George Malek, President, Central Vermont Chamber of Commerce

(A voluntary association of 300 mostly small business operating 400 locations in Washington County) Senate Committee on Economic Development 4/9/14

Senator Mullin & Committee Members,

Restaurateurs are among the first to cringe when legislators place new burdens on employers, and rightly so. Most small businesses have similar reactions, but for restaurants, the pain goes deeper and further than it does for others. Restaurants tend to have a higher percentage of unskilled workers than the average workplace.

Washing dishes, peeling potatoes and folding napkins don't require great skill. Neither do drying silverware and wiping down tables. Combine limited skill demands with extended business hours and it is no wonder that so many of our nation's youth have gained their first work experience in a restaurant.

At the same time, there is a reason lenders charge restaurants more to borrow money than most other businesses, and there is a reason used restaurant equipment can be purchased for pennies on the dollar.

Restaurants fail more often than any other business enterprise. It is an incredibly demanding business; it operates on razor-thin margins, and the competition is fierce. More than half the restaurants opened fail in less than.five years.

Restaurants not only compete with every other eatery in town, but literally with every household in town. The alternative to eating at Joe's Diner is not just scores of other restaurants, but also skipping them all, and eating at home. Prices have to compete, not just with other restaurants, but with the family kitchen.

So when legislators up the minimum wage, add health care taxes for uncovered employees, require coverage, pile On new benefits, or increase unemployment insurance rates, restaurant owners reach for pencil and paper. They begin calculating how many employee hours they will have to be cut to offset the increase. For many, there is no wiggle room, no fat to trim, just employee hours to be reduced.

The math goes something like this: If the minimum was is increased from $8.73 to $10.10, the increase is $1.37. Every six hours that are increased by $1.37 adds $8.22 to payroll that can be offset by eliminating one hour of paid work. For every six minimum wage employees that receive the increase, one has to go.

At $12.50, the hourly increase is $3.77, requiring a reduction of almost one third of the total hours worked to pay for the increase — an impossible situation for many.

Providing health care at a cost of $300 per month for a 30-hour-per-week employee amounts to an hourly raise of $2.32, requiring an owner to reduce minimum wage hours by about one-fourth.

The math is similar for every business employing lower skilled workers to provide a highly price-sensitive product or service.

When the minimum is raised, some small businesses will reduce employee hours and others will close, leaving both the employer and employees unemployed.

The numbers will depend in large part on how high and how quickly the minimum wage is raised, and how many other cost increases are mandated.

We urge you not to raise the minimum wage above the schedule already in statute.

If you must do so, please keep the increase to the lowest level and phase it as slowly as possible.

Thank you for your time and consideration.