

**Testimony Submitted by Kathy Muncil
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**New York State Department of Labor
2014 Wage Board Public Hearing**

December 9, 2014

My name is Kathy Muncil and I am the Chief Executive Officer at the Fort William Henry Corporation. 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.

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.

For example, my employees are the backbone of the operations of the hotel 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. On average, those classified as tip eligible employees make between \$75.00 and \$250.00 daily in tips, in addition to the required hourly wage they are paid. We are also currently paying more than minimum wage depending on seniority.

Tip eligible employees make up a healthy percentage of the work of our 195 full time staff members and in addition, the overwhelming majority of employees receive substantial benefit packages with a fast-track to career growth. For instance, many of these workers are provided a full meal at half cost to the employee and enjoy discounts to stay at our or other hotels in the U.S.

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.

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 leaves 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.

Speaking to the potential impact on our business and our valued employees, an increased cash wage would be devastating. We would have to hire less wait staff to compensate them at the same rate they get now, which largely negates the benefit of raising the cash wage. Eliminating more and more of these positions that offer opportunities to people seeking part or full time work, many of whom are often marginalized or overlooked by other industries, is a mistake. This would put out of work many who rely on employment with us to feed, clothe, and provide for themselves and their families. Inexperienced young people too, from ages 14-17, would realistically not be hired to work at new higher rates, and would lose out of earning wages, learning to work, and starting in the work force.

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. While I understand that there are some bad actors, that break the law and do not pay correctly, better enforcement would be more appropriate to lessen these issues.

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!