



United States
Joint Economic Committee

**“Help Wanted: A Stronger Labor Market
for Robust Growth”**

**October 27, 2021
2:30 P.M.**

Testimony of Daniel Swenson-Klatt
Owner
Butter Bakery Cafe
Minneapolis, MN

Chairman Beyer, Senator Lee, and Members of the Joint Economic Committee:

Thank you for the opportunity to speak before you today and to share my experiences as a small business owner and a longtime member of Main Street Alliance, a national network of small businesses. I have owned and operated Butter Bakery Cafe in Southwest Minneapolis for the past 16 years. We opened in 2006 as a bakery-centered cafe partnering with a housing program to provide supportive internships. We currently employ a staff of 18 part-time and full-time workers.

I would also like to take a moment to recognize my home-state senator, Senator Klobuchar, and thank her for steadfast support of small businesses like mine through her leadership on issues such as child care, health care, antitrust enforcement, and entrepreneurship.

The history of my business ownership includes times of recession, a move to a new location, major disruptions due to road construction, a pandemic, and civil upheaval in the face of racial and economic disparities. That I'm still operating feels like a monumental accomplishment and a testament to my staff and community's support. I would also like to note that pandemic federal assistance in the form of an SBA Economic Injury Disaster Loan, which arrived within weeks of my application, was a business-saver. .

As a single owner/operator of an 18-person staff, just maintaining a crew this size is a full-time-hat I wear. We had 21 employees before the pandemic, dropped to a low of 12, and have worked our way back up to 18. This has been by far the most difficult year for me in terms of hiring and retaining in order to have my business be fully open again. I've always had success hiring for the long term, with five employees on payroll for over 5 years. However, since COVID, I've had 38 different employees over the past two years, and am now willing to hire staff even for just one day a week. The commitment level is far different today in this environment. Not surprisingly, our revenue was down as much as 40% during the pandemic.

I pride myself on operating a business for good, meaning I attract workers by offering a fair wage, a healthy workplace, and a mission to serve its community. By choosing to offer a full wage to staff who would customarily live off the unstable system of tipping, I get the investment of workers who stay with me for several years and help build a culture that reinforces stability. This model also helps me -- I spend less time on hiring, training and filling gaps in our staffing schedule. It's good business. And it has been working.

However, during the past year and a half, the model for my restaurant has been turned upside down. Many of the obstacles and barriers small business owners have always struggled with have now grown to a point of serious harm to our businesses. Where, in the past, I could use a bit out of my own pocket to get around a barrier for a staff person, the size and scope of these obstacles have exceeded my capacity with non-wage compensation costs of over \$45,000 during 2020 alone. Without the strategic and generous support of my city, county, state and federal government these past 18 months, I am certain that I would

have closed, and sadly, I know many other small business owners who didn't receive the same level of support and were forced to shut their doors.

My small business is still struggling. And as I look to recover, rebuild, and yes, even to grow my business, I am in a difficult position. Although I have working capital on hand, it is in the form of a large debt. If used well, it might be able to be paid off through the growth of my business. However, the uncertainty, division, rancor, and risks ahead cause me to worry -- even after all I've overcome.

We're facing challenges hiring workers that feel very different from what I've experienced in the past, and I worry that current trends may not shift without some very strategic investments from our government, which frankly has much bigger pockets than I do.

My applicant pool is severely limited by access and affordability to high-quality child care. I need a level playing field to allow employees with children who'd love to work in customer service settings be able to afford and easily access a child care center or family child care program. But as things stand now, those staff members with children work limited hours.

My staff need access to affordable housing in order to be stable workers. The current development market is so skewed to serving corporate-salary workers that we just don't have the options for providing housing that would serve the workforce of small business owners.

My staff need access to reliable, affordable transit so I don't have to limit my hiring options to those who I trust can walk to work. I struggle more times than I'd like to admit with staff whose transportation options don't come through, forcing me to reduce my services, change my personal plans, and burden other staff.

My staff need a way to take time off for health and personal reasons that doesn't put my business or their job at jeopardy. I'm willing to contribute my part as an employer -- just like I do when supporting the unemployed, an injured worker, or a retired worker -- to allow my staff leave time when needed. But my personal budget does not always allow me to pay staff for time away to begin a family, deal with a health crisis, or just get to a safe place in times of danger, and as such I have had to pick-and-choose who and when I can help. Sadly this has left some staff without support when my business just didn't have the resources on hand. These events are the type of thing that my staff can schedule, and I can't budget for them. A paid leave program would give us the support we need to remain strong as businesses and hold on to our valuable workers.

In the past few years, I've had two staff members take three weeks of paternity leave. One had been working with me for nearly two years as a baker when he took about 3 weeks away with his new child. He had one week of PTO saved up, so I paid the other two weeks at his full pay. I knew it would help them out and I was afraid to lose him and have to train in a new staff person (which takes much longer than 3

weeks). Of course I deferred my salary to help him afford to be home for this event; and I trained and paid another person to fill his hours and cover this part of our business. It is the way it is and it is difficult. But he's now back, happy and invested in doing well for me and his family.

That is time I wanted them to take to bond with their new babies. It was the right thing to do, and it will help me retain valuable staff members in this tight labor market we are in. However, it cost me thousands of dollars to do so. My commitment to my staff means that I do pay for leave time out of my own pocket, at a huge expense to my business and myself personally. And the leave I could offer was haphazard, limited, and not sustainable in the long run. It also meant I couldn't support other staff during that time -- a system that creates winners and losers is not family friendly.

Fortunately, the emergency paid leave program established through the Families First Coronavirus Response Act (FFCFRA) became available when I simply ran out of other options -- it provided an opportunity for my employees to take time away AND return to work during the pandemic. School and child care center closings, personal health issues, and of course employees testing positive for COVID were some of the reasons that necessitated paid leave. I have 4 employees with children, and they've used the program for child care. Two workers had underlying health conditions that made being in the shop challenging; we've given them extra time away as best we can. We have reasonably generous PTO, but this didn't come close to the leave we need right now.

My staff also need training opportunities, affordable, appropriate health care, access to affordable high-quality food, and a safe community -- that's a lot more hats for me to wear.

As a small business owner committed to high values and a healthy workplace, creating a competitive benefit package is difficult to do within a pricing structure that keeps my food affordable for my customers.

With so many challenges resulting from this pandemic, bold and compassionate investments at all government levels will give me and my staff the support we need to return to work and will help me remain competitive so that I can grow my business once again.

Thank you again for the chance to share my story with you. I am happy to answer any questions you may have.