



U.S. House Committee on Education and Labor  
Workforce Protections Subcommittee

**“Standing Up for Workers:  
Preventing Wage Theft and Recovering Stolen Wages”**

**May 11, 2022  
10:15 A.M.**

Testimony of Daniel Swenson-Klatt  
Owner  
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Chairwoman Adams, Ranking Member Keller, and members of the Subcommittee:

Thank you for allowing me the opportunity to address you today. My name is Daniel Swenson-Klatt, I have owned and operated Butter Bakery Cafe for the past 16 years in Minneapolis, MN. I am also here on behalf of Main Street Alliance, a national network of small businesses working to build people-centered, community-focused local economies.

In my ideal world, fair wage laws wouldn't be necessary. What If instead we valued everyone fairly for their labor, providing each person with what they need in order to help them thrive. Sadly, that is not the history of our country and doesn't actually ring true to the ideals of our country's founding. As a result, there has been a long and continual process of undoing those harms and righting the wrongs. The Fair Labor laws developed over many years are one way of moving closer to those goals.

I applaud the current efforts to address wage theft so that we can better achieve our ideals by compensating all workers fairly. This philosophy has been at the core of my business since we opened and continues to provide the transparent base needed for our successful employee-employer relationships.

I learned by doing. In my first job out of college, I was the sole employee of a small non-profit community center in Baltimore. While I had held jobs before as an employee, I quickly needed to understand what it meant to also be an employer. I learned about payroll reporting and payroll taxes. I learned to decipher IRS letters (mostly) and built patience waiting to speak with representatives. Fortunately, I was given a great mentor who walked me through much of this and taught me the basics of accounting. Those lessons stayed with me over the years as I worked in public and charter schools, churches, non-profits, in self-employment, and finally now as a for-profit business owner. I wish that back in the mid-1980s, the technology available to me now had existed then, making preparing payroll on your own accessible even if you don't use a payroll service.

I am still learning and I recognize that the complexity of payroll can at times be baffling and frustrating. I still make mistakes. I still wish I knew more. However, the underlying vision of fair compensation for labor continues to be my overall goal and so I persist.

The process of hiring staff, setting up payroll, and retaining staff through fair labor practices is not just fundamental for business owners like me, it's the reason we continue to exist. The benefits of providing clear rules and policies far outweigh the effort to create them. With technical assistance available in so many forms and willing mentors in all industries, it is a business owner's choice to not play fair. As someone who chooses to play by the rules, I lose out to the business owners who bend rules, and use their power and privilege to carry on the harms of the past. When I price my products fairly to represent the true cost of labor, these get questioned by lower prices elsewhere. Mostly this reflects an undervaluing of labor by others rather than my own personal profit motive.

For the record, my business model was never designed to create a high profit venture. We've used a social benefit model for many years and really only ever intend our budgeting

to be break-even after community benefits are distributed. As a small restaurant, we chose to move away from a tipped model of compensation to pay a fair, stable wage for all of our staff. Within the restaurant industry, traffic patterns, menu prices, scheduling games, and hierarchies all play into an employee's actual overall compensation. Add the layers of gender, age and race-based biases and it's standard practice that two employees working the same job position can have vastly different compensation rates even if their overall work experience levels are the same.

As a staff, we decided to deal with this systemic inequity by moving to pay staff a fair wage for a set of scheduled hours based on their experience level and training. We choose to treat each other as professionals. My staff appreciate the ability to know what they'll make if they come to work, and not worry about the weather, the number of others they'd share tips with, or the whims of a customer. It has been easy for me to find and keep staff these past five years, with our current staff averaging nearly three years of employment with us. Seven of our 20 staff have over four years of experience.

One of the missing pieces of my employment efforts was an Employee Notice, which I had covered through a working agreement that the employee and I signed. Then during 2018-19 I had the opportunity of serving on Minneapolis' Workforce Advisory Committee which worked to craft a minimum wage ordinance and a wage theft ordinance. A key component of the wage theft ordinance was the Employee Notice which would spell out the terms and condition of employment for every staff member. We worked to modify a state template for our city and it became an easy form to complete each time I went through the hiring process.

During our research on wage theft, one of the stories that bothered me the most was that large corporate chains were willing to encourage wage theft practices knowing that in nearly all states, the restitution was limited to the federal minimum wage. Because that wage is lower than most state levels they would come out ahead even when they were caught and lost the battle. On a large scale, that's a profitable practice that hurts small businesses like mine by creating an unfair playing field in a competitive market.

It is a great process of education for my staff members to be provided with the Notice, as it gives them a sense of agency in their role as an employee. My workers appreciate the openness and transparency of an Employee Notice for hire. They appreciate a clearly spelled out policy for wages and payroll processes. They appreciate equally clear policies for benefits, supports, and limits to what is available. To promise more without the intention of providing it only breeds resentment.

It saddens me to hear the stories of staff who wish that a previous employer had provided more information about their employment and the payroll process. I build payroll education into my onboarding process to help these new employees feel more comfortable with reading their paystub, or understanding payroll taxes, or how earned time off accumulates and can be put to use.

I recognize there is great benefit in tightening labor laws regarding wage theft, so that small businesses can fairly compete with larger corporations. Doing so will help protect those of

us seeking to do the right thing from being hurt by the bad actors in our industries. The tasks of hiring and setting up payroll should include a straightforward, clearly defined set of parameters to describe one's employment. This isn't a burden, it's simply a necessary task. Your efforts to help define what that notice should include is helpful for both employee and employer, not harmful.

Thank you for continuing the effort to undo the harms of the past and work with the small business community to build a sustainable economy that builds vibrant neighborhoods and communities across this country. I am happy to answer any questions you may have.