

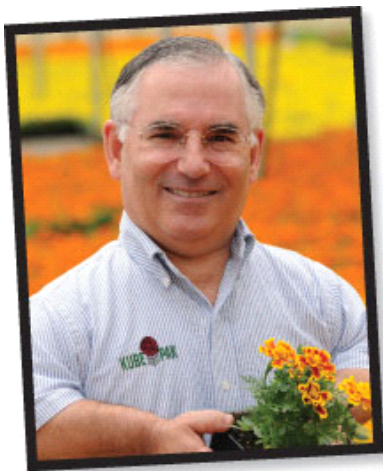
GROWERTALKS

Growers Talk Business

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Can You Afford to Pay the Minimum Wage?

Bill Swanekamp



BILL SWANEKAMP

As many of you know, on January 1, 2021, many states across the country raised their minimum wage. New Jersey was no exception. The minimum wage went from \$11.00 per hour in 2020 to \$12.00 per hour for 2021 and will increase each year by \$1.00 until 2024 when it will be \$15.00 per hour. Interestingly, agricultural workers have a lower minimum wage of \$10.44 for 2021 in New Jersey.

The question that begs to be asked is this: Can you afford to pay the higher minimum wage? That seems like the logical question, but in reality, the better question is: Can you afford not to pay the minimum wage or higher?

Let me illustrate: When the minimum wage was \$8.85 in 2019 in New Jersey, we were already starting new employees at \$12.00 per hour. Why would we do that? Primarily, we had no choice. Our competition isn't other greenhouses, but other businesses that were starting their new employees at \$14.00 to \$15.00 per hour. We have a brand-new Amazon warehouse five minutes from our greenhouses and they've been starting new employees at \$15.00 per hour for two years. That's our competition for labor.

But why would anyone want to work at Amazon when they can work in a greenhouse that grows beautiful plants? Well, we also have over 100F temperatures in the summer and fall, and we require people to work hard, such as lifting flats and pots all day. Sometimes that work has to be done outside in the direct sun over black weed barrier that makes it feel like 120F. Oh, I forgot to mention that much of our work is repetitious and requires rapid planting of URCs or fixing of plug trays. Another point I forgot to mention is that we also use pesticides in the greenhouse to control unwanted pests.

Now, at Amazon, you have to work hard as well, but the majority of the work is done in nicely heated and cooled warehouses. So, if you had a choice, where would you choose to work? Many are choosing to work at businesses like Amazon and not our industry. How do we know this? Five years ago, we would have a steady parade of new employees walking through the door filling out their applications. Today, we have very few applying for work.

Keep in mind that none of our employees make minimum wage. Someone who's been here for two years is making \$16.00 to \$22.00 per hour for mostly manual labor. Don't be shocked, but that's what we have to pay to keep talented employees. In addition, we offer health benefits as well. How can we stay in business and pay those

wages?

Two things are essential to pay that much and stay in business. One, we need to charge enough for our plants to make a reasonable profit. Not a great profit, but a reasonable one. To do this we must raise our prices each year as we raise our wages. Since payroll is the largest expense on our balance sheet, if our total labor costs per year go up by \$100,000 due to wage increases, then the net increase in our plants sales has to go up by at least that amount as well. Now, this increase cannot be from producing more plants, but from raising our prices on our existing production.

The second requirement to stay in business with higher wages is to track production costs from labor. Let's make a comparison between two employees: One employee is making \$20.00 per hour and another is making \$16.00 per hour. The employee making \$20.00 per hour is sticking 13.4 trays of URCs in 102s per hour, or about \$1.50 per tray. The other employee making \$16.00 per hour is sticking 6.5 trays per hour, or \$2.50 per tray. Even though we're paying \$4.00 more per hour for the higher paid employee, they're still producing that RC tray for \$1.00 per tray less. Over the course of the season, this adds up to tremendous savings.

So, the answer to the original question isn't so simple, but it is evident we cannot afford to pay the minimum wage. We need to pay more so we can attract reliable and dedicated workers, and this way, we can stay in business. **GT**

Bill Swanekamp is president of Kube-Pak Corp., Allentown, New Jersey.