



## **Get the Facts about Ralphs and Food 4 Less in California**

Ralphs and Food 4 Less, divisions of The Kroger Co., have made the difficult decision to close three of its 68 locations in the City of Los Angeles. The closures follow the Los Angeles City Council's mandate that requires a select group of employers to provide extra pay for frontline workers but not all companies who employ frontline workers. The mandate will add an additional \$20 million in operating costs over the next 120 days, making it financially unsustainable to continue operating the three underperforming locations. Despite our efforts to overcome the challenges we were already facing at these locations, the extra pay mandate makes it impossible to run a financially sustainable business that ensures our ability to continue serving the Los Angeles community at those three locations with reliable access to affordable, fresh groceries and other essentials. We are proud of our role as a leading employer in Los Angeles and remain committed to our dedicated associates on the frontlines serving in our 65 other area locations.

### **Ralphs and Food 4 Less remain committed to the Los Angeles Community and Southern California.**

While Ralphs and Food 4 Less have decided to close three locations in the City of Los Angeles, they will **continue to operate 65 Los Angeles area locations** while paying associates the mandated extra pay above the current total compensation of \$24/hour, which includes premium health care and stable pension benefits. Ralphs and Food 4 Less remain 100% committed to the Los Angeles community and Southern California.

### **California state and local governments, including LA City Council, should prioritize vaccinations – not arbitrary mandates for extra pay – to ensure frontline workers are protected.**

We stand ready to work with state and local governments, including the LA City Council, to prioritize vaccine distribution to frontline employees, like Kroger Co. associates, as quickly as possible. We are encouraging every associate to receive the vaccine, and even offering a \$100 payment after receiving your second dose. Prioritizing vaccinations – not arbitrary mandates for extra pay – is what will keep frontline workers protected.

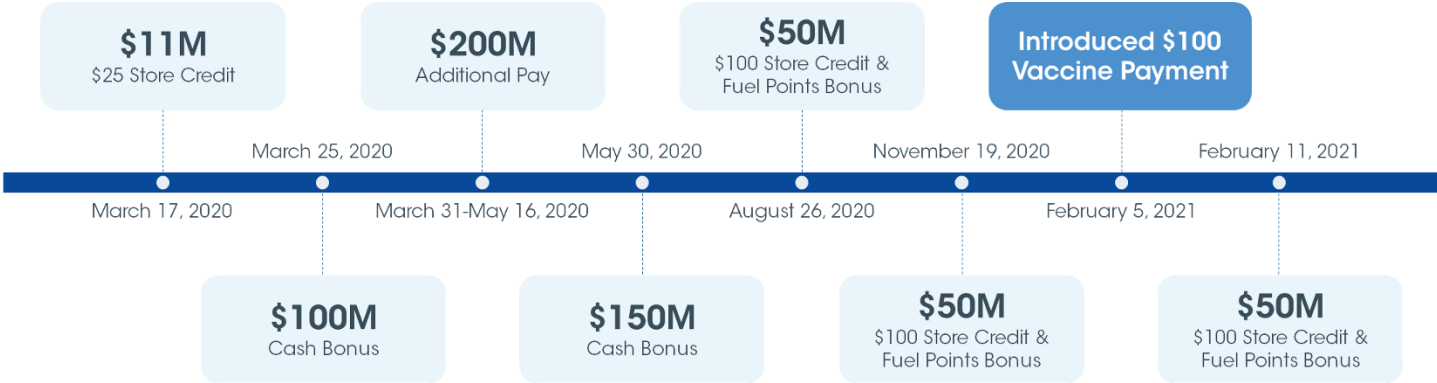
### **The LA City Council's own Economic Impact Report found that their \$5/hour Extra Pay mandate could increase labor costs, increase prices for consumers, delay wage increases for employees, and lead to store closures.**

The LA City Council would be best served by studying their own reports. Based on the city's \$15/hour minimum wage, the \$5 extra pay mandate would be a 33% salary increase that would apply to some, but not all, grocery store employees. This will add \$20 million to our operating costs, and makes it impossible to run a financially sustainable business.

**We have made significant investments in extra pay and other benefits to support our associates throughout the pandemic.**

Since the start of the pandemic, the Kroger Family of Companies, which includes Ralphs and Food 4 Less, has invested \$2.5 billion to both reward associates and implement dozens of safety measures that continue to be implemented today, including \$1 billion to better secure pensions. The company also continues to provide rewards for associates, including recently issuing [\\$50 million in rewards](#) to frontline associates.

**To recognize and thank our associates for their incredible work during this historic time, the Kroger family of companies continues to provide rewards for our frontline associates and established new paid emergency leave guidelines.**



**We have made significant investments to make stores safer for our associates and customers in Los Angeles.**

Our associates are indeed frontline heroes, making sure our communities have access to fresh food and other essentials. We've taken significant steps to protect our associates and customers, including:

- Providing free PPE daily to every associate, including masks and gloves.
- Performing enhanced daily sanitation practices, including cleaning commonly used areas more often like cashier stations, self-checkouts, credit card terminals, food service counters and shelves.
- Deep cleaning and sanitizing of the entire store by a third-party cleaner after any reported positive case.
- Installing partitions at check lanes, and pharmacy and Starbucks registers.
- Adding floor decals to promote physical distancing at check lanes and other counters.

- Adjusting store operating hours to allow more time for associates to rest, clean and replenish inventory.
- Continuing to expand pickup and delivery services and contactless payment solutions like Kroger Pay.
- Following more stringent local mandates, such as the 35% capacity limit as currently mandated by the Los Angeles County Department of Public Health.

**Economists say extra pay mandates could limit access to grocery stores for consumers, eliminate jobs and reduce hours for grocery workers.**

According to an economic analysis, extra pay proposals could also force grocers to reduce the number of workers or reduce worker hours by 22% to avoid store closures. This hurts the very grocery workers the proposals are intended to help.

**Grocery stores operate on razor-thin margins and extra pay mandates could put any struggling store in jeopardy.**

Each Ralphs and Food 4 Less store has its own Profit and Loss and must be financially sustainable. When stores underperform or incur significant losses, it could lead to higher prices, job reductions and less funding to support our communities. The Los Angeles City Council mandate that adds an additional \$20 million in operating costs will increase our store operating costs by an average of nearly 22%.

Labor costs for Ralphs and Food 4 Less stores equal 13% of total sales. To generate \$100 in grocery sales, Ralphs and Food 4 Less stores spend \$13 paying their workers. Ralphs and Food 4 Less stores must also purchase groceries, pay utilities, and purchase and maintain the necessary equipment to run the store. After covering all these costs, the average profit for a Ralphs and Food 4 Less store is around 2%. This means for every \$100 in grocery sales, the stores earn \$2.

Government-mandated extra pay proposals result in a 22% increase in costs. As a result, total expenses will increase by an average of 2% – essentially equal to their average profit.

# Where does the money go?

For every dollar in sales . . .



**The Los Angeles Extra Pay mandate picks winners and losers while ignoring the total compensation package Ralphs and Food 4 Less provides to its associates.**

The Los Angeles City Council has chosen to pick winners and losers among frontline workers and has excluded other mass retailers and many non-union competitors.

- Ralphs' and Food 4 Less' average hourly rate in Los Angeles is nearly \$18 an hour.
- Total compensation is \$24 an hour, including premium health care and stable pension benefits.

**Extra pay mandates could increase grocery costs for a family of four by \$400 per year at the worst possible time.**

According to a new [economic analysis](#), the extra pay proposals of \$5.00/hr. would increase grocery costs for the typical family of four by \$400 per year. Higher grocery costs would hurt Southern Californians at a time they are already struggling to put food on the table – and would be especially harmful to low-income, people of color, seniors and disadvantaged communities.

**Localities need to carefully study the potential harmful impacts on consumers, workers and our communities before rushing to make a decision.**

Communities should acknowledge the significant steps that grocers have taken to protect workers, and boost their pay and benefits before implementing rigid, duplicative pay mandates. These proposals also ignore the total compensation package provided to many grocery workers, which includes strong health care coverage and reliable pension plans. Some localities are rushing to implement these mandates without a complete analysis of their costs, impact to families and communities, and input from businesses. Communities must take the time to do research and understand potential impacts before rushing to a decision that could do far more harm than good.

**The three affected stores in Los Angeles will remain open for 60 days until the closure is completed on May 9.**

Ralphs and Food 4 Less are providing the mandated extra pay to all associates, including those in the three locations scheduled to close as well as the other 65 stores in Los Angeles. Store representatives will meet with each impacted associate individually to help them with this transition and will comply with any contractual commitments and consider any transfer requests.