



Support Voluntary Employer-Based Paid Leave Benefits

“One-Size Fits All” Mandates Do Not Work for Small Businesses

POSITION: Hospitality Minnesota supports allowing small businesses to maintain flexibility in providing competitive paid leave benefits packages to employees. While we believe the goal of providing the best possible benefits to all workers—including paid leave—is laudable, a one-size-fits-all mandate does not work for our small business operators. A better approach would be for the government to work collaboratively with small businesses to find ways to provide incentives and support so that small businesses are able to afford such programs.

Hospitality employers value their employees immensely. Many of our members provide paid leave benefits and/or other benefits such as health care coverage, free or reduced meals, employee wellness programs, etc. These practices are becoming more common as businesses compete to recruit and retain great employees. Even so, many small hospitality businesses operate on *extremely thin margins*. The average margin for restaurants is 2-5%, compared to 10% in other industries. (It is widely reported that up to 60% of restaurants do not survive their first year, and 80% do not survive year five). It should take all of our collective effort to help small businesses grow more jobs and be successful in Minnesota. Although small businesses want to do the right thing to support their employees, the financial burden is significant, and many can simply not afford to offer more paid benefits at this time.

Flexibility. Flexibility is a key requirement for both employers and staff in the hospitality industry. Some businesses have sharp operational peaks and make extensive use of part-time, seasonal and international workers. Some businesses employ high-school and college-aged students working part time. Some employ adults working full time to support themselves and adults working one to two shifts per week for extra spending money. It is common practice in this industry for employees to trade shifts when an illness or other reason precludes them from working.

Cumulative Effect. The cumulative effect of rising wages, skyrocketing health care and other costs, and the increasing number of regulations are squeezing hospitality businesses. We see evidence of that in the number of recent publicized closures. Given the thin operating margins, these forces are especially pronounced for small hospitality businesses. This is why proposals to increase the payroll tax by 1% have the potential to push a small business to closure as other costs also increase.

The federal government and other states have paid leave programs that recognize the delicate nature of small business survival. For instance, the federal FMLA exempts employers with less than 50 employees as does Connecticut's paid sick leave program. Other states have passed paid leave programs that rely upon workers to pay for all or the majority of their premium. These policymakers recognize the critical tipping point that many small businesses face.

SUPPORTING STATEMENTS: Hospitality Minnesota favors an "opt-in" approach to create a workable paid leave program and the State of Minnesota should work collaboratively to support small businesses by allowing them to maintain flexibility in offering volunteer paid leave benefits to their employees. Under these principles, the government could either choose to do nothing and allow market forces to dictate paid leave benefit expansion or play an active role by incentivizing businesses. If the government determines that it's in the public interest to expand *employer*-based paid leave, it should develop business incentives, such as tax credits or other expense management tools that will help small businesses afford to offer paid leave benefits, while still remaining viable in the marketplace.

For more information contact:

Ben Wogslund, Executive Vice President
Hospitality Minnesota | Government Relations
(651) 925-4022 | ben@hospitalitymn.com

Version Date: February 7, 2022