INDEPENDENT GROCERY AND THE MINIMUM WAGE

January 2021

Background:
The *Raise the Wage Act* (H.R. 603/ S. 53) would raise the federal minimum wage to $15 per hour by 2025 in increments of about $1.50 per hour every year beginning in 2021. By 2025, the minimum wage will be indexed to median wages and calculated annually by the Bureau of Labor Statistics. The bill would eliminate the wage for youths under the age of 20 by 2025 through gradual increases in the rate of pay every year. Additionally, it would eliminate Subminimum Wage Certificates for Individuals with Disabilities within five years after the effective date of the legislation.

Position:
While the National Grocers Association (NGA) is willing to support an increase in the federal minimum wage, we must oppose the *Raise the Wage Act* because a $15 federal minimum wage is simply impractical for many NGA members, especially small, independent businesses in lower cost-of-living geographic regions. Independent grocers already work within very tight profit margins to stay in business, approximately 1-2 percent annually. Any increase in costs can have a very real and significant impact on a grocery store's viability. In response to an unrealistic minimum wage, independent supermarkets would accelerate the pace of automation at checkout and backroom inventory management, leaving thousands of workers without jobs.

NGA believes a $15 federal minimum wage creates an unlevel playing field between large and small businesses. Some large supermarket chains may have the scale or cash reserves to afford to raise wages to a $15 level, but small independent grocers would suffer. America's food desert problem has worsened in recent years because high fixed and overhead costs necessary to sustain a grocery store makes it difficult to attract investment in these areas. If federal wages outpace the costs of living, independent grocers would struggle to turn a profit from storefronts located in economically depressed areas. The independent supermarket industry employs a significant number of young workers, many of whom work at a grocery store for their very first job. Younger employees tend to work seasonally, part-time, and for a limited time as they pursue an education. Elimination of the youth wage would discourage employers from hiring young workers under a $15 minimum wage because of their lack of experience, limited skill set, and short-term job commitment.

Many grocers also pride themselves on supporting the disabled community and often hire individuals with disabilities despite their limited capacity to keep up in the fast-paced workplace environment of a supermarket. A $15 federal wage would make it difficult for grocers to continue to hire these individuals and provide them with meaningful employment.

Policy Recommendations:
- Any increase in the federal minimum wage must consider regional differences in cost-of-living and size of the employer.
- Small grocery stores located in economically underserved areas of the country should not be held to the same wage standards as large profitable businesses in prosperous areas. Policymakers should consider the high cost to society and public health of a worsening food desert problem.
- Any increase in the federal minimum wage should be phased in gradually with a backstop for scenarios of slow or negative economic growth.
- The federal minimum wage should maintain a training wage for younger, less-experienced workers.
- The federal minimum wage should not discourage the hiring of disabled individuals. Instead, it should identify economic incentives to encourage businesses to hire handicapped and disabled workers.