



April 7, 2015
House General
Re: Mandatory Paid Time Off
Bill H.187

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In my own business and for the members of VRGA, we recognize that employees are the most vital component of any business and we fully support all employees being treated fairly, equitably and with dignity.

However; I oppose this bill

I offer the most extensive compensation and benefits that I possibly can to my staff. I believe most Vermont employers do as well.

VRGA opposes this bill.

VRGA supports individual employers retaining the flexibility to offer the most extensive affordable benefits to meet the individual needs of their employees while maintaining a financially sound business.

Major concerns with this bill

- Part time staff, including high school & college students receive paid time off
- Many businesses cannot afford any additional expenses at this time
- This increases the tax liability employers will pay for additional wages paid
- Employers need flexibility to modify benefits for their individual staff members
- Another new record keeping issue, there is a cost to pay someone to administer this program
 - o Tracking hours worked, hours earned and hours used on a weekly basis is yet another record keeping function that incrementally increases costs to businesses
- One size fits all legislative proposals do not work.
- Each business sector has different costs and profitability
- The Economy is lagging and businesses are operating on razor thin margins.
- The potential unintended consequences is fewer jobs will be available
- Employers may need to cut positions, this puts small businesses at a much more difficult position since they do not have the ability to reduce staff proportionally

Vermont's retail sector continues to struggle in this economy

Increased pressure from on-line sales

Lack of a cohesive national sales tax policy; Main Street Brick & Mortar retailers are penalized by having to collect sales tax

Vermont's declining demographics

Tourism numbers are flat

Retailers in border towns are under severe stress due to multiple tax, wage & policy differences with neighboring states

VRGA was a partner in negotiating an increased minimum wage for Vermonters

Years 2007 & 2008 for most retailers, were their best years for sales & profits

Many VRGA members have not returned to those levels yet

Profits are essential for businesses:

From profits:

Re-payment of debt

Re-investment into staff education & training, facility & process improvements, inventory, etc.

Ability to offer raises, bonuses & increased benefits

Retailers typically operate on 1 - 3% Net Profit Margin

Vermont economist Art Wolf stated last year that the retail industry operates on the smallest of profit margins of any industry.

VRGA started the 2015 session asking for a two year moratorium on new taxes, fees and employer mandates in order for the majority of Vermont retailers that are still struggling, to further recover from the recession, invest in their businesses and have a chance at longevity and prosperity.

My businesses: Stowe Mercantile & Boutique

Starting wage is now \$11.00 / hour

1st raise after 30 days, minimum \$.50 maximum of \$1.00

\$3.00 per hour more for weekends

Sales Gain incentives - meet monthly sales goals, 15% of overage is paid out to staff

Health Insurance

Holiday pay at overtime rates

40 hours of Paid Time Off after 6 months (1040 hours) for full time staff only

Part time staff do not receive this benefit

Typical staff member earning a base wage of \$12.00 / hr. actually earns in excess of \$13.00/ hr.

Annual pay in excess of \$27,000

Plus health insurance & 1 week paid time off

This position's total cost to my business with payroll taxes is \$35,130 before any bonuses, sales gain incentives or profit sharing

Changes I have had to make for 2015:

Because of escalating employment costs I've had to make adjustments:

- 1) Reduced Health Care premiums from Fully Paid premium of \$507.00 / month to \$300.00 monthly contribution - I have never paid less than the full premium until this year
- 2) Reduced number of holidays with overtime pay rate from 11 days to 8 days
- 3) Reduced number of anticipated part time seasonal hires by 1500 hours (3/4 position)

Mandatory Paid Time Off cost for my company:

Based on 2014 staff hours worked:

For PT staff working 750 hrs annually

Our part time staff are high school & college students who will work summer break & various holidays and other school breaks

$6 \times 750 \text{ hrs} = 4500 \text{ hours} / 40 \text{ hrs} = 112 \text{ hrs of paid time}$

At \$12.00 hr. = \$1,344 new payroll costs

Medicare, State & Fed unemployment, WC ins. (appx 15% of G Wages): equals \$200

Payroll expense for new part time coverage = \$1,544

Full Time staff receive 40 hrs after 6 months of employment

$5 \times 40 \text{ hrs of Paid Time Off} = 200 \text{ hrs}$

$200 \text{ hrs} \times \text{average of } \$14.00 / \text{hr.} = \$2,800 \text{ Payroll expense}$

Medicare, State & fed unemployment, WC ins. (15%) = \$420

Payroll expense for existing Paid Time Off policy = \$3,220

One Full year of Paid Time Off for my Staff = \$4,764

Additional Expense:

Total hours of Paid Time Off = 312 hours

Leave 50% of Paid Time off hours uncovered and cover the other 50% of hours with overtime rates results in:

$156 \text{ hours} @ \$21.00 / \text{hr.} = \$3276 \text{ plus payroll taxes of } 15\% = \491

\$3767.00 in additional Paid Time off Costs

Actual payroll cost combined with payroll cost to cover 50% of hours staff take off = \$8,531

With any new expense, business owners immediately calculate how much in additional sales are needed to cover this? For my business I need \$18,000 of new sales to cover this expense.

And this is only one new expense; rents, insurances, utilities, freight and other expenses increase every year.

Sales do not increase every year.

Conclusion:

Every business is different.

You will hear from businesses that can afford more employer mandates and that's great. They operate with different price structures and different profit margins. For those companies that can afford more generous benefits, they can and should offer them.

Like many Vermonters, I have had to juggle caring for my sick children and ailing parents while still managing the responsibility and pressure of owning my business. I know it isn't easy. But I also have had many sleepless nights wondering how I was going to meet payroll the next day. I have often gone months without a paycheck in order that my staff receive their paychecks. Many owners do this.

A single program targeted at this issue may help some but it also discourages employers like myself who treat their staff with respect and compensate them the very best that we can.

There are a host of businesses that cannot afford to do more than they are doing right now.

A very real unintended consequence of this bill is a reduction in jobs. Retailers are the major source of jobs for our high school and college students. Mandating time off will impact them the most. Retailers take the risk and the responsibility to introduce many young Vermonters to the workplace. As the number of employer mandates, taxes and fees increase, many businesses will have to consolidate jobs even more than they already have, ultimately reducing the number of hours of employment they offer.

VRGA is also concerned that bills such as this, mandating paid time off, increases the state of Vermont's payroll costs. With the Legislature looking to raise revenue through new taxes and new fees, and increasing existing taxes and fees in order to balance the budget, it is irresponsible to increase payroll expenses when the state cannot afford it. Additionally, State of Vermont employees are facing dramatic layoffs because the state cannot afford the existing workforce at the level of pay and benefits currently offered. It's wrong to reduce the workforce while increasing the benefits of some of the remaining employees.

Vermont needs a strong and vibrant economy. Allowing small businesses such as mine and the many small businesses of VRGA a chance to get solidly back on our feet by not burdening us with new mandates and taxes is the best way for increasing and broadening the benefits that Vermont's small businesses can offer.