



April 13, 2021

Dear Members of the Minnesota House Ways and Means Committee:

On behalf of the Minnesota Chamber of Commerce representing more than 6,300 businesses – and more than half a million employees throughout Minnesota, we respectfully ask that you vote “no” on both HF 1670 (Rep. Ecklund), the House Labor, Industry, and Bureau of Mediation Services Omnibus Bill, and HF 1342 (Rep. Noor), the House Workforce and Business Development Finance and Policy Omnibus bill, which will be combined during today’s hearing.

COVID-19 has had wide-ranging economic, business, and social impacts. The pandemic has resulted in an historic worldwide economic downturn due to actions taken to slow the spread of the virus including businesses closures and stay at home orders. Businesses have been severely impacted: Many were forced to close completely; others experienced a tremendous drop in revenues, supplier challenges, changes in workforce protocols, and loss of customers. This is not simply a personal loss for business owners. This is a loss to the employees, their communities, the local governments, and the state, in terms of commercial and economic activity.

Re-opening the economy and managing the continued economic fallout due to the pandemic is one of the top concerns of Minnesota businesses. We have emphasized the importance of a “do no harm” approach this session so that additional cost burdens and mandates are not placed on employers who are doing their best to keep their doors open and Minnesotans employed.

Instead of reducing costs or making it easier for businesses to remain viable – let alone grow – HF 1670 and HF 1342 take the opposite approach.

Workplace Management

Employers currently must adhere to a strict set of labor laws and workplace standards in order to maintain safe, healthy, respectful and inclusive workplaces. Within the current regulatory regime, employers must have the autonomy to make staffing decisions and provide wages, benefits and schedules that are appropriate for their workplace and responsive to workplace needs. Throughout this legislative session, the Chamber has testified in opposition to the standalone pieces of legislation that are now included in this omnibus package. To reiterate those concerns below:

- The paid family and medical leave provisions in HF 1342 Article 4 and Article 5 (HF 1200 – Rep. Richardson) place a new payroll tax on every employer to create a broad new state-run insurance program that will collectively cost the Minnesota business community \$2.2 billion over the next three years. This cost is much greater than a “cup of coffee.” In addition to the direct cost on employers, the proposal will, conservatively, take years of development and hundreds of state FTEs to start, implement, and administrate at a time when state agencies are completely overleveraged due to the COVID-19 pandemic. This proposal creates a mechanism for an employee to be away from their job for up to 24 weeks each year – that’s 44% of a working year.
- The provisions of HF 1670 Article 5 (HF 39 – Rep. Carlson) impose an onerous and unworkable hiring process on certain employers by requiring them to offer employees who were laid-off due to the pandemic – some who may have had limited attachment to their workplace and for staffing decisions

that could have been made over a year ago - information about available job positions for which they qualify, and to rehire from employees based on a preference system of qualifications and seniority.

- The paid sick and safe time provisions in HF 1670 Article 3 and Article 4 (HF 7 – Rep. L. Olson) and Article 6 (HF 41 – Rep. Frazier) mandate that employers offer fully paid time off in a specific format, for an expanded set of familial persons, for an expanded list of qualifying events – and in some instances apply retroactively. The provisions require employers to maintain specific records, in a specific format – or risk significant fines and liabilities - for a set of benefits that a majority of employers are already offering their employees in some form. This proposal is different than paid sick and safe time ordinances adopted in Minneapolis, St. Paul, and Duluth, further complicating compliance and increasing costs for businesses who operate in those locations as these local ordinances are not preempted, creating a patchwork of sick and safe time mandates within Minnesota.

Cost, compliance and operational impacts of mandates such as the ones being considered– both specifically mentioned above and also found in HF 1670 Article 2 (Section 9, Section 10, and Section 11 – HF 357 Rep. Koegel) and HF 1670 Article 7 (HF 800 – Rep. Wolgamott) - put pressure on employers, particularly small employers. Increased costs further limit resources available for employee compensation, other employer provided benefits, job growth, and expansion in Minnesota.

In addition to these workplace mandates, we also oppose the provisions of HF 1670 Article 2 Section 12 (HF 984 - Rep. Lislegard) that would require outside contractors working at “oil refineries in Minnesota” to have apprenticeship-level training. Broadly speaking, our members utilize and employ both union and non-union workforces. Ultimately, a company’s workforce decisions are based a variety of factors such as needs: site specific needs, location, employee qualifications, special skill sets, safety requirements, and technological capabilities, among others. Businesses must be able to continue to have that discretion. There is no specific safety incident or issue that this legislation is seeking to resolve. Nor is it clear where exactly Minnesota’s laws and standards are deficient.

Unemployment Insurance

The various expansions to Minnesota’s unemployment insurance program in HF 1342 Article 6 place new cost burdens on the state’s precarious Unemployment Insurance Trust Fund which is currently facing over a \$1.3 billion deficit. The UI Trust Fund is financed through state payroll taxes imposed on Minnesota’s employers on a per-employee basis. Due to the impact of the COVID-19 pandemic on unemployment, these taxes are already expected to steeply increase in the coming years in order to replenish the fund.

The state’s unemployment insurance policy should be a partnership with, not only at the expense of, employers, and should not disincentivize a prompt return to work. Any proposal that will further impact the unemployment insurance fund – and further increase the tax burden on Minnesota’s employers - should not be considered at this time. Penalizing employers with additional increased unemployment insurance taxes will disincentive hiring and slow economic recovery.

Workforce Development

We appreciate the work of House members over the past several months to discuss the future needs of workforce development in our state. One of the great strengths of Minnesota’s economy is our talented and reliable workforce. Today, with record unemployment, particularly within communities of color, the

immediate needs of a post-COVID-19 crisis response – rapid rehiring, nimble retraining and swift upskilling – must be at the forefront of workforce development discussions.

While we appreciate the intent behind HF 1342’s vision for the future of workforce development – and in fact share many of the stated objectives - we are concerned by the rushed nature of the reforms contained in these provisions when employers are understandably focused on economic recovery. More analysis of the changes and stakeholder feedback is necessary to understand the implications. We look forward to working with both the committee and the Department of Employment and Economic Development as part of this process.

In a time of economic recovery, the Minnesota Chamber supports a "do no harm" approach that limits additional cost burdens, mandates, and operational restrictions on employers who are doing their best to keep their doors open and Minnesotans employed. **Because these bills would impede Minnesota’s business competitiveness and recovery, we respectfully encourage a “no” vote on both HF 1670 and HF 1342.**

Sincerely,

Lauryn Schothorst

Director, Workplace Management and Workforce Development Policy