



April 7, 2021

Dear Members of the Minnesota House Workforce and Business Development Finance and Policy 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 HF 1342 (Rep. Noor) as amended to be the House Workforce and Business Development Finance and Policy Omnibus bill.

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 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. A “do no harm” approach is critically important 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.

Policymakers have dual responsibilities of simultaneously supporting private sector economic recovery and looking ahead to Minnesota’s long-term economic growth. Two clear economic imperatives now stand before us: We must stabilize at-risk businesses and take strategic actions to accelerate recovery in the short term; and, we should avoid additional restrictions on business operations and imposition of increased costs to help set up our economy for long-term success.

That is why we are particularly troubled that instead of reducing costs or making it easier for businesses to remain viable – let alone grow – HF 1342 takes the opposite approach. Already in Minnesota the cost burdens on our businesses – especially taxes, mandates, and regulations – are among the highest in the country. We are less competitive because costs of doing business here are higher than many other states and this proposal increases those burdens.

Paid family and medical leave mandate

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 paid family and medical leave mandate now included in this omnibus package. To reiterate those concerns below:

The paid family and medical leave provisions 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. 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.

This cost is much greater than a “cup of coffee.” Cost, compliance and operational impacts of mandates put pressure on employers, particularly small employers who have been disproportionately harmed in the pandemic.

Increased costs further limit resources available for employee compensation, other employer provided benefits, job growth, and expansion in Minnesota.

Unemployment Insurance

The various expansions to Minnesota's unemployment insurance program 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.

To enhance the state's global economic competitiveness and ensure our economic recovery, now – more than ever - there must be a strong alignment of education and workforce development with employer needs. Too often, publicly-funded workforce programs are difficult for employers to utilize. Therefore, we support initiatives to increase employer engagement in the training of workers in addition to supporting policies that ensure student and career readiness.

Workforce programs also need to more closely track and adapt to changes in the labor market and align with the state's economic needs. Access to work-based learning and career pathway resources should be expanded with data-driven efforts detailing workforce supply and demand projections, along with tracking the outcomes of workforce programs including projected shortage areas, high growth employment sectors, and significant skills gaps by industry sector.

While we appreciate the intent behind the proposal'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 at a time during a time when employers are 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 this bill would impede Minnesota's business competitiveness and recovery, we respectfully encourage a "no" vote on HF 1342.**

Sincerely,

Lauryn Schothorst

Director, Workplace Management and Workforce Development Policy