

Sherman Enterprises Inc.

d/b/a
Stowe Mercantile
Boutique
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Vermont House Committee
General, Housing & Military Affairs

Testimony regarding proposal to Increase Minimum Wage to \$15.00 / hour

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Owner Sherman Enterprises Inc.

Basic Payroll / True cost of \$1.00 in wages

For every dollar of gross wages, there are additional employer costs.

Federal Unemployment: .6%
Vermont Unemployment: 1.3% to 8.4%
Medicare: 1.45%
Social Security: 6.2%
Worker's Compensation Insurance: 1.5% and higher based on experience rating
VT Health Care Assessment.

At a minimum, for every \$1.00 in Gross Wages, the employer is paying \$.12 in additional taxes, fees and insurance costs. It is very possible with the extremes in the unemployment assessment and workers comp, some employers pay upwards of \$.30 on the dollar.

Current Proposal to raise wages by \$5.00 per hour represents an actual expense to the employer, with taxes & insurances, a minimum of \$5.60 per hour

Business must maintain payroll at a specific percentage of sales. This varies from industry to industry and varies from employer to employer. But every business has a maximum they can spend on payroll.

In fact, every expense item must remain at an acceptable percentage of gross sales or the business is simply not viable and will close.

Expense ratios for Stowe Mercantile

Ratios for my company, Maximum percentage of Gross Sales for each expense category

Cost of Goods Sold = 50% (my cost of the products sold)

Marketing = 2.5%

Rent, Facilities = 9%

Operating = 12%

Payroll w/ Taxes & WC insurance = 25%

This leaves 1.5% for profit

Profit is mandatory for:

- Debt payments
- Profit Sharing with Employees
- Equipment and Facilities improvements
- Increasing inventory on hand
- Any growth or expansion

Profit is not for covering operating expenses.

If any of the above ratios exceed these limits, my business is not successful and in fact may not be sustainable any longer.

In order to maintain the correct balance of payroll expense as an acceptable percentage of Gross Sales, in the case of a mandated dramatic increase in wages or benefits, employers must choose one or more of the following options for their business.

Have fewer employees

Have more part time / seasonal employees to follow annual business cycles more closely

Reduce or eliminate staff benefits

Paid Time Off, Sick Time, Vacation Time, Retirement, Paid Holidays, Industry Discounts, Business Travel, Staff Events, Profit Sharing

Reduce wages or eliminate raises for more skilled or senior employees

Reduce or eliminate capital improvements to their businesses

Forgo expansion plans

Example: LL Bean announced Feb 9th 2017, cutting up to 500 positions in order to offer more benefits to remaining employees.

Another effect of this dramatic increase is the faster implementation of automation by businesses which reduces employment.

Example: Self-Checkout lanes reduces the need for cashiers.
Robotic warehouse operation reduces order pickers

Where retail is headed:

Amazon: Designed fully automated grocery store, only 3 people need to oversee and manage the store: NY Post, NY Times February 2017
Overtaking all aspects of the supply chain and automating, reducing employment: NY Times Feb 2017
Approaching 2,000,000 jobs lost nationwide: Market Watch Sept 2016

Payless shoes closing 1000 stores. Sears to cease business, K-mart can't restructure again, Abercrombie & Fitch closing 220 stores.....

This proposed wage scale represents a 50% increase in 5 years. My business, nor most businesses, will not experience this rapid growth of 50% in revenues over the same period.

The current Minimum Wage was passed several years ago. As Board Chair of Vermont Retail Association (prior to our merger with VT Grocers) I testified in both the House & the Senate to the impact of the proposed Minimum Wage with automatic annual increases, but we didn't take a position against it. What we have now is a clearly defined process for employers that is predictable. Businesses need predictability and the current law provides that for everyone.

On-line sales continue to devastate VT retailers.

Purchasing items on line from out of state entities is quickly eroding Vermont Retailers ability to remain in business.

The State of Vermont needs to support all employers.

Example: VEGI awards.... These are not available to small employers.

Instead of constant mandates with penalties for employers, why not incentives for all employers:

Re-train employees, discount our VT unemployment assessment, or issue a state tax credit

If a company pays some multiple above Federal Minimum wage give the employer an annual tax credit – incentivize the employer to pay better

Retailers deserve a percentage of sales tax collected, just 1/10th of a percent would be meaningful recognition of the service we provide and compensate for the hours spent collecting and remitting the taxes.

- Our tax system is convoluted, even our past Department of Taxes Commissioner would not allow her department to make lists of what is and isn't taxable

Rooms & Meals Tax – same thing, a very small percentage back to the business

Conclusion:

Employees deserve to be treated fairly and compensated the very best that Vermont Businesses can afford.

Though there are some employers who don't appreciate their staff, by far, small business owners go out of their way to demonstrate their sincere appreciation for their staff.

The need to address poverty, disparate income levels, sustainability and growth in Vermont is a multi-faceted issue. Addressing just the minimum wage doesn't solve these issues.

Vermonters need to address:

- Education, we need prepared employees
- The lack of workers in general
- Employer support, not more regulation and penalties
- Cultural expectations of needs vs. wants
- We must address benefits cliff at every level of income
- Property Taxes must be reined in
- Affordable Child Care
- Regional Public Transportation
- Affordable Housing

I and VT Retail & Grocers Association want to be a part of the solution and welcome forums to address these issues as a collective solution that works for all Vermonters.