Member Focused; Results Driven

March 1, 2021

Hon. Anastasia Williams, Chair
House Committee on Labor
The State House
Providence, RI 02903

RE: House Bill 5721: Minimum Wage – Hazard Pay

Dear Chair Williams and Members of the House Committee on Labor:

My name is Steven Arthurs and I am the President & CEO of the Rhode Island Food Dealers Association, a trade association established in 1909 to serve the needs of the food industry in the State of Rhode Island. We have over 300 members including the majority of all chain and independent grocery retailers, wholesalers, suppliers, distributors, food manufacturers, brokers, and other organizations affiliated with the food industry in our state. As an industry, we are among the state's largest employers and revenue generators.

On behalf of our association members, I would like to take this opportunity to register our opposition to the minimum wage increase proposed in House Bill 5721 as it pertains to "Hazard Pay". This bill would increase the wages of employees in our industry by one third during this pandemic. As this type of legislation is being considered across the country, the industry has commissioned a study. This study was completed in January and is titled "Economic Impact Study: Consumer and Community Impacts of Hazard Pay Mandates".

Most of the legislation surrounding Hazard Pay calls for flat rate increases such as $3 or $5 per hour for hourly employees. This would mean on average that the typical grocery store worker would be receiving about a 20-22% increase. This bill would be significantly more costly by percentage – but would also apply across the board regardless of current wage level or position.

Some points to consider:

- Average profit margins in the grocery industry were 1.4% in 2019, with a significant number of stores operating with net losses. While profits increased temporarily to 2.2% during early to mid-2020, quarterly data indicates that profit margins were subsiding to historical levels as 2020 drew to a close.

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- Wage-related labor expenses account for around 16% of total sales in the grocery industry. As a result, a 33% increase in wages would boost overall costs 5.0% - 5.5% under the proposed legislation. This increase would be twice the size of the 2020 industry profit margin and three times the historical grocery profit margins.

- In order to survive such an increase, grocers would need to raise prices to consumers and/or find substantial offsetting cuts to their controllable operating expenses, which would mean workforce reductions.

- The increase would hit low- and moderate-income families hard, particularly those struggling with job losses and income reductions due to COVID-19.

- If implemented statewide, additional grocery costs would be significant. Consider some of the potential offsets and their significance to the community:
    - Given that labor costs are by far the largest controllable expense for stores, it is highly likely that the wage mandates will translate into fewer store hours, fewer employee hours, and fewer jobs. If these costs were offset entirely by reducing labor costs, a store with 50 full-time equivalent employees would see a reduction of 11 employees to offset the increased wage costs, or a 22% decrease in staff.
    - Stores could alternatively avoid job reductions by cutting hours worked by 22%. For the significant share of stores already operating with net losses, a massive government-mandated wage increase would likely result in store closures, thereby expanding the number of "food deserts" (i.e., communities with no fresh-food options).
    - The food industry has a high number of part time employees. It is these part time positions that are essential to customer service and if reduced would have significant impact on our operations. On average, our retail member's staffs have approximately 60% of its workforce employed on a part time basis – many are high school and college students trying to help support their education or provide some spending money. Because of the unique composition of our work force and the potential impact of this legislation to our industry, we are requesting to consider the adverse effect this type of bill would have on our members.

Additionally, please keep in mind that many of our members did, on their own volition, offer Hazard Pay (typically 15% increase) during the first few months of the pandemic. This could not be maintained long term as the cost incurred directly tied to COVID were mounting. Most locations went far beyond state mandates in order to keep consumers and their employees safe. These include updating ventilation systems and adding labor to clean and sanitize, manage customer traffic flow, and reduce traffic in high consumer density areas.

In summary, Rhode Island's food industry is one of the largest – and steadiest - employers in the state. In a time when the State of Rhode Island needs to add jobs – one of the largest industries in the state would not be in any position to expand its labor force and could very well have the opposite effect. Thank you for this opportunity to state our association's opposition to these significant wage increases. We hope that you will consider our members in consideration of House Bill 5721.

Sincerely,

Steven J Arthurs
President & CEO
RI Food Dealers Association

CC: Hon. K. Joseph Shekarchi, Speaker
Rhode Island House of Representatives

Hon. Christopher Blazejewski, Majority Leader
Rhode Island House of Representatives

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