



**Testimony on S.23 – Increasing the Minimum Wage
Submitted by Erin Sigrist, VRGA President
January 24, 2019**

VRGA represents about 750 members across the state. Our membership is inclusive of a variety of business types and models, collaborative and extremely diverse. Members include general retail, grocery stores, convenience stores, distributors, food producers, and business service members. VRGA works to have a unified voice for its engaged membership to influence legislation through lawmaker and public education. Our benefits are fundamental to our members' economic success and to their positive community impact.

I appreciate the sentiment that we must do something to lift Vermonters out of poverty. The number one concern VRGA hears from members relates to employees: businesses cannot find skilled employees that are interested/able to work consistently, full-time, or long-term. Nearly 90% report that they are paying employees above minimum wage already, and such an increase in the minimum wage will hurt the very employees S.23 seeks to help – the unskilled employee. Given the choice between two employees, small businesses will always hire the more skilled/more productive employee.

Arbitrarily increasing the minimum wage to \$15 by 2024 does not address the underlying issue of Vermont's lack of qualified employees; and is unsustainable for many of the very small businesses in rural areas of the state.

Talk about the capacity of a business to absorb an increase in the minimum wage and what the consequences entail.

If we all think about our favorite town in Vermont we can think of a handful of the small businesses that line the streets – you may stop in and pick up your morning coffee at the local country store or grab some milk on your way home, buy a jacket or some running shoes from the local clothing or sporting goods store, or a holiday or birthday gift from the gift shop down the street.

These small businesses are the essence of Vermont. They're the engines of our communities, the donors of gift certificates and money to little league and school fundraisers. Many of these rural stores are also the post office, and some are even the sole processor of 3SquaresVT. They're your kids' first job where they learn practical life skills, like time management, flexibility, teamwork, and communications.

The small businesses in each of our towns take financial risks to serve as the community hubs or the entry-level employer. That financial risk includes operating on finite margins, sometimes as low as 2 to 3 percent that they must keep in check at all times.

When a proposal such as S.23 is introduced with the end result being a 39% increase in wages over 5 years, or an average of 6.83% each year, there is significant concern. (finite margins) For example: a small retail clothing store usually cannot purchase enough clothing from a wholesaler to offer the same pricing it offers to a large department store since the department store can buy in bulk quantities. A small grocer cannot increase the price of milk or coffee or a

country store cannot increase the price of gas, to sustain an additional expense of 6.83% when their margins are so tight.

What would a \$15 minimum wage increase mean to employers?

Employers have a couple choices: increase income or cut expenses. To increase income a retailer must:

- increase the number of customers,
- increase the average transaction size,
- increase the frequency of transactions per customer, or
- raise prices.

With a finite amount of revenues, a limited population to purchase goods, and with the increases year-over-year of online retail sales, employers will resort to cutting expenses. (look at Amazon)

The top two expenses for small businesses are quite often inventory and employee wages. In today's price-conscious world, retailers cannot simply increase prices to pass the costs on to consumers (would also defeat the purpose of increasing the minimum wage, showrooming – online shopping with free shipping), and as retailers attempt to increase the number of customers coming in the door, they need to be ever vigilant about new and enticing products to draw them in.

As well, we're seeing consolidation more and more. Schools are consolidating, farms are consolidating, businesses are consolidating. Everyone is looking for ways to streamline, cut costs, and increase efficiencies. We hear about large corporations buying up smaller corporations at the national level on an almost monthly basis (Facebook, 66 mergers and acquisitions between 2005 and 2017; Amazon had 90 since 1998) (not so larger) larger companies are buying up Vermont-based or regionally located businesses. This almost always results in consolidation of employee positions, and the employees that are less productive are always the first to go.

The discussion surrounding employee compensation must be all-inclusive in this rural state and address the real costs of employment in Vermont. For every dollar of wages paid, the employer incurs another 12 to 20 cents in additional taxes or fees. And it must take into consideration that there is a disconnect between skilled workers and the increase in minimum wage. As Deb Brighton said yesterday, the minimum wage will not solely bring Vermonters out of poverty and without addressing the entire system we will be back here in another 4 years with fewer of the Vermont businesses that we all love and support.