



March 22, 2015

The Honorable Curren D. Price, Jr.
Chair of the Economic Development Committee
City of Los Angeles
200 N. Spring St.
Los Angeles, CA 90012

RE: CF 14-1371 - FOLLOW-UP POLICY ELEMENTS FOR A CITYWIDE MINIMUM WAGE

Dear Chairman Price and Economic Development Committee Members,

On behalf of the members of the California Restaurant Association (CRA), I am writing to express our concerns regarding the City process and policy issues related to your consideration of the follow-up policy elements for a citywide minimum wage (CF 14-1371).

CITY OF LOS ANGELES PROCESS

The joint Chief Legislative Analyst and City Administrative Officer report, titled “Follow-up policy elements for a Citywide Minimum Wage” was only made available to the public late Friday, March 18th, and will be considered by the Economic Development Committee on Tuesday, March 22nd. This rushed process has provided the restaurant industry essentially one business day to review the recommendations and little opportunity to understand the potential impacts on our industry or discuss with our members.

Throughout the minimum wage discussions in the City, your committee led the effort to create a public dialogue and include the business industry and so it is incredibly disappointing to see important policy decisions like this one being rushed through without thorough evaluation of the potential impact on restaurants in Los Angeles. The CRA respectfully requests that you continue this item and afford the restaurant industry the time and opportunity to be a part of the discussion.



THE POTENTIAL IMPACT ON THE RESTAURANT INDUSTRY – ELIMINATING JOBS

The restaurant industry is the second largest private sector job creator in the state, and the vast majority of restaurants are small businesses. An additional paid sick leave mandate will have a disproportionate negative impact on these small restaurants because many do not have the resources to deal with the cost of complying.

Like any mandated benefit, paid sick leave effectively increases the overall compensation package of employees. Often, when one form of compensation becomes more expensive, employers are forced to offset this newly added cost.

The proposed paid sick leave increase comes on the heels of the state's largest increase in the minimum wage and the City's new minimum wage, which is drastically higher and has no mitigating measures included. There are numerous other cumulative costs the restaurant community is already facing including increased taxes under Proposition 30, increases in worker's compensation rates, increases in federal unemployment insurance taxes, increased energy costs, and new costs associated with compliance with the Affordable Healthcare Act.

Los Angeles restaurants cannot absorb all of these costs and provide additional paid sick leave as well, without cutting other costs. One of the few costs restaurant operators have control of is the cost of labor.

RESTAURANT EMPLOYMENT IS UNIQUE AND REQUIRES DIFFERENT TREATMENT

The restaurant industry is highly labor intensive and many restaurant employees are young part-time workers that create their own work schedules around school or other commitments. It will be extremely difficult for employers to administer and afford paid leave for so many part-time workers. One of the benefits of working in the restaurant industry is the flexibility of working shorter shifts, the ability to customize one's work schedule from week to week and easily trade shifts with other workers when ill or needing to meet other commitments.

A traditional employer will hire someone to be the sole employee responsible for a job or task. If that person gets sick, the employer would provide sick leave to maintain the health of other employees at the workplace and the sick employee's role will remain vacant during their illness. This is not the case in the restaurant industry.

Unlike a traditional employer, in a restaurant, when an employee is not able to work a shift, that shift must be filled by another employee for the restaurant to function efficiently. This means that a restaurant owner is not only providing paid time-off to the employee unable to work but also paying



another employee to work as their replacement. In reality, a paid time off mandate requires the restaurant industry to pay double wages for the labor of one employee. In an industry where the profit margin is already thin, this could potentially put small restaurants out of business.

STATE SICK LEAVE LAW

On July 1, 2015, the State of California implemented a new law mandating that all employers provide three days of paid sick leave to all employees. There are no exceptions of any kind.

The (CRA) is opposed to any additional mandates for paid sick leave. The new state law requires employers to provide paid sick leave to all employees to be accrued at a rate of 1 hour for every 30 hours worked which could be used after the 90th day of employment. Pursuant to AB 1522, any unused sick leave accrued in the preceding year could be carried over to the next year, which is a significant change in existing law. While many employers voluntarily offer sick leave for full-time employees, the new state law expands this to all employees including temporary, seasonal, and part-time employees, which has created a huge challenge for the restaurant community.

The restaurant industry is still working to absorb the costs of the state sick leave and the impact on their unique work schedules. For example, under the State law an employees that typically work 4 – 6 hours shifts can actually take up to 6 days of sick leave, and again this means the restaurant owner is paying the sick employee as well as the other employee filling their shift.

For all of these reasons, the CRA is opposed to any new additional citywide paid sick leave requirements. We are just beginning to see the difficulties of implementing the State law and have not yet fully analyzed the economic impact on our industry. We ask that you consider this before going beyond the State with an even more aggressive paid sick leave mandate, and recognize the unique situation and potential disproportionate impact on the LA restaurant community

Sincerely,



Matthew Sutton
Vice President, Government Affairs + Public Policy

