



Maine Grocers &  
Food Producers  
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Monday, April 12, 2021

Dear Senator Hickman - Chair, Representative Sylvester - Chair, and Members of the Labor and Housing Committee,

My name is Christine Cummings and I am the Executive Director of the Maine Grocers & Food Producers Association (MGFPA). The Maine Grocers & Food Producers Association is a business trade association representing Maine's food community; Main Street businesses, including independently owned and operated grocery stores and supermarkets, food and beverage producers and processors, manufacturers, wholesalers, distributors, and supportive service companies.

### **IN OPPOSITION - LD 1279 'An Act To Increase the Minimum Wage'**

First and foremost, MGFPA is testifying in opposition to further increase Maine's minimum wage.

Independent grocers work within very tight profit margins to stay in business, approximately 1-2% annually. Any increase in costs can have a very real and significant impact on a grocery store's viability. Increasing minimum wages, will cause independent supermarkets to accelerate the pace of automation at checkout and backroom inventory management, leaving Mainers without jobs. In a recent conversation with one of our members, they noted that they recently priced out adding self-checkout registers at their stores. They determined that it will cost them approximately \$40,000 per self-checkout kiosk. Installing one of these registers will pay for itself in labor wages alone in less than two years. We question why the state is considering putting businesses in a place where they must consider replacing their staff with automated checkouts in an effort to manage the rising cost of doing business.

We continue to express our concerns for our small, local businesses who are already grappling with struggling effects of the pandemic. In the recently released, *Food Marketing Association's Receipts from the Pandemic: Grocery Store Investments Amid Covid-19 and the Resulting Economics of an Essential Industry* report, "food retailers have spent about \$24 billion on additional pandemic-related expenses since March 2020." A breakout of that spending includes payroll incentive pay, increases in benefits, PPE and sanitation and technology and delivery expenses. "By far, labor costs have been the biggest expense for grocery retailers during the coronavirus crisis, representing about half of total outlays, according to FMI. Since the start of the pandemic in the United States, the number of food retail employees rose 10% and payroll costs grew over 12%."

According to FMI's report, "Growth wasn't commensurate at the bottom line...Of the \$100 billion in additional sales during 2020, \$70 billion (70%) went toward the cost of goods sold. Taking out the \$24 billion in pandemic-related costs, that leaves \$6 billion in sales gains contributing to the industry's overall profit margin. Respondents reported that their 2020 profits edged up 1.44 percentage points to 2.50%, driven primarily by the initial sales spike at the start of the pandemic. In 2019, respondents' average profit margin was 1.06%."

In Maine's 10-year Economic Development Strategy, it is noted that the best way to increase wages is to increase the value of the products and services that we produce by developing new products. "This can be done through research and development conducted by public, private, and nonprofit agencies; by increasing capital investment and entrepreneurship; and by increasing the skills and education of the workforce."

The *2020 Independent Grocers Financial Survey* reported that pre-pandemic labor and benefits accounted for 15.7% of total 2019 sales. The changes that our grocers, markets and producers have had to make to remain viable are real. In an effort to adjust to the most recent incremental increases businesses have reported that they have reduced staff hours, stopped paying weekend premium pay, reduced the number of paid days off, raised prices, stopped and or reduced offering paid dental, short-term and long-term disability insurance, life insurance, and have had to stop capital improvements. "Services such as floor care, weekly sales flyers, advertising, donations, repairs, and any other costs are now regularly evaluated." We continue to oppose mandated wage increases, to quote one of our members, "Minimum wage increases have taken away merit and seniority wage increases. Wage scales are compressed and take away opportunities to reward high performers and those who stay with employers long-term."

**IN SUPPORT – LD 543 ‘An Act To Provide That the Minimum Wage Increases by the Cost of Living Every 3 Years’**

For the reasons noted above we are supportive of LD 543 giving our businesses the opportunity to adjust to the incremental changes in hourly labor costs triennially opposed to annually. We must be cautious of the economic cycles and put tactics in place to add security for our state’s staple businesses.

**NEITHER FOR NOR AGAINST - LD 1047 ‘An Act To Create an Alternate Minimum Wage Applicable to Student Employees Who Are under 20 Years of Age and to Employees Who Are under 18 Years of Age’**

MGFPA hears consistently from our members that there is interest and a need for a youth or training wage. It is important to recognize that some first-time jobs are not always for the money, but often for what can be learned. Many of our grocery retailers employ entry-level employees with limited or no work experience. Entry level work might involve bagging groceries, stocking shelves, sweeping, dusting, mopping and filling supplies. It is at these storefronts where so many of Maine’s workforce get their feet wet; where employees learn valuable skills and where employers take pride in training the next generation of workers. We cannot ask businesses to pay novice and youth employees more than they bring to the bottom line. Please consider implementing a training and youth minimum wage so that these businesses can continue to employ and justify hiring Maine’s youth and first-time employees.

It’s arguable that these young people should be paid a reasonable wage, but as our members will tell you, working with teenagers in their first job takes tremendous patience and time. “Besides teaching them the job we teach them how to be an employee: dress, initiatives, being on time, communication skills, and the do make expensive mistakes. This requires double time pay, because we always need to have someone else working beside them.”

We know there are varying versions of what may be introduced and determined to be the best youth or training wage. Two sessions ago, a bill was introduced that almost passed that sought to pay an unemancipated minor 18 years of age for the first 200 hours of employment 80% of the minimum wage. We would urge the Committee to consider what other youth and training wages are currently offered in states similar to Maine across the country and to find the best approach to an alternative wage for those new to the workforce. We ask the Committee to provide the critical relief to employers hiring the next generation of our state’s workforce.

**IN SUPPORT - LD 774 ‘An Act To Promote Minimum Wage Consistency’**

MGFPA stands supportive of efforts that offer consistency. Maine’s 10-year EDS specifically states that a key strategy for ensuring a diverse and sustainable economy is to “maintain a stable business environment.” The future is in talent, innovation and developing infrastructure not raising the minimum wage. We urge the committee to join the other 25 states that have statutes preempting local minimum wage laws. Giving the state sole authority to establish a minimum wage is critical for those storefronts and businesses that operate in different towns throughout the state. MGFPA supports that the state should occupy the field of regulation on minimum wage and considering doing so on all labor and wage policies.

Thank you for the opportunity to provide testimony.



Christine Cummings  
Executive Director