

Minimum Wage Study Committee
Vermont State House
115 State Street
Montpelier, VT 05602

Re: Increasing the minimum wage

Dear Committee:

I regret that I am unable to attend today's hearing in person. Please accept the below comment as official comment for the record.

The Vermont Retail and Grocers Association consists of nearly 800 stores ranging from general retail, grocery stores, convenience stores, distributors, producers, and business service members. Retail is Vermont's largest private sector employer with nearly 67,000 employees strong at any given time. That number drastically increases during the holiday shopping season. Retail has long been known as an entry level position where employees can learn and are given the opportunity to grow into the next level of employment. However, high school students in Vermont are not graduating with the tools and skills necessary to enter the workforce.

Unlike New York City, Los Angeles, Seattle, San Francisco, Nassau County in New York State, and Washington DC, Vermont is a rural state, with porous borders, a low unemployment rate and an even lower growth in qualified employees. A shrinking workforce and the diminishing ability to find reliable, trainable employees with soft skills persists and is a perennial discussion. I consistently hear from my members that it's becoming harder and harder to find employees in Vermont.

If entry level labor ceases to exist, the retail industry in Vermont as we know it will as well. During the great recession, the retail industry was the hardest hit industry and has not completely recovered yet. Factor in the growing trend of online shopping – now increasing at double digit rates – and Vermont's retail industry (worth \$2.5 billion in GDP) will continue its struggle to remain relevant.

In Vermont, the almost perennial discussion of increasing the minimum wage has resulted in businesses considering automation, cutting positions, moving to less costly locations, or simply closing. (See the Forbes article about McDonald's: <http://www.forbes.com/sites/realspin/2016/11/29/thanks-to-fight-for-15-minimum-wage-mcdonalds-unveils-job-replacing-self-service-kiosks-nationwide/#76758a93762e>)

As well, customers have a limit of what they'll pay for goods or services. Already, gas, alcohol, clothing, and more run less expensive just 59 miles down the road. That's a 45-minute drive – just 10 minutes further than driving from Montpelier to Burlington.

VRGA represents every size, and every type of retailer in Vermont. A variety of responses surrounding the fiscal impact range were reported from VRGA members. Below is a simple example of the bottom-line impact that various sized businesses will face annually: (these numbers are taking into consideration bringing the lowest paid employees to \$15. It does not count the increases that would be necessary for more experienced employees, management, etc.

- A small retailer - \$48,000
- A small-medium-sized retailer - \$89,000
- A small chain retailer - \$3 million
- A large chain retailer - \$6 million

Economies of scale play a large role in Vermont. Larger businesses are able to absorb increased costs. While a small retailer with one cash register will force merchants to reduce hours. One member estimates that four to six of his employees will face a reduction in hours, and he and his wife would work longer hours. The larger retailer has many more options. Automation could cost upwards of \$2 million, however that's a savings of \$4 million in wages and payroll taxes in the first year alone.

If we're really trying to address poverty in Vermont we need to fix the whole system rather than throwing arbitrary numbers out and demanding that small businesses – nearly 80,000 employers, (96% of Vermont's employers) bear a 42% to 50% increase in the minimum wage. A majority of small businesses do not experience such a rate of growth.

In 2014, the legislature, business groups, and employee advocates came to the agreement in Act 176, that the Vermont minimum wage would increase over several years and in January 2019 the minimum wage would be adjusted according to the standard cost of living adjustment. We should follow through on that agreement.

Sincerely,

Erin Sigrist