

**Testimony Submitted by Jan Marie Chesterton, President
New York State Hospitality & Tourism Association**

**New York State Department of Labor
2014 Wage Board Public Hearing**

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My name is Jan Marie Chesterton, President of the New York State Hospitality & Tourism Association, and also the Administrator of the Tourism Industry Coalition of New York State. I'd like to thank the members of the Wage Board for allowing me to testify today, specifically as it relates to the minimum wage, as applied to tipped employees.

The New York State Hospitality & Tourism Association (NYSH&TA) is the oldest lodging Association in the country - founded in Saratoga Springs in 1887. We have nearly 1,300 member businesses in the lodging and attractions industry, and we currently represent 70% of the total lodging room inventory in the State. The tourism industry in New York State is unparalleled; it's a combination of creating and maintaining jobs, as well as providing the State with a return on its investment, like no other industry can offer. Tourism is a part of each region of the State, providing employment at all levels, from management to entry level.

Throughout these series of hearings you have heard from the hotel industry across the state, and we remain one voice that believes the current cash wage, for our service and food workers, strikes a fair balance for employers and employees, allowing for the guests at our businesses, the best in customer service, and experience.

Tipped workers are paid a required base cash rate, and their tips, when added to that base, must equal or exceed the current minimum wage of \$8.00 per hour. Based on industry averages, this cash wage is well over the statutory minimum wage. In fact, the American Hotel and Lodging Association, which is the sole national association, representing all segments of the 1.8 million-employee U.S. lodging industry, recently released the "Hotel Pay Practices Report" that clearly shows, the hotel industry pays its employees, above minimum wage, in 8 out of 10 hotel jobs.

These employees are the backbone, of the operations in the hotel industry, and we take great pride in providing them, with fair wages, benefits, and the opportunity to learn and grow in our industry, and move upwards towards life-long careers. Prior testimony that I have given has provided example after example of Association members who provide employees with frequent raises, lodging, meals and a fast track to upward mobility within their organizations. Today, in addition to myself, you will be hearing from Association members within the Capital District and the story remains the same, the hotel industry is doing its part to provide balanced wages, opportunity for growth while providing jobs to grow the workforce of our state. So it important to realize, the current model is working, employees in the industry who are eligible for tips are satisfied, they are on average making well over the minimum wage, they are given opportunities for growth within the business, and provided with experiences that only the hospitality industry can offer. Further, in light of recent media stories relating to examples of the hotel industry not paying employees the minimum wage, our Association would argue that it is not about the need to raise the cash or minimum wage but rather a violation of law and thus a legal issue. No one supports bad business practices, breaking the law, or cheating employees out of their hard earned money. Those committing these crimes represent an amazingly small portion of businesses, and their intolerable acts should not tarnish an entire industry. It is unfair to penalize law abiding business owners, who uphold the laws in place, because a small number of

people break the law. Accordingly, as an Association we constantly provide wage updates to our membership to ensure compliance with the law and fairness for all employees.

Study after study conducted over the past 70 year, has shown us that raising the cash wage, tends to reduce employment. Specifically for tipped workers, the raise in wage will result in higher prices, higher food cost, and may cause layoffs. The increase is potentially crippling for our industry.

The service industry, because of the competition and demand, cannot simply pass the burden onto consumers, instead, an increase in the cash wage makes the choice for us, and cuts will be made to jobs and hours, in order to account for the higher wages. **This is a very real problem.** When we inquired about the impact of a wage increase, we received member responses, indicating that there would be menu changes, more buffet options, and smaller selections, in order to reduce the amount of positions needed.

Lastly, let's remember any increase to the mandated cash wage, affects not only our businesses bottom line, but their ability to provide, the high quality customer service the hospitality industry is based on.

A raise in the cash wage leave us in the hotel industry, two options, and neither is effective for a successful business:

1. Increase prices to the consumer, to maintain the ,workforce and service; or
2. Layoff workers, to keep prices manageable, but have less people providing services

Therefore, I respectfully request, that the Wage Board not recommend to the State, that an increase in the cash wage is needed.

Thank you for your time