

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

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

October 3, 2014

My name is Jan Marie Chesterton, President of the New York State Hospitality & Tourism Association and Administrator of the Tourism Industry Coalition of New York State. I would first like to thank members of the Wage Board for allowing me to testify today, specifically as my testimony 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 and individuals 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 is an unparalleled industry that is a combination of creating and maintaining jobs, as well as providing the State with a return on its investment no other industry can offer. The tourism industry is a part of each region of the State, providing employment at all levels from management to entry level.

As you are aware, the enabling statute that incrementally raises the state minimum wage to \$9.00 on December 31, 2015 also called for the Department of Labor to convene a Wage Board to review and determine if changes need to be made to the regulations that govern wage of service workers, including food service workers.

In conjunction with the hotel industry across New York, I believe the cash wage for our service workers strikes a fair balance for employers and employees, allowing for those that patronize our businesses the best in customer service and experience.

Per law and regulation, tipped workers are paid a required base rate and their tips when added to that base pay must equal or exceed the minimum wage. 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 that 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 up towards life-long careers. For example, of the 95 positions available in one hotel, only 25 workers, most of whom are within their first 90 days and haven't been eligible for a raise yet, make minimum wage. Tipped workers currently make a wage of \$5.50 per hour for wait staff and \$8.50 for bus staff, and also enjoy a portion of tips. In addition to their weekly wage, those classified as tip eligible employees make as much as \$200 working the morning shift and \$400 for the dinner shift, on a good day. On holidays, the wait staff could easily net over \$250 in tips. On average, those tipped workers make over \$500 every week in gross tip income.

In addition, if they work over 6 hours in their given shift, they are provided with a buffet meal, at no cost to them. This is used as a retention tool. The overwhelming majority of our employees receive substantial benefit packages with a fast-track to career growth. These same tipped workers have all dedicated at least 4 years to the industry.

This is true for employees across New York State as well, which is why a proposal to increase the cash wage actually harms the very people it is intended to help. Should the cash wage be raised, it will severely disrupt a job-growth industry and jeopardize jobs that both pay well and provide benefits for their employees. Raising the wage, coupled with significant increases in medical insurance and benefits will have devastating effects.

Study after reputable study conducted over the past 70 years has shown us that raising the cash wage tends to reduce employment. These studies have also indicated that raising the wage will negatively affect the amount of fringe benefits offered to employees. 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.

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

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

This is not an abstract decision – a 2012 case study that focused on the 2004-2006 minimum wage increase in New York found that the raise in the wage resulted in just above a 20% reduction in employment during that same time period. At the Federal level, the Congressional Budget Office's 2014 report on raising the minimum wage acknowledges that there will be a reduction in employment as a result of such an increase.

Lastly, 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 need to be made to jobs and hours in order to account for the higher wage. 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, such as less ala carte and more buffet

options, in order to reduce the amount of positions needed. In the alternative, the amount of bus staff may need to be reduced, which would place more duties on the shoulders of tipped workers.

Therefore, the current model is working, employees in the industry who are eligible for tips are satisfied as they are on average are making well over the statutory minimum wage, given opportunities for growth within the business and provided with accommodations and experiences that only the hospitality industry can offer.

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.

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 and I am happy to answer any questions you may have.

Thank You!