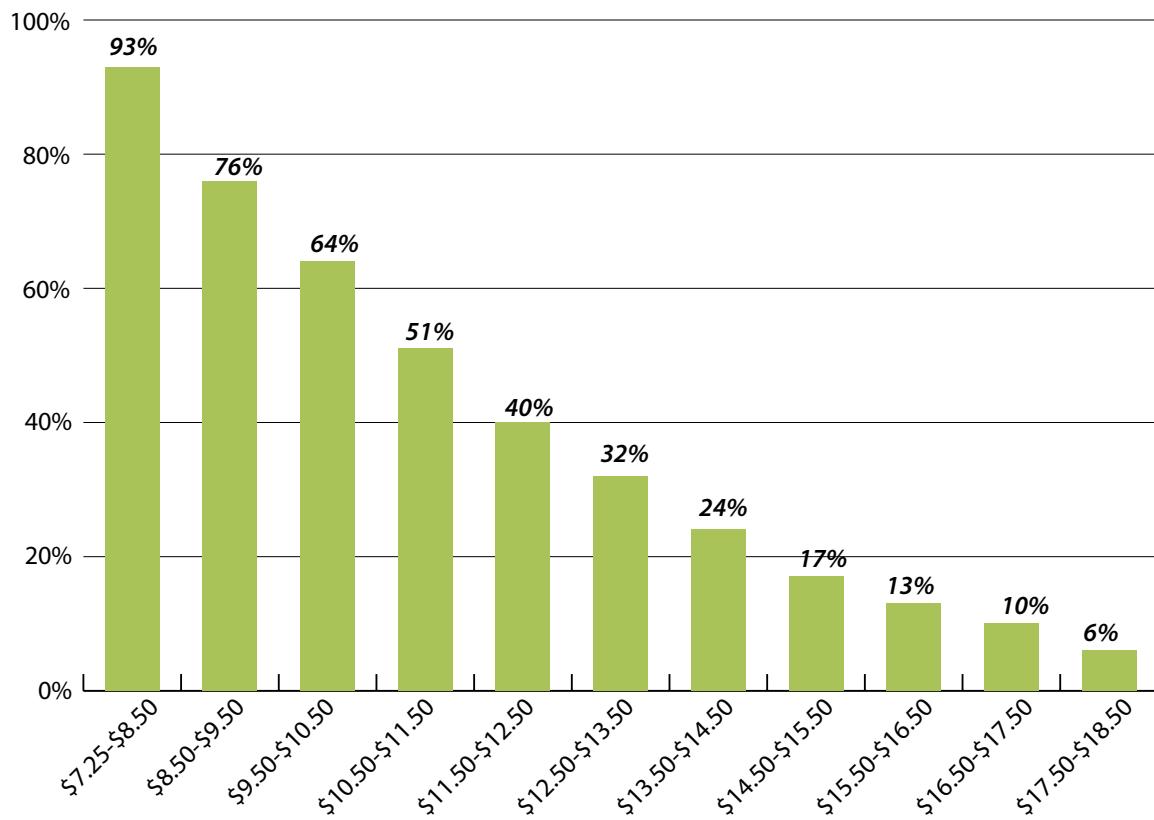
Just as workers and the community pay a price because Giant Eagle and some other food retailers pay poverty wages, they would benefit if Giant Eagle led an industrywide movement to join Trader Joe's, Costco's, Target and others by lifting ALL grocery store workers' wages in Pennsylvania to \$15 per hour and above.

We estimate that an increase in pay to \$15/hour for all grocery store workers in the state would put \$801 million in the pockets of hard-working grocery store workers across Pennsylvania. An estimated 70,632 full-time equivalent (FTE) workers would see wage increases that average 49.2% (See Appendix A for a discussion of our estimates). Wages would increase the most for lower-paid workers as shown in Figure 11. Map 1 shows the number of FTE workers who would benefit by county and Table 7 presents the total increase in wages by county. In Allegheny County, 7,412 FTE workers would receive an increase of \$103 million.

Figure 11.

A \$15 Wage in Pennsylvania Grocery Stores Would Raise Wages an Average of 49.2% for 70,632 Full-Time Equivalent Workers

Percent increase in wages with a \$15 wage floor by current wage level



Source: Keystone Research Center based on CPS-ORG, CPS-ASEC, and QCEW data.

Estimated Number (FTE) Grocery Workers by County Affected by \$15 Wage

Map 1.

Source: Keystone Research Center analysis of Bureau of Labor Statistics and Census Bureau data.

146 or less 147 to 255 256 to 663 664 to 1,629 1,630 or more

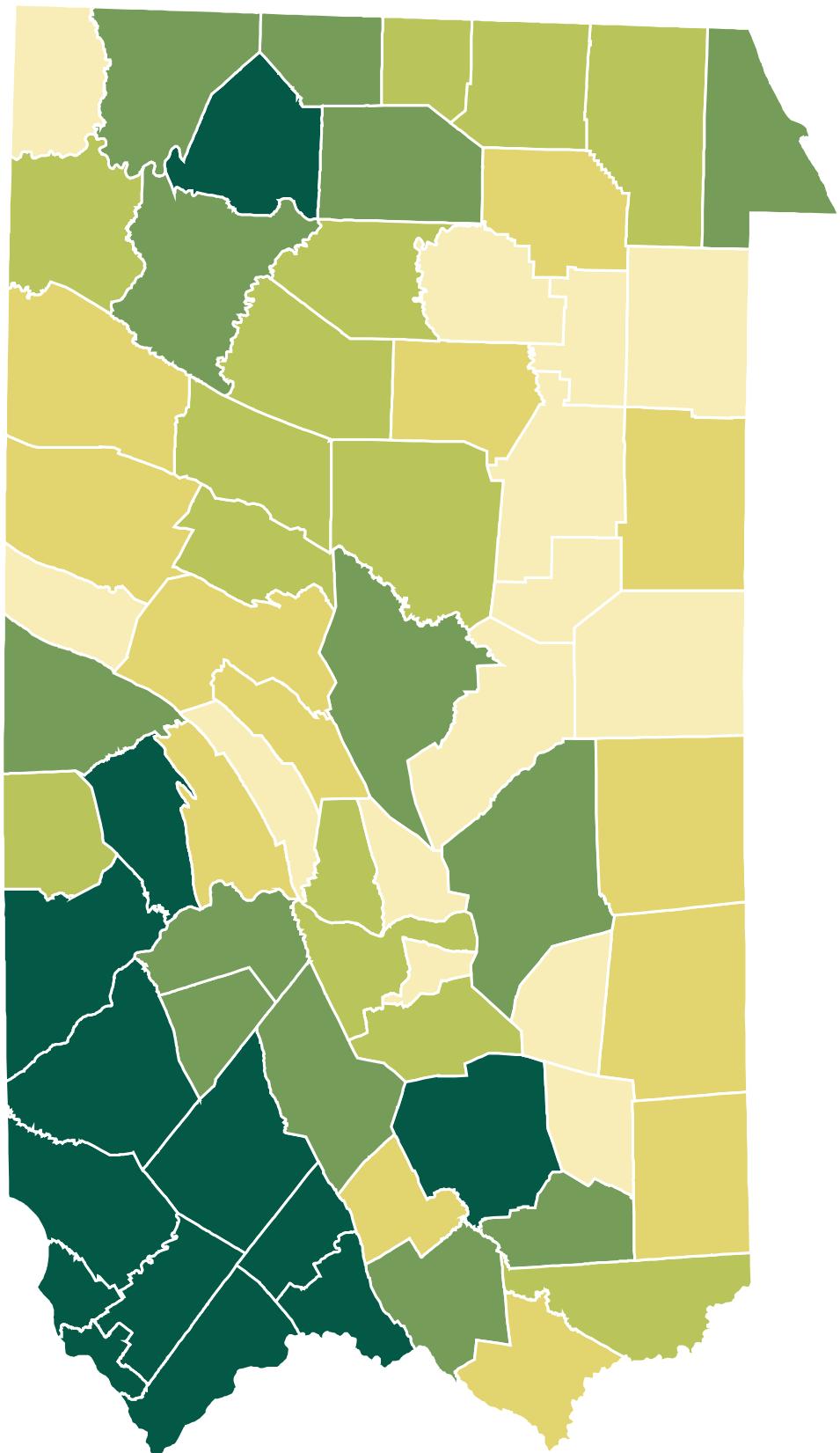


Table 7.**Number of Grocery Workers and Total Wage Increase by County**

County	Number of Workers (FTE)	Total Wage Increase	County	Number of Workers (FTE)	Total Wage Increase
Pennsylvania	70,632	\$801,413,247	Clarion	129	\$1,484,668
Allegheny	7,412	\$103,040,832	Greene	143	\$1,309,748
Bucks	4,389	\$49,974,176	Union	124	\$1,991,852
Cumberland	1,866	\$19,216,458	Warren	143	\$1,369,567
Franklin	785	\$7,805,675	Beaver	723	\$7,032,436
Huntingdon	176	\$1,817,291	Blair	663	\$7,066,934
Lancaster	3,952	\$38,511,080	Columbia	405	\$3,861,067
Northampton	1,744	\$18,741,778	Elk	107	\$970,747
Perry	247	\$2,364,424	Lycoming	862	\$9,362,949
Sullivan	15	\$235,877	Snyder	259	\$2,491,381
York	2,160	\$22,227,678	McKean	196	\$2,120,654
Armstrong	263	\$2,127,013	Mifflin	213	\$2,100,082
Bradford	256	\$2,546,875	Montour	146	\$587,869
Clearfield	300	\$2,990,185	Schuylkill	787	\$7,445,009
Clinton	147	\$1,138,108	Venango	175	\$1,655,098
Dauphin	1,506	\$15,797,760	Carbon	241	\$2,547,985
Delaware	3,428	\$40,567,672	Crawford	298	\$2,627,091
Erie	1,336	\$19,082,072	Forest	8	\$131,043
Indiana	334	\$3,039,831	Lackawanna	1,496	\$16,536,069
Juniata	113	\$1,035,139	Luzerne	1,937	\$19,648,958
Northumberland	410	\$3,647,651	Bedford	235	\$2,182,666
Philadelphia	6,855	\$82,821,976	Lehigh	2,137	\$22,989,868
Somerset	221	\$1,991,020	Berks	1,890	\$19,646,648
Washington	1,042	\$11,274,802	Butler	831	\$8,900,984
Wayne	286	\$2,845,426	Cameron	10	\$157,251
Montgomery	6,405	\$79,603,504	Tioga	169	\$1,506,785
Fayette	522	\$4,991,865	Cambria	624	\$6,304,521
Westmoreland	1,629	\$20,249,982	Lawrence	350	\$3,862,791
Monroe	1,037	\$11,189,527	Lebanon	817	\$7,816,584
Centre	798	\$9,516,078	Potter	73	\$655,500
Susquehanna	147	\$1,583,631	Adams	429	\$4,105,331
Chester	3,159	\$38,082,620	Mercer	406	\$4,330,261
Pike	209	\$2,087,404	Fulton	75	\$567,918
Wyoming	125	\$1,028,521	Jefferson	189	\$1,757,139

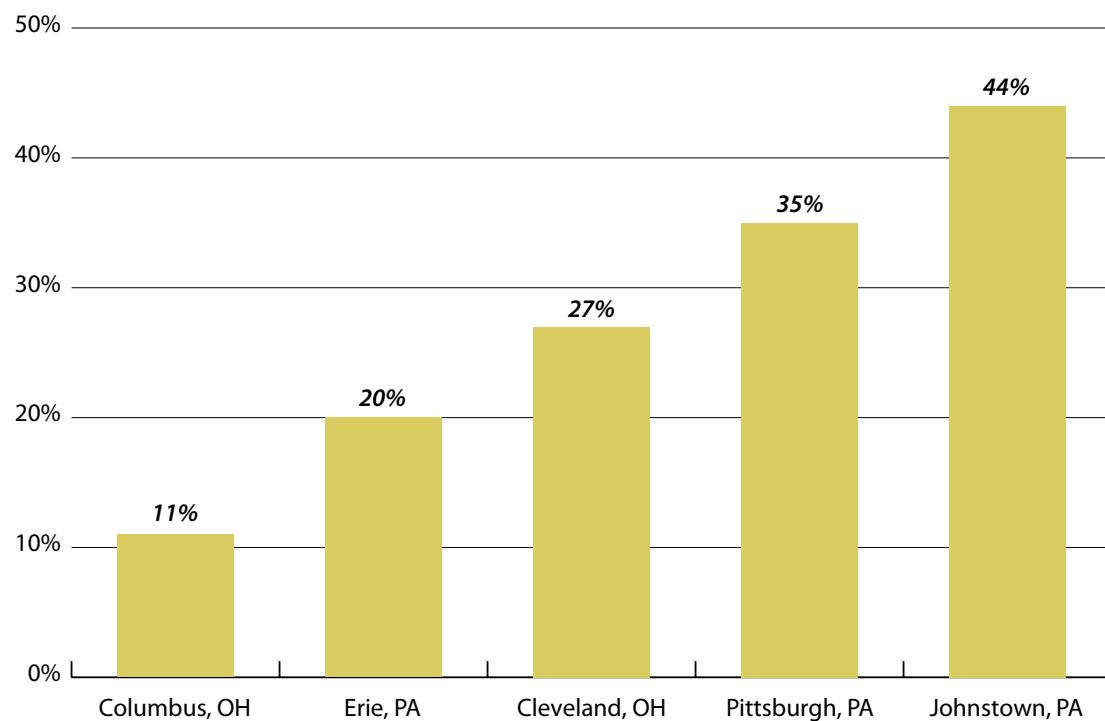
Note. County totals will not sum to statewide total due to rounding error.

Source: Keystone Research Center based on Bureau of Labor Statistics and Census Bureau data

Giant Eagle has the market share needed to lift wages in Southwestern Pennsylvania, where its wages and benefits set the standard for the entire grocery industry. It also has the market share to lift retail grocery wages in Cleveland, Ohio and in Erie, Pennsylvania (Figure 12).

Figure 12.

Giant Eagle Has the Market Strength to Lift Grocery Wages and Benefits in Western Pennsylvania and Beyond



Source: Keystone Research Center based on data from Metro Market Studies.

Even beyond the areas where it has a large market share, Giant Eagle has the power to lift wages for all service industries much of the way to \$15 per hour – including at its competitors – by supporting a significant increase in Pennsylvania's minimum wage.

Getting to a Better Way

Some observers perceive that even a large company such as Giant Eagle is buffeted by market forces it cannot control and has no choice but to follow a low-wage strategy because it competes with Walmart. The evidence in this report suggests otherwise. Giant Eagle slashed its wages dramatically from middle-class pre-1980s levels many years before Walmart opened a single store in Pennsylvania. Giant Eagle was also the first major grocery chain in Southwestern Pennsylvania to reset regional wages at much lower levels – at precisely the moment when Southwestern Pennsylvania needed middle-class grocery store wages more than ever because of the hemorrhaging of family supporting manufacturing jobs. Giant Eagle's hard bargaining with Pennsylvania workers facing depression-era

unemployment rates also set the stage for the other major grocery chain – Kroger’s – to attempt to impose the same downward mobility on its workers. When Kroger left the region, Giant Eagle was free to lead the whole regional industry down the low road.

The competitive and bargaining choices Giant Eagle has made over the past 35 years have made the economic struggles of working class Pittsburgh families more difficult. There is no rewriting that history.

Past, however, is not prologue.

The choices that Giant Eagle, its workers and their union make over the next year have profound importance for the future of Western Pennsylvania. To help shift one of the region’s largest low-wage sectors towards a new path compatible with an economy in the region that works for all, Giant Eagle should:

- Lift the wages of all 32,000 of its workers to at least \$15 per hour.
- Agree to respect the rights of all its workers to choose to join a union – without interference or intimidation from management.
- Partner with its workers and their union to implement a Good Jobs Strategy.

If it has the courage and vision to change direction, Giant Eagle has substantial assets that can help it move successfully in this direction:

- A reservoir of goodwill as the region’s grocer with a sterling community reputation – for workers and the community, the tarnish could come off with a bit of polish.
- A philanthropic community, regional political leadership, and Governor that would welcome and support this shift.
- The potential of tapping workers as a source of capital through a worker ownership strategy like that being pursued by the UFCW-represented Oklahoma chain Homeland Grocery: <http://www.esoplaw.com/esops/homeland-grocery/>
- And a windfall of tens of millions of dollars in additional after-tax profits because of the recent federal tax reform.⁷³

In this context, Giant Eagle can choose to hold fast to a low-wage strategy that has so far proved profitable for the company and the family that owns it. It can also choose to shift to a win-win-win strategy that would benefit workers and their families, and the community, as well as the company.

There is little doubt that a shift to the high road would enable Giant Eagle to maintain high profit levels and a company net worth far beyond anything Saul Shapira ever imagined.

When you realize that Giant Eagle can flourish along the high road or the low road – and the stakes for workers, their families, and the community – of the choices the company makes, this is not a difficult choice.

Laura Karat's gut instincts back in 2014 were dead on. The Good Jobs Strategy is “exactly the company” Saul Shapira would have wanted Giant Eagle to be, and exactly the company the family’s community-oriented best instincts would want it to be. It’s time for Giant Eagle to restore a partnership with its workers and community that improves people’s everyday lives and well-being.

Appendix A

Table A1 on the next page presents our derivation of the number of workers that would receive a wage increase and the amount of that increase if hourly wages were raised to at least \$15 per hour in grocery stores in Pennsylvania.

According to a seven-year pool (2010-2016) drawn from the Outgoing Rotation Groups of the Current Population Survey (CPS-ORG), 82% of Pennsylvania grocery workers earn between \$7.25 and \$18.50 per hour. Using the CPS-ORG (row 1a of Table A1) we derive the share of all workers with hourly wages within one of eleven wage bins (\$7.25-\$8.50, \$8.50-\$9.50, up to \$17.50-\$18.50) and multiply this share by an estimate of total employment (125,793) in private sector grocery stores (NAICS 4451) averaged over the period 2012 to 2016 and drawn from the Quarterly Census of Employment Wages (QCEW). This gives us the total number of workers in each wage bin listed in row 1 of Table A1.

Also, from the CPS-ORG data we calculate the average wages for workers within each of these 11 wage bins (row 2 of Table A1) as well as average hours (row 3a). We rely on a seven-year pool (2010-2016) of Pennsylvania data for Grocery Stores drawn from Annual Social and Economic Supplement (CPS-ASEC) to estimate the average weeks worked for workers with hourly earnings within each wage bin (row 3b). Hourly wages in the CPS-ASEC are calculated by dividing annual wage and salary income by the product of number of weeks worked last year and usual weekly hours. Row 4 of Table A1 presents our estimate of the current annual wage bill (multiply row 1, 3a, and 3b).

Next we need to estimate average wages assuming a \$15 dollar minimum wage (row 5). Average wages within each wage bin are imputed based on paper by Robert Pollin and Jeannette Wicks-Lim of the Political Economy Research Institute at the University of Massachusetts-Amherst.⁷⁴ As row 6 of Table A1 illustrates these imputations which are derived from empirical estimates of how employers raise wages for workers at and near a wage floor assume wage differences between workers narrow after a new higher wage floor is introduced. Specifically, average wages at the top of the range \$17.50-18.50 rise by just 6% while average wages at the bottom of the range \$7.25-\$8.50 rise by 88%.⁷⁵

With these new higher wages we are able to re-estimate the annual wage bill (multiply row 5, 3a, and 3b) to arrive at an overall increase in the wage bill of \$801 million (row 7, column Total). In the main body of the paper we present the number of workers impacted on a full-time equivalent basis (dividing the product of row 1 (# of workers), 3a (average hours), 3b (average weeks worked) by 2080). This calculate reduces 103,674 workers impacted to 70,632 FTEs.

We allocate the statewide total for employment to individual counties (Map 1 and Table 3 in the main body of the report) using each county's share of the statewide total of private employment in Grocery Stores (NAICS 4451) drawn from the QCEW from 2012 to 2016.⁷⁶ We use the same procedure applied to total annual wages to allocate the wage increase by county.

Table A1.

Estimated Wage Increases from a \$15 wage for Pennsylvania Grocery Stores											
Wage bins	\$7.25-\$8.50	\$8.50-\$9.50	\$9.50-\$10.50	\$10.50-\$11.50	\$11.50-\$12.50	\$12.50-\$13.50	\$13.50-\$14.50	\$14.50-\$15.50	\$15.50-\$16.50	\$16.50-\$17.50	\$17.50-\$18.50
1. Number of workers ¹	26,723	24,370	13,613	8,466	7,004	6,568	4,785	3,114	2,946	2,648	3,437
1a. % of Workforce	21%	19%	11%	7%	6%	5%	4%	2%	2%	2%	3%
2. Average wage ²	\$7.97	\$8.99	\$9.99	\$10.99	\$12.07	\$12.98	\$13.98	\$15.05	\$16.00	\$16.95	\$17.93
3. Average annual hours	1,060	1,276	1,551	1,581	1,584	1,662	1,735	1,949	1,655	1,744	2,071
3a. hours ³	24	26	32	32	34	35	34	40	37	39	40
3b. weeks ⁴	45	49	49	49	47	47	51	49	44	44	52
4. Annual wage bill before \$15 (millions)	\$225.7	\$279.5	\$211.0	\$147.1	\$133.8	\$141.8	\$116.0	\$91.3	\$78.0	\$78.2	\$127.6
5. Average wage after \$15 minimum ⁵	\$15.40	\$15.80	\$16.35	\$16.60	\$16.90	\$17.20	\$17.35	\$17.65	\$18.05	\$18.65	\$19.10
6. Average raise	93%	76%	64%	51%	40%	32%	24%	17%	13%	10%	6%
7. Annual cost of raises (millions)	\$211	\$212	\$134	\$75	\$54	\$46	\$28	\$16	\$10	\$8	\$8
8. Annual wage bill after \$15 (millions)	\$436	\$491	\$345	\$222	\$187	\$188	\$144	\$107	\$88	\$86	\$136

¹ We allocate total private sector employment in Pennsylvania Grocery Stores (NAICS 4451) averaged over the period from 2012 to 2016 from the from the Quarterly Census of Employment Wages (QCEW) to each wage bin using employment counts by wages drawn from a seven-year pool (2010-2016) of Pennsylvania data for Grocery Stores drawn from the Outgoing Rotation Groups of the Current Population Survey (CPS-ORG).

² Average wages within each wage bin are derived from a seven-year pool (2010-2016) of Pennsylvania data for Grocery Stores drawn from the Outgoing Rotation Groups of the Current Population Survey (CPS-ORG).

³ Average hours within each wage bin are derived from a seven-year pool (2010-2016) of Pennsylvania data for Grocery Stores drawn from the Outgoing Rotation Groups of the Current Population Survey (CPS-ORG).

⁴ Average weeks worked within each wage bin are derived from a seven-year pool (2010-2016) of Pennsylvania data for Grocery Stores drawn from Annual Social and Economic Supplement (CPS-ASEC). Hourly wages are calculated by dividing annual wage and salary income by the product of number of weeks worked last year and usual weekly hours.

⁵ Average wages after \$15 are imputed based on Robert Pollin and Jeannette Wicks-Lim, "A \$15 U.S. Minimum Wage: How the Fast-Food Industry Could Adjust Without Shedding Jobs", Working paper Series Political Economy Research Institute, January 2015, <https://goo.gl/AkDqCU>

Source: Keystone Research Center estimates based the QCEW data provided by the Bureau of Labor Statistics, CPS-ORG data provided by the Economic Policy Institute, CPS-ASEC data provided by Sarah Flood, Miriam King, Steven Ruggles, and J. Robert Warren. Integrated Public Use Microdata Series, Current Population Survey: Version 5.0. [dataset]. Minneapolis: University of Minnesota, 2017. <https://doi.org/10.18128/D030.V5.0>.

End Notes

¹ The 62% in the text refers to the part-time share of Giant Eagle's hourly workers covered by the company's corporate contracts for meat and deli workers and for the rest of the store (the "grocery contract.") Based on the 2015 American Community Survey, 50% of workers in the Pennsylvania grocery industry work part time. Part of the difference between this 50% and Giant Eagle's 62% reflects the restriction of the Giant Eagle estimate to hourly workers only (as opposed to hourly and salaried workers).

² The phrase "Just Pittsburgh" is a reference to a Heinz Endowments' initiative of the same name, which aims to create a "Just Pittsburgh" that is "open, inclusive, and equitable for all." The idea of a "Just Western Pennsylvania" simply broadens this concept geographically.

³ <http://gianteaglecsr.com/>

⁴ Employment estimates for the "food sector" and other industries in this paragraph based on Pennsylvania 2014 employment on line at <http://www.workstats.dli.pa.gov/Products/LongTermIndustryProjections/Pages/default.aspx>. The "food sector" is defined as crop and animal production (North American Industry Classification System (NAICS) codes 111 and 113), support activities for crop and animal production (NAICS 1151 and 1152), food manufacturing and beverage and tobacco manufacturing (311 and 312), Grocery Product Merchant Wholesalers and Farm Product Merchant Wholesalers (4244 and 4245), Alcoholic Beverage Merchant Wholesalers (4248), Food and Beverage Stores (445) and General Merchandise Stores (452), and Food Services and Drinking Places (722). Over four fifths (82%) of the 781,850 in employment is in three NAICS codes: Food and Beverage Stores (140,910), General Merchandise Stores (110,770), and Food Services and Drinking Places (387,840).

⁵ <http://www.grocereteria.com/about/a-quick-history-of-the-supermarket/>

⁶ <http://www.nytimes.com/1990/02/28/business/company-news-Walmart-net-jumps-by-31.8.html>

⁷ <http://foodchainworkers.org/wp-content/uploads/2012/06/Hands-That-Feed-Us-Report.pdf>

⁸ On the earlier wave of consolidations, https://www.aae.wisc.edu/fsrc/publications/Monographs/Ifood_retailingchapter7.pdf; on more recent consolidations, see <http://www.duffandphelps.com/assets/pdfs/publications/mergers-and-acquisitions/industry-insights/consumer/food-retail-industry-insights-2016.pdf>

⁹ <https://seekingalpha.com/article/4101477-food-retail-primer-industry-focus-Walmart?page=1>

¹⁰ <https://en.wikipedia.org/wiki/Ahold>. Ahold's major holdings in the United States include Giant of Carlisle, Giant of Landover (MD), and Stop & Shop.

¹¹ While for different years, these data appear slightly inconsistent with the information below for Giant Eagle over time (e.g., 33.3% in 2012 and 33.6% in 2017). The changes over time between this and the later source, however, appear roughly consistent. Moreover, the sources are different and may define the metropolitan area differently.

¹² The 3% annual increases resulted from a 3% "Annual Improvement Factor" (AIF) increase in wages plus an annual "Cost of Living Adjustment" (COLA), an outgrowth of the 1948 "Treaty of Detroit" negotiations. This formula then set a pattern for all U.S. manufacturing and other unionized industries, including supermarkets. Combined with a minimum wage that increased steadily in real terms from the 1940s to 1968, the combination of AIF and COLA led to a tight linkage between productivity growth and workers' wages from the 1940s to the late 1970s. Since the late 1970s, the U.S. has had a "broken link" between wages and productivity growth, with productivity increasing steadily and hourly wages flat. On the concessionary auto industry collective bargaining agreements of 1979 and 1982, their origins and significance, see Harry Katz, *Shifting Gears: Changing Labor Relations in the U.S. Auto Industry* (Ithaca, NY: Cornell/ILR Press, 1985).

¹³ Joseph A. McCartin, *Collision Course: Ronald Reagan, the Air Traffic Controllers, and the Strike that Changed America* (Oxford and New York: Oxford University Press, 2011).

¹⁴ George Ruben. "Collective Bargaining in 1982: results dictated by economy." *Monthly Labor Review*. January 1983, p. 34 and 35. <https://www.bls.gov/opub/mlr/1983/01/art4full.pdf>

¹⁵ Ken Jacobs, "A Tale of Two Tiers: Dividing Workers in the Age of Neoliberalism," *New Labor Forum*, Vol. 18, No. 1 (Winter, 2009), pp. 66-77.

¹⁶ Mary Brignano, *Taking Flight: The Story of Giant Eagle* (Pittsburgh, PA.: Giant Eagle, Inc., 2008); <https://www.gianteagle.com/About/Our-History/>; <https://www.bizjournals.com/pittsburgh/news/2011/11/16/giant-eagle->

[names-karet-new-ceo.html](#)

¹⁷ Interviews with union officials and Giant Eagle workers.

¹⁸ UFCW International Research Department, 2014.

¹⁹ Brignano, *Taking Flight*.

²⁰ Michael Schroeder, "Giant Eagle workers rule out concessions." *Pittsburgh Post-Gazette*, August 10, 1983.

²¹ Vertical integration is a strategy in which a company expands its business into the supply chain.

²² UFCW International Research Department, 2014 Giant Eagle worker interviews.

²³ See, for example: Tim Schooley, Écho undertakes its largest project: Giant Eagle unit to build shopping center here, Fla., *Pittsburgh Post-Gazette*, May 31, 2004; <https://www.bizjournals.com/pittsburgh/stories/2004/05/31/story1.html>

²⁴ One exception was the "Phar-Mor" bankruptcy in 1992, which reportedly cost Giant Eagle \$1.4 billion. UFCW International Research Department, 2014.

²⁵ UFCW International Research Department, 2014.

²⁶ UFCW Local 23 had 55 stores with 6,500 members in 2014; UFCW Local 880 has 86 stores covering 10,000 members; UFCW Local 1776 covers 1 store with 65 members UFCW International Research Department, 2014"

²⁷ "UFCW International Research Department, 2014."

²⁸ On unemployment in the early 1980s, see Christopher Briem, "Recessions and Pittsburgh," *Pittsburgh Economic Quarterly*, December 2008; http://ucsur.pitt.edu/wp-content/uploads/2014/11/peq_2008-12.pdf

²⁹ George Ruben. "Collective Bargaining in 1982: results dictated by economy." *Monthly Labor Review*, January 1983. <https://www.bls.gov/opub/mlr/1983/01/art4full.pdf>; 590 News. "Giant Eagle Employees Approve Concessions." July/August/September 1982. University of Pittsburgh Labor Archives.

³⁰ "Giant-Sized Flap," *The Pittsburgh Press*, August 19, 1983, Page B-2; William Allan. "Independents Clipping Giant Eagle's Wings." August 16, 1983. Page C1. Both accessed at [www.newspapers.com](#).

³¹ "3 Food Unions Merge," *The Pittsburgh Press*, February 24, 1983, page A-11; accessed at [www.newspapers.com](#).

³² <http://23.ufcw.org/merger-info/>

³³ Michael Schroeder, "Giant Eagle workers rule out concessions," *Pittsburgh Post-Gazette*, August 10, 1983.

³⁴ Brignano, *Taking Flight*.

³⁵ Interviews with union officials and Giant Eagle workers.

³⁶ Source: Giant Eagle/union contracts.

³⁷ Brignano, *Taking Flight*.

³⁸ Al Donalson. "A Bombshell: Some Kroger employees could read the signs," *The Pittsburgh Press*, February 14, 1984.

³⁹ Teresa Lindeman. 2003. "The labor strategy of food," *Pittsburgh Post-Gazette*, July 6, 2003; <http://www.post-gazette.com/business/businessnews/2003/07/06/The-labor-strategy-of-food/stories/200307060023>

⁴⁰ <http://www.post-gazette.com/business/businessnews/2003/07/06/The-labor-strategy-of-food/stories/200307060023>

⁴¹ David Shapira quote from Brignano, *Taking Flight*, p. 110.

⁴² A 2002 study found that 68% of unionized food retail workers and only 36% of non-union ones receive health insurance from their employer. The same study also found that unionized food retail workers received employer (or union) contributions to their health care two-and-a-half times the contributions received by non-union workers. See Vicky Lovell and Eliane Kim, "The Benefits of Unionization for Workers in the Retail Food Industry," Institute for Women's Policy Research, IWPR Publication #C351, February 1, 2002, pp. 1-2; <https://iwpr.org/publications/the-benefits-of-unionization-for-workers-in-the-retail-food-industry/>. In retail trade as of March 2017, 38% of workers accessed health insurance through their employer; <https://www.bls.gov/ncs/ehs/benefits/2017/ownership/private/table09a.htm>. Both these sources provide estimates for all salaried and hourly workers; the share of hourly workers who receive health benefits through their employer is likely lower than the share of hourly plus salaried workers.

⁴³ Giant Eagle average wage for 2016 based on wage data provided by the company to UFCW Local 23 for

workers covered by the corporate contracts with the local union as of March 8, 2016. The overall average assumes that average hours for part-time and full-time workers are the same as of 12/31/14. Pennsylvania-wide average wage based on the same source as Figure 4. Note that Figure 4 shows a three-year average; the single year 2016 had a lower average wage for Pennsylvania grocery store workers than 2015 or 2017.

⁴⁴ According to the 2015 American Community Survey, 50% of grocery store workers were part-time.

⁴⁵ This estimate assumes that the average hours worked by full-time workers and by part-time workers is unchanged since 2014, the only year for which we have data on average hours.

⁴⁶ Section 8.10 in the 2014 Giant Eagle, UFCW Local 23 union contract.

⁴⁷ Giant Eagle's market share from 2013 to 2016 (see Table 1) grew 5% (from 34.7% to 35.4) (we do not have market share data from the end of 2014 to October 2017). In addition, U.S. grocery store sales rose 6% since the end of 2014 (and food prices for eating at home have been flat). Assuming half this 6% in Pittsburgh (hence 3%) and adding a 5% increase in market share, Giant Eagle is selling about 108% as much as it was at the end of 2014 using 12.5% fewer labor hours; this is a (108/87.5) – 23.4% increase in labor productivity. This rough estimate assumes no change in average hours worked by full-time workers and part-time workers since 2014.

⁴⁸ Giant Eagle worker interviews.

⁴⁹ Giant Eagle worker interviews.

⁵⁰ Giant Eagle worker interviews.

⁵¹ Giant Eagle worker interviews.

⁵² According to *Forbes* magazine's 2017 listing of "America's Largest Private Companies," Giant Eagle had 32,000 employees in 2017. As noted in the text earlier, 105 of Giant Eagle's 232 stores (or 45.2%) are in Pennsylvania. (In addition, 52 of these are franchise stores but we do not know the share of those in Pennsylvania.) Based on the map online at <https://www.getgocafe.com/store/locator?searchText=16510>, about 85 of 160 Get-Go locations shown are in Pennsylvania (53.1%). Given this information, we estimate that half or less of Giant Eagle's employees are in Pennsylvania – 16,000 or less. Another gauge comes from the list of biggest Pennsylvania employers in the second quarter of 2016, online at http://www.workstats.dli.pa.gov/Documents/Top%2050/Pennsylvania_Com_Top_50.pdf. Two below Giant Eagle (18th) on that list, in 20th place, is the State System of Higher Education. Based on the report online at <http://www.passhe.edu/FactCenter/Documents/EconomicAndEmploymentImpactReport.pdf>, we know State System employment equaled 12,195 in 2013 (table 7, p. 15). This roughly bounds Giant Eagle employment in Pennsylvania at between 12,000 and 16,000. The estimate in the text assumes the figure is 16,000, which means that 22.5% of Giant Eagle employees receive public assistance from Medical Assistance, SNAP or both.

⁵³ Giant Eagle worker interviews.

⁵⁴ <http://gianteaglecsr.com/team-member-care-fund/>

⁵⁵ Keystone Research Center calculation based on <http://gianteaglecsr.com/team-member-care-fund/>

⁵⁶ Giant Eagle worker interviews.

⁵⁷ Giant Eagle. "Corporate Social Responsibility and Sustainability Report 2016-2017." Accessed at <http://gianteaglecsr.com/GiantEagle-CSR17.pdf>

⁵⁸ The Giant Eagle Foundation gave away \$3,288,214 and the Beacon Foundation gave away \$1,739,862 in 2014. Information from 2014 990s for each foundation.

⁵⁹ Average work hours of i.e., assuming average work hours across all hourly employees of 26.97 hours per week (at the end of 2014) amounts to 1402 hours per year; \$134 dollars per employee divided by 1402 hours equals 9.6 cents per worker per year.

⁶⁰ Zeynep Ton, *The Good Jobs Strategy: How the Smartest Companies Invest in Employees to Lower Costs and Boost Profits* (New York: Amazon Publishing, 2014).

⁶¹ <https://www.csmonitor.com/Business/2014/0626/IKEA-Gap-and-eight-more-companies-that-pay-higher-than-minimum-wage/QuickTrip>

⁶² <https://corporate.target.com/press/releases/2017/09/target-raises-minimum-hourly-wage-to-11-commits-to>; https://www.heraldmailmedia.com/news/local/sheetz-to-raise-salaries-despite-overtime-injunction/article_4df4da6b-7788-561c-a2e2-aeabdf4b5184.html; <http://fortune.com/2016/01/12/sheetz-raises-employee-wages/>; <https://csnews.com/sheetz-will-increase-salaries-despite-overtime-rule-injunction>

⁶³ <http://fox43.com/2016/11/30/sheetz-to-raise-the-minimum-salary-of-employees-despite-judges-flsa-injunction/>

⁶⁴ <http://www.upmc.com/media/NewsReleases/2016/Pages/15-dollar-minimum-wage-by-2019.aspx>

⁶⁵ For Ton's methodology, see <http://www.goodjobsscore.com/methodology/>

⁶⁶ American Customer Service Index. 2017. "ACSI Retail Report 2016." February 28, 2017. Downloaded from: <http://www.theacsi.org/news-and-resources/customer-satisfaction-reports/reports-2016/acsi-retail-report-2016>

⁶⁷ Consumer Reports, Grocery Store and Supermarkets rankings.

⁶⁸ <https://www.cheatsheet.com/culture/the-most-hated-grocery-store-chains.html/?a=viewall>, <http://theweek.com/articles/549869/15-worst-supermarkets-inamerica>, & <https://risnews.com/10-retailers-worst-customer-satisfaction>

⁶⁹ Giant Eagle worker interviews.

⁷⁰ Brignano, *Taking Flight*.

⁷¹ <https://www.forbes.com/largest-private-companies/list/#tab:rank>; <https://www.forbes.com/companies/giant-eagle/>

⁷² Former Giant Eagle worker interview.

⁷³ The recent federal tax reform cut the corporate tax rate in the United States from 35% to 21%. The Retail Owners Institute estimates pre-tax profits in the supermarket and grocery store industry at around 2% of sales (<https://retailowner.com/Benchmarks/Food-and-Beverage-Stores/Supermarkets-Grocery-Stores>). Applying 2% to Giant Eagle's sales of \$9.3 billion yields \$186 million. A cut in the tax rate on \$186 million from 35% to 21% translates to \$26 million. This estimate does not take into account the windfall from a reduction in the tax rate on profits from other businesses within the Giant Eagle family.

⁷⁴ Robert Pollin and Jeannette Wicks-Lim "A \$15 U.S. Minimum Wage: How the Fast-Food Industry Could Adjust Without Shedding Jobs" Working paper Series Political Economy Research Institute, January 2015, <https://goo.gl/AkDqCU>

⁷⁵ We assume workers earning more than \$18.50 will not be impacted by the new higher wage floor.

⁷⁶ To protect the confidentiality of employers the BLS suppresses the publication of Grocery Store employment and total wages in four Pennsylvania counties (Cameron, Forest, Sullivan, Union). After distributing statewide totals for employment (and total wages) to each of the counties the unallocated remainder is divided among these counties based on our estimate of the share of Grocery Store employment in these counties drawn from a five-year pool of American Community Survey (ACS) microdata (2012-2016).