

## Hazard Pay Impact on Grocers

Independent grocery stores are small, family-owned or independently operated businesses. Mandates like hazard pay unfairly target one industry in the community — the grocery industry — and have a disproportionate impact on WFIA members, as we are not national companies sold on the stock market. WFIA members are your neighbors who live in and support your communities.

### **Faulty, Out-of-State Data Used to Justify Hazard Pay**

Advocates for hazard pay rely on two studies: *The Brookings Report* and the British Medical Journal's *Occupational and Environmental Medicine*, which were released in November 2020 and October 2020, respectively. *The Brookings Report* included information about the revenue of U.S. national brands, while *Occupational and Environmental Medicine* was conducted in May 2020 in a single grocery retail store in Massachusetts during the height of the pandemic. All information used in the intent sections of all ordinances — proposed and enacted — throughout local governments in Washington and other states have come from both of these studies.

The data used in *The Brookings Report* does not include any independent grocery stores, only grocery stores sold on the stock market. Additionally, 10 out of the 12 companies highlighted as problematic are not included in hazard pay discussions. The data used in *Occupational and Environmental Medicine* is not statistically significant due to the small number of individuals interviewed, during the beginning of the pandemic. Using data from May 2020 is an unfair comparison to May 2021 given the proactive and innovative safety precautions used in grocery stores, and the availability of vaccines.

The data used in the above reports are also not Washington-specific, and no Washington state data is used. According to the most recent Washington State Department of Health Data, *total* grocery outbreaks in Washington state are 5.8%. Other industries considered more dangerous: food service/restaurant; childcare/pre-k, manufacturing (non-food), general retail, construction, K-12 schools, and “other.” Through proactive safety measures taken by management and the fact that it is very uncommon for any customer to spend 10-15 minutes within 6 feet of an employee in a grocery store, grocery workers' exposure to COVID-19 has been very low in Washington state. This trend continues today, especially in our independent stores: most have had limited or no outbreaks.

### **Proactive Approaches Helped Grocery Workers During the Height of the Pandemic**

WFIA employers value their employees, often treating them like extended family. Grocery employees are the backbone of their stores, and throughout the pandemic, they have faced significant regulatory hurdles and have been asked to do more than ever before. Grocery stores

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have provided safe working and shopping environments since the beginning of the pandemic. Grocers have also led the charge in developing safety measures and implementing protocols before state and local agencies had anything in place. This includes, but is not limited to:

- Providing free face masks and other PPE for employees
- Installing plexiglass partitions at check stands and in specialty parts of stores, such as delis or meat markets
- Implementing and encouraging social distancing
- Implementing stronger cleaning protocols
- Providing special shopping hours for older and medically fragile populations
- Upgrading ventilation systems
- Increasing sick leave and health care benefits, including for high-risk employees who are not currently working at the stores, but their benefits continue to be paid
- Providing employee pay incentives, gift cards and other rewards

The grocery industry was one of the first industries to take COVID-19 precautionary measures for the protection of employees and customers. State and national grocery trade associations released “best practices” for COVID-19 protections before any government mandated guidelines for industries. WFIA helped create the statewide guidelines for grocery stores in Washington state, working with the Department of Health, the Department of Labor & Industries, FEMA, and the governor’s office.

In addition to store safety protocols, employers are focused on helping employees get vaccinated. The more individuals that are vaccinated, the sooner that we can enter the “post-COVID” world and end the state of emergencies. This should be our priority over hazard pay, as it has been over a year since the pandemic started. Vaccines have been available to grocery workers since March, while vaccines have been available to everyone 16 and older since April 15. This changes the dynamic dramatically as we adjust to a post-COVID environment. Employers are compensating employees for completing their vaccinations. and are providing sick leave for adverse reactions if they occur. Paying workers — and only grocery workers — a higher hourly wage will not make them “safer.” Vaccinations will make all of us safer.

### **Independent Grocers Profits are Not the Same as National Companies**

WFIA’s independent grocery stores are Washington-based, locally owned, and community-focused. Our stores are not sold on the stock market, and they tend to be owned by families or individuals who live in your community.

Many of the local hazard pay ordinances include intent language that focus on independent grocers. Some of the language includes the following:

*“According to the USDA report, [U.S. Department of Agriculture November 2017 Report], independent grocery stores play an important role for local communities,*

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*including improving food access, as areas with a high share of low-income households, as well as rural areas, tend to have more independent grocery stores. Also according to the report, stores with a higher share of total sales from USDA's Supplemental Nutrition Assistance Program redemptions are more likely to be independently owned. The USDA report further notes that small-format grocery stores, known as supermarkets, which account for a large share of independent grocery stores, also mitigate food insecurity by improving physical access to grocery stores, particularly for individuals with limited options for transportation."*

The grocery industry has one of the lowest profit margins of any industry. In typical years, the independent grocery stores have a profit margin of 1%. But profit is not the same as revenue. A store may bring in \$6 million per year in revenue, but actual profit is only \$60,000 after payroll, taxes, utilities, cost of product, and more.

Profits during COVID-19 increased during the beginning of the pandemic but have since evened out or decreased. Increased costs due to COVID-19 operation costs and the increased cost of products have drastically blunted profits, especially for the independent grocery store industry.

Independent grocers already face stiff competition from national brick-and-mortar and online retailers. During the height of COVID-19, independent grocers were unable to receive product solely because of their "market share," which is nonexistent compared to the national chains. Even now, independent grocers are only receiving 70% of their contracted amount of products, while the bigger chains are receiving 98% or higher of their contracted amount. Independent grocery stores are considered big enough to be impacted by the government-mandated wage increase, but not big enough to receive their full allotment from manufacturers and other suppliers. Yet, independent grocery stores often serve low-income and rural communities where it is considered not profitable for other companies to operate.

### **What Hazard Pay Would Mean for a Local Store: Saars Super Saver Foods**

Saars Super Saver Foods is an independent grocery store located in Auburn and a Washington Food Industry Association member. Of the six stores impacted in Auburn, they are the only independently owned and operated store. The store is part of a small chain, owned by a family that lives in Pierce County.

During the pandemic, Saars has invested more than \$100,000 in PPE and other COVID safety measures. **To date, the store has reported just 13 COVID cases: only 2 were contact traced back to interactions at the grocery store.**

According to Greg Saars, owner of Saars Super Saver Foods, the hazard pay would increase payroll expense by \$7,500 to \$8,000 a week, resulting in \$30,000 to \$32,000 per month in extra wages for the Auburn store. This is not sustainable based on current profit margins and the

increased cost of food and supplies from manufacturers continue to challenge the store's competitiveness among larger chains.

Saars also pays above minimum wage and provides benefits for their employees. They invest in their team and value their contribution to the community.

### **Conclusion**

Grocery stores continue to safely operate during COVID-19. Hazard pay, imposed on just one industry during the pandemic, will result in increased costs to both stores and consumers. This will place small, independent grocery stores at a competitive disadvantage as they do everything they can to compete and provide fair prices. Additional wage increases will have a significant impact on their ability to compete not only with the national chains, but with other businesses that are exempted because they sell items in addition to grocery items. The cost of food may go up for all customers, which will have a significant impact on low-income families and communities. Small grocers are facing challenging financial times and hazard pay mandates force retailers to make difficult decisions.

This is no longer being presented as hazard pay, but compensation for working in an industry asked to stay open during a pandemic. The message has changed from these jobs being "hazardous" to workers needing hazard pay to be compensated for difficult working conditions and trauma. Grocery stores were not the only industry that stayed open during the pandemic, nor are grocery stores "unsafe." We should not take away from industries that dealt with COVID-19 firsthand such as nurses, doctors, and other medical professionals.

We ask that you please to oppose the mandate, as it creates an unfair business climate for your locally owned and operated grocery stores. These mandates suggest to the public that grocery stores are unsafe, which is unsupported by the state and local county data. Grocers have proactively worked to protect their employees and customers from COVID-19 since the early days of the pandemic. This proposal does not recognize those efforts, and places additional operational stress on your locally owned, community grocer.

## **Hazard Pay Impact on Consumers**

While sales have been up amid the pandemic, food retailers have historically operated on low profit margins. Specifically, independent grocery and convenience stores are at 1% profit margin during “normal times”, some of the lowest of any industry. COVID has made WFIA member profits closer to 0.5%. Small grocers that have struggled to break out of a decade of inconsistent growth are now faced with a challenge for survival in the COVID consumer landscape, when consumers prioritize e-commerce and convenience. This negatively burdens small, family-run grocers that do not have an online presence or the ability to provide delivery or pick up through their company or a third party.

This also affects the communities they serve:

- Increased costs mean fewer choices and less convenience for consumers. The costs may be passed along to consumers in the form of higher prices, reduced store services and even store closures.
- At least one economic study stated that a \$5/hour wage mandate would increase grocery costs for a family of four by \$400 a year due to higher food costs.
- Grocery stores are the largest retail employer of 16- to 19-year-olds, providing many young people with their first jobs and a work ethic that will follow them for the rest of their lives. These wage mandates could jeopardize jobs for these and other individuals, resulting in limited jobs available in the stores.
- Additional costs may limit grocers’ donations within the communities they serve – including monetary and in-kind donations to nonprofits where they provide food and other essential products to help vulnerable populations.

Cost increases associated with a new grocery wage mandate will disproportionately impact low-income families and communities at a time when many are still struggling to put food on the table and make ends meet. Grocers will continue to provide employees with PPE and other safety measures to keep the workplaces safe for employees and consumers. This will not change, but the unintended consequences will impact consumers negatively – not only workers or the business.



# PROFIT vs REVENUE

## GROCERY INDUSTRY



### #1. Meaning

#### Profit

Net profit is the revenue remaining after all costs are paid.

#### Revenue

Revenue is the total amount of income generated by the sale of goods or services related to the company's primary operations.

### #2. Equation

#### Profit

Net profit = Revenue - Expenses

#### Revenue

Revenue = No. of units sold x selling price per unit

### #3. Details

#### Profit

Typical expenses for a grocery store may include cost of goods, taxes, payroll, employee benefits, utilities, theft/shrinkage, transportation, philanthropy, extra COVID-19 costs, etc. These expenses are deducted from revenue to determine net profit.

#### Revenue

Grocery is a high volume, low-margin business. Revenue may vary depending on what products the store offers for sale, where it is located, clientele, and more.

### #4. Example

#### Profit

A standard grocery store with 65 employees may only have 0.5% profit because of taxes, normal operating costs, shrinkage, extra COVID-19 costs and general upkeep of the store.

#### Revenue

A standard grocery store with 65 employees may have \$6 million in revenue per year due to the number and cost of products sold at the store.

**\$6 million in revenue x 0.5% equals \$30,000 in profit.**

**REVENUE ≠ PROFIT**



# COVID-19 OUTBREAKS IN GROCERY SETTINGS

Office of Communicable Disease Epidemiology

# AGENDA

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1

**Non-Healthcare  
Congregate Setting  
Team**

2

**Workplace Outbreak  
Definition**

3

**Grocery Setting  
Outbreaks Statistics**



# Non-Healthcare Congregate Setting Outbreak Program

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- New program within Office of Communicable Disease Epidemiology
  - Focus on COVID-19 outbreaks in correctional facilities, agriculture facilities, schools, service-providing industries
- Provide subject matter expertise and epidemiological technical support for Local Health Jurisdictions (LHJ) in outbreak response
  - Develop setting-specific guidance
  - Provide surge capacity for outbreak investigation
  - Lead outbreak investigation for multi-jurisdictional outbreaks
  - Report on statewide COVID-19 outbreaks

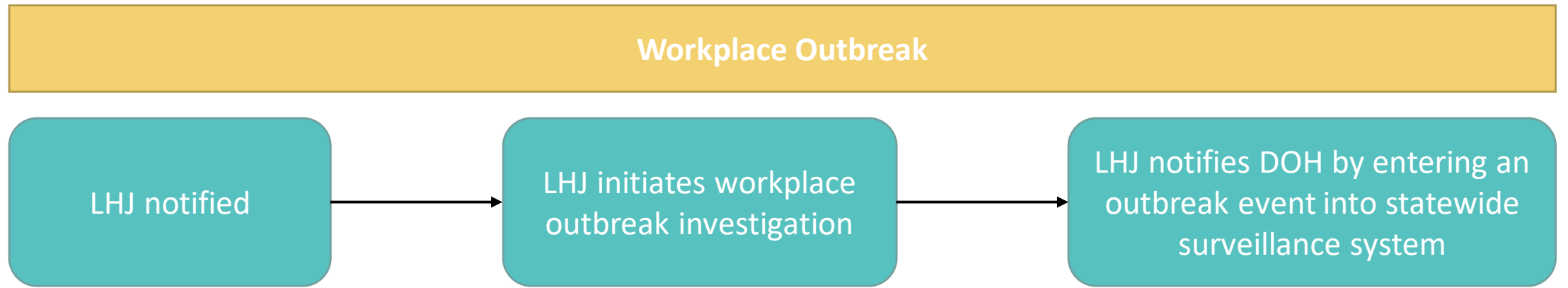
# COVID-19 Workplace Outbreaks

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## OVERVIEW

# COVID-19 Outbreak Investigations

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# COVID-19 GUIDANCE FOR NON-HEALTHCARE WORKPLACES

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## **Workplace cluster:**

- Two or more laboratory-positive (PCR or antigen) cases, **AND**
- At least two cases have onsets within 14 days of each other, **AND**
- Plausible epi-link in the workplace (e.g., case-patients work on the same shift or in the same building, or benefit from employee sponsored transportation or housing), **AND**
- No other known epidemiological link outside of the workplace (e.g., case-patients do not share a household, and there is no epi-link suggesting transmission is more likely to have occurred during private carpooling or social interactions outside of the workplace).

<https://www.doh.wa.gov/Portals/1/Documents/5100/420-284-Guidance-NonHC-Workplace.pdf>

# Grocery Setting Outbreaks in Washington State

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## SUMMARY STATISTICS

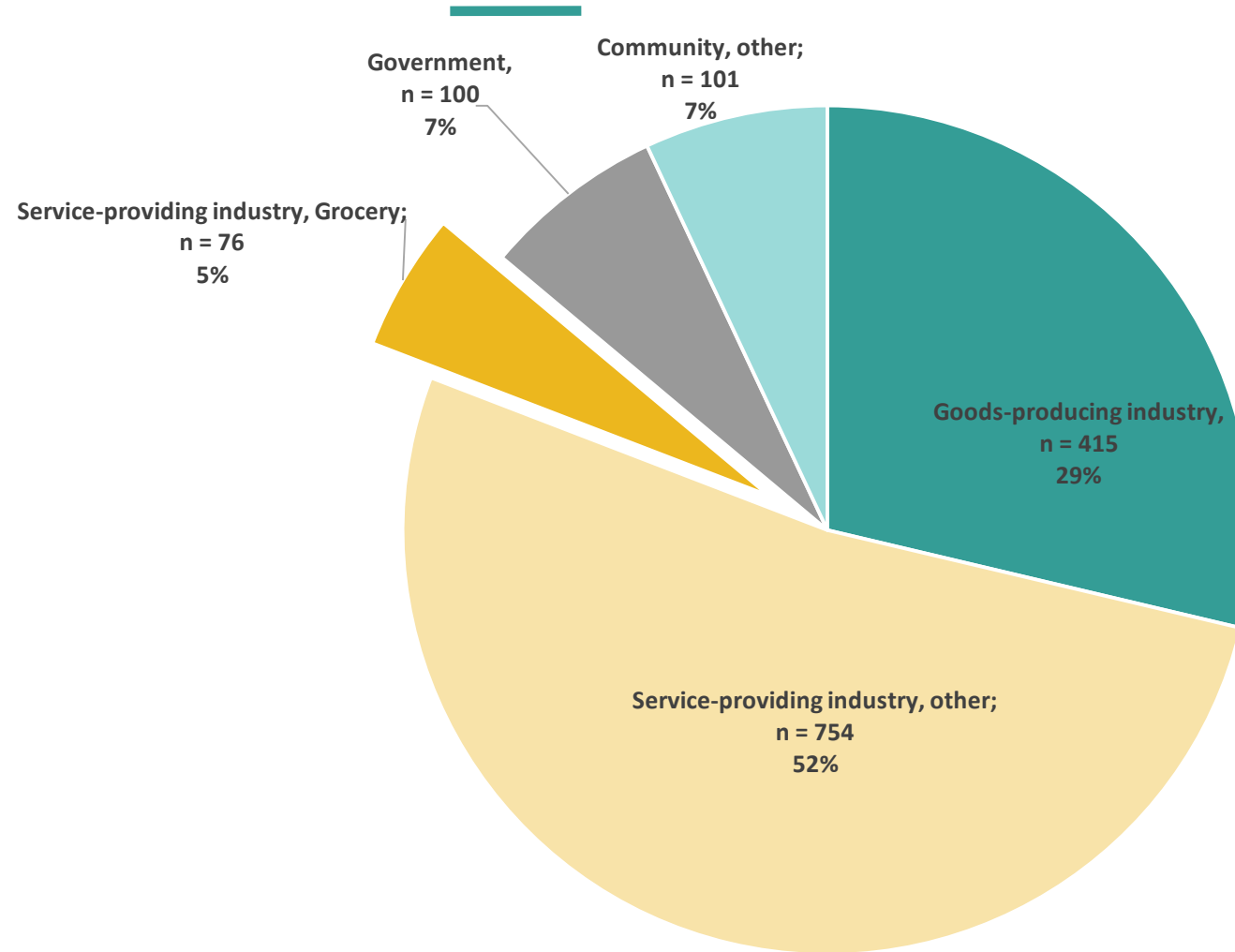


# Reported COVID-19 Outbreaks in Washington State

Total Non-healthcare setting outbreaks reported to DOH:

- **1446\***

Service-providing goods producing industries are defined by the North American Industry Classification System (NAICS)



\*As of Saturday, Nov. 07

# Grocery COVID-19 Outbreaks

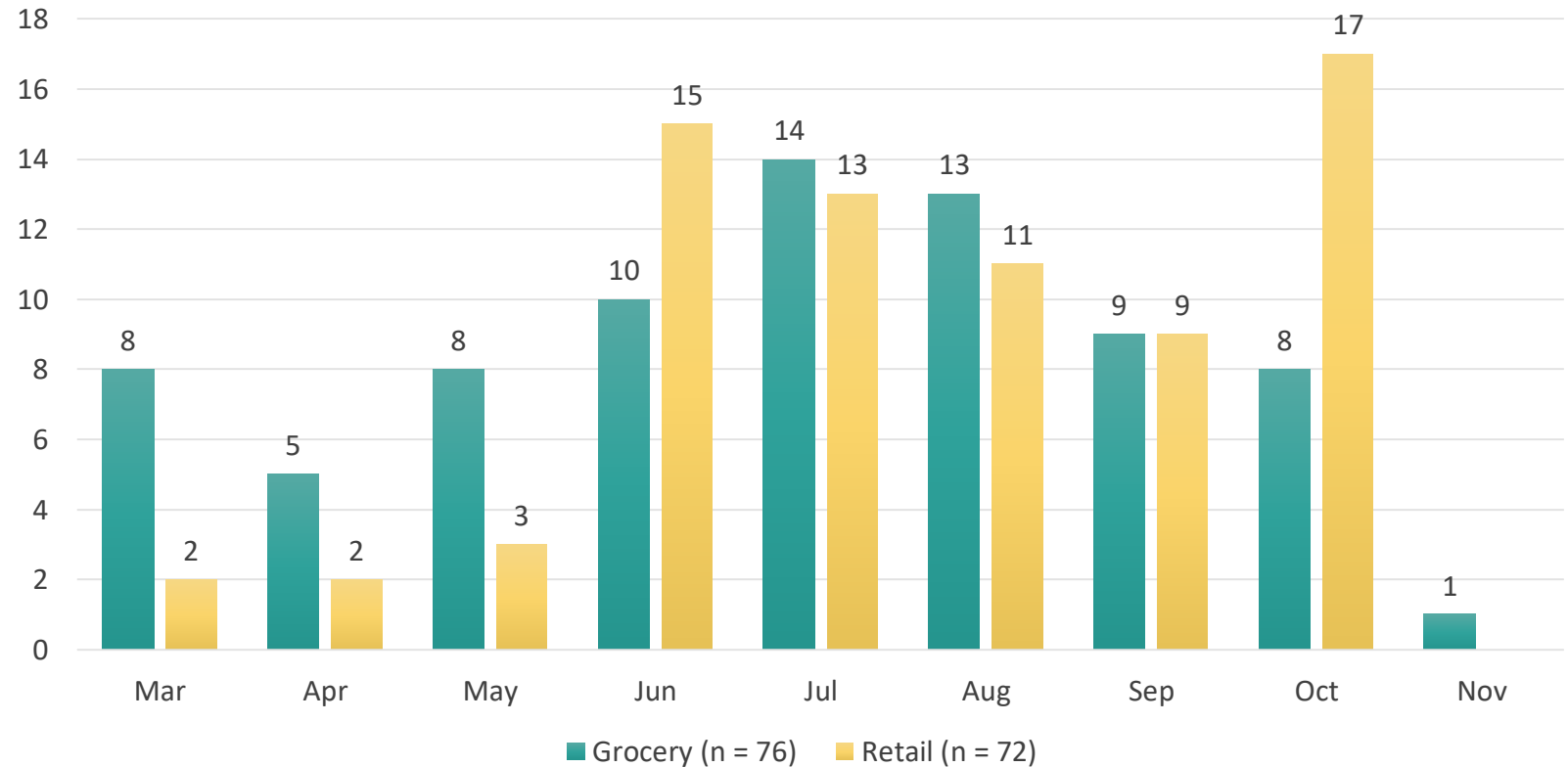
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- **There have been 76 grocery settings outbreaks reported to DOH**
- Grocery category is defined as
  - Establishments with NAICS codes for grocery stores, supermarkets, department stores, and warehouse super stores **AND**
  - Stayed open during the shut down on the premise of their ability to provide food & groceries to customers.
- Make up 5.2 % of the reported non-healthcare setting outbreak events and 2.8% of all reported outbreak events

<https://www.doh.wa.gov/Portals/1/Documents/1600/coronavirus/StatewideCOVID-19OutbreakReport.pdf>

# COVID-19 Outbreaks in Grocery & Retail Settings\*

- 305 linked cases to grocery outbreak events
  - Median = 3
  - Range: 2 - 29



\*Data reflect outbreaks reported to DOH since the beginning of the pandemic.  
Data may be incomplete

# Limitations

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- Limited outbreak reporting
  - Outbreaks may go unreported due to asymptomatic cases, lack of testing, etc.
- Customers are not typically considered in these outbreak investigations;
  - Investigations typically limited to staff
- Limited public health bandwidth to support data entry and case follow up

# Recent Research

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Workplace

ORIGINAL RESEARCH

## Association between SARS-CoV-2 infection, exposure risk and mental health among a cohort of essential retail workers in the USA

Fan-Yun Lan,<sup>1,2</sup> Christian Suharlim,<sup>3</sup> Stefanos N Kales,<sup>1,4</sup> Justin Yang <sup>1,5</sup>

<https://oem.bmj.com/content/early/2020/10/11/oemed-2020-106774>

### Key Findings

- Employees with direct customer exposure were more likely to test positive for SARS-CoV-2.
- The inability to practice social distancing consistently at work was a significant risk factor for anxiety and depression.
- Commuting to work by public transportation/shared rides was significantly associated with depressive state.



# Additional Resources

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## **DOH COVID-19 Workplace Safety Guidance**

<https://www.doh.wa.gov/Portals/1/Documents/5100/420-284-Guidance-NonHC-Workplace.pdf>

## **DOH COVID-19 Guidance for Food Workers & Food Establishments**

<https://www.doh.wa.gov/Portals/1/Documents/1600/coronavirus/FoodWorkerEstablishment.pdf>

## **DOH COVID-19 Guidelines for Grocery Stores**

<https://www.doh.wa.gov/Portals/1/Documents/1600/coronavirus/GroceryStores.pdf>

## **DOH Statewide COVID-19 Outbreak Report**

<https://www.doh.wa.gov/Portals/1/Documents/1600/coronavirus/StatewideCOVID-19OutbreakReport.pdf>

## **Safe Start Washington Reopening Guide**

<https://www.governor.wa.gov/sites/default/files/SafeStartPhasedReopening.pdf>

Questions?

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