

Written Testimony of Gianni Cracchiolo

Before the United States Senate Committee on Banking, Housing, and Urban Affairs

February 18, 2021

Chairman Brown, Ranking Member Toomey and distinguished members of the Senate Banking Committee. Thank you for the invitation to testify today.

I am Gianni Cracchiolo. My family owns Sal & Jerry's Bakery in New York. Sal and Jerry's Bakery is a retail and wholesale bakery that supplies the public and distributors with Italian cookies, pastries, and breads. My father and his cousin, emigrants from Italy, founded Sal & Jerry's Bakery in 1983 in the Bensonhurst section of Brooklyn. In 2012, we expanded our business by opening a second location on Long Island that primarily supplies to distributors.

Our bakery in Brooklyn was a staple in our community for nearly 40 years until we were, unfortunately, forced to close our doors in August of 2020. This bakery was our family's legacy, one filled with an entrepreneurial spirit, and rich with tradition, culture, and love. It was the quintessential American Dream for immigrants who came to this country to provide a better life for their families.

Minimum wage hikes and other state and federal regulations acted as a silent killer that slowly chipped away at revenue and caused our bakery in Brooklyn to perish. Covid-19 and the ensuing lockdowns were not the main cause of our closure but were the straw that broke the camel's back. Coronavirus should not be used as the scapegoat by policymakers to further ignore the fact that small businesses are vanishing in this country due to government regulations making it difficult to succeed.

The decline in growth and long-term viability of our bakery became evident during the first few years of minimum wage increases in New York. At our retail bakery, we had three tiers of wages for our workforce. The 1st tier was our night bakers, who got paid a premium for shift differential. The 2nd tier was day shift bakers, and the 3rd tier was general laborers. General laborers are product packers, retail counter service, and maintenance workers. These were individuals who typically consist of working students, entry-level employees and hourly staff. These individuals started at minimum wage as they began to learn the trade and advance in their roles. Internal mobility was always an option we encouraged our staff to pursue at Sal & Jerry's Bakery.

As Tier 3 minimum wage employees' pay increased by \$1.00 per fiscal year, wages began creeping up to the Tier 2 wages, and this was when the problem started. You cannot justify the fact that working high school students or entry-level employees with no prior experience should be making the same wages as the experienced staff. It is neither fair, nor ethical. As years passed, my Tier 2 workers began to take notice of the minimum wage increases and demanded more pay to compensate for their experience and skill. It was soon a domino effect when 1st Tier employees wanted raises. We found ourselves with our backs against a wall in a situation where all salaries needed to increase. This crippled us.

To put this into perspective, each year that the minimum wage increased \$1.00, payroll for the year went up \$40,000. Multiply that by the number of years it has gone up and we're now at \$120,000 total. This choke-hold was something that a small bakery could no longer withstand. I needed to make up for these increases and the only way to do so was to pass it onto our consumers. How much is someone willing to pay for a loaf of bread or a pound of cookies? At some point, people who are used to paying a certain price for a loaf of bread are going to start to complain, and that is exactly what they did. Our customers weighed their options and sought out their baked goods elsewhere.

Customers began to shop for their baked goods at supermarkets and large box stores like Target and Walmart. These stores offered lower quality versions of our products at a price point that customers were comfortable with. The corner bakery where they used to get their daily bread was now a luxury item only to be bought for special occasions and holidays. The big businesses benefited greatly from the minimum wage increases and continued to see their valuations explode. They garnered more customers, our customers, and replaced half of their minimum wage staff with electronic kiosks and part-time help. It was a win/win situation for big business.

The minimum wage increases continue to make it difficult for small businesses to retain their employees. On numerous occasions, I have had dishwashers walk out on us within the first two weeks of employment. A dish-washer is an entry-level steppingstone role for most restaurants, bakeries and food service businesses. It's not the most glamorous job, but someone has to do it. Let me ask you this... if you had a choice to work as a dishwasher and clean mixing bowls, pots, pans, trays, floors, etc for \$15/hr or work at a supermarket stocking shelves for the same wages, which would you choose? This goes for all entry-level jobs. All entry-level positions no matter what company you work for is now on an even playing field no matter how easy or hard the positions. For me to keep my head above water, I would have to pay them so well that they would stay. Meaning I would have to sell bread for \$20.00/loaf and hope to sell enough to cover payroll each week.

To add insult to injury, in 2020 the CARES Act provided additional unemployment incentives to our employees exceeding their regular pay. We essentially lost our entire staff from March until July, because employees were making more money staying at home claiming unemployment than coming into work. Even though we received nominal assistance from the Paycheck Protection Program (PPP), we called on our employees to return to work, yet they did not comply. The Economic Injury Disaster Loan (EIDL) assistance received did not even cover one month's expenses. It became impossible to retain my workforce, maintain productivity, and turn a profit. I had no choice but to close. The federal government, provided more to help for people to stay home rather than help businesses stay open.

Small businesses create about 80% of the jobs in this country. They are the backbone of America. If small businesses continue to close their doors, this country will be harmed economically.

Substantial minimum wage increases can be very damaging to small businesses and you must compare the margin of profit vs. corporate companies. Big businesses can afford these wage

increases, we cannot. Overall, 92% of small businesses oppose raising the minimum wage according to an NFIB member ballot, because this will result in unintended consequences like layoffs and bankruptcy. This will be the beginning of the end for entrepreneurs and start-ups and we could say goodbye to Main Street America as we know it.

Thank you for the opportunity to share our experience and I look forward to any questions.