



June 18, 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: Proposed paid sick leave ordinance

Dear Chairman Price and Economic Development Committee Members,

On July 1, 2015, the State of California will be under 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 California Restaurant Association (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 will create a huge challenge for the restaurant community.

PART-TIME WORKFORCE

The restaurant industry is highly labor intensive and a majority of restaurant employees are either part-time or seasonal. It will be very difficult for employers to afford and administer a paid leave benefit to so many part-time workers. One of the benefits of working in the restaurant industry is the ability to customize one's work schedule/shifts from week to week.

A traditional employer will hire someone to be the sole employee responsible for a task. If that person gets sick, the employer will usually elect to provide sick leave to maintain the health of other employees at the workplace and elect not to find a one-day replacement for that particular job.

Unlike a traditional employer, in the restaurant or service community, whether or not an employee shows up does not change the manpower needed for the day. An employer is now forced to provide paid-time off for one employee, as well as the wages for the replacement employee that is called in to perform the job. This means paying double wages for the manpower of only one employee, which will be incredibly challenging to thin profit margin businesses.

SMALL BUSINESS + 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 by lowering other aspects of a compensation package.

The proposed paid sick leave ordinance comes on the heels of the state's largest increase in the minimum wage ever. In addition to this 25% increase in the minimum wage at the state level, the City's new minimum wage is drastically higher and has no mitigating measures included. The other cumulative costs the restaurant community is already facing include increased taxes under Proposition 30, continued 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 be forced to 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.

These jobs help individuals gain critical experience for growth in business and entrepreneurship, provide part-time and flexible work hours for families and students and offer entry level employees skills training and benefits.

For these reasons and others, the CRA is opposed to any new additional citywide paid sick leave requirements. The state law should be allowed to take full effect and the economic impacts should be analyzed thoroughly before layering on any new paid sick leave mandates, particularly after the very aggressive citywide minimum wage increases that provided no mitigating measures and will disproportionately impact the LA restaurant community.

Sincerely,



Matthew Sutton
Vice President, Government Affairs + Public Policy

