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**Testimony of Eric Mosher, Lead Economist
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**To the New York City Council Committee on Consumer and Worker Protection
On Int. 991-B to License Hotels
Wednesday, October 9, 2024**

Good morning, Chair Menin and members of the Committee on Consumer and Worker Protection. My name is Eric Mosher, and I'm a Lead Economist for the Independent Budget Office (IBO). My testimony today will highlight findings from a forthcoming IBO report that explores the potential impacts of [Int. 991-B](#), or the Safe Hotels Act, on hotels in New York City. There is minimal information on the wages and employment of subcontractors in the New York City hotel industry, limiting the scope of IBO's analysis to hotel establishments rather than employees and wages. It is important to note the topics and issues that are *not* included in IBO's research today:

- potential net effects of the bill on wages in the hospitality industry;
- the economic impacts of changes to hotel employee wages;
- ways that hoteliers may respond to the bill's provisions, such as absorbing higher wages into operating budgets or raising room rates;
- levels of tourism to the City.

Today IBO will specifically focus on what types of hotels are most likely to be affected by the bill's provision that restricts subcontracting for certain types of hotel employees.

Two premises underlie IBO's analysis

- 1) Requiring direct employment of core employees would impose higher payroll costs to nonunionized hotels relative to unionized ones, because union hotels are already more likely to already follow some or all of the labor requirements in the bill due to existing union contracts. Moreover, nonunion hotels would be more likely to lose some of their cost advantages if subcontracting were limited by law.
- 2) The bill's impact on establishments' payrolls would be greater for hotels that currently have fewer direct employees per room. In some cases, fewer direct employees may mean that the hotel engages subcontractors; in other cases, it may mean that the hotel simply has fewer employees per room, whether direct or subcontracted. IBO assumes that, on average, hotels with fewer direct employees per room are likely to be using more subcontractors than hotels with more direct employees per room.

Under these assumptions, IBO compared the characteristics of unionized hotels and nonunionized hotels, and then compared the characteristics of hotels with different ratios of direct employment per room. Using CoStar real estate data, IBO identified the management and ownership structure of hotels, which allowed IBO to isolate those that are both independently owned and lower- to midscale service operations and are therefore more likely to be small businesses. Finally, IBO grouped hotels based on their location within New York City, focusing on Midtown Manhattan, Manhattan outside Midtown, and the other boroughs.

IBO's analysis found differences between union and nonunion hotels in terms of average daily room rates and full-time employees per room.

- First, union hotels tend to have higher daily room rates. For union hotels, the median average daily room rate was \$300 per night, over 50 percent higher than nonunion hotels at \$194 per night.
- Union hotels also tend to have more direct employees, with 0.32 direct employees per room on average compared to 0.17 for nonunion hotels.
- Union hotels tend to contain more rooms, with an average of 310 rooms per hotel compared to 120 for nonunion hotels.
- Finally, nonunion hotels citywide are more than twice as likely as union hotels to be both independently owned and lower- to midscale in the level of services they offered.

IBO also looked at differences between hotels in terms of how many workers they directly employ. IBO divided the city's hotels into quartiles based on the number of direct employees per room, with the top quartile having the most employees per room and the bottom quartile having the fewest. Our analysis found that the top quartile of direct employment per room had the highest average daily room rates: over \$325 per night, compared to under \$225 per night for all other quartiles. The top quartile of direct employment also had the highest proportion of unionized hotels: almost 90%, compared to 55% for the bottom quartile.

In summary, IBO's analysis focused on types of hotel establishments, and finds relationships between union status, direct employment of staff, and daily room rates in New York City hotels. Overall, IBO's analysis suggests that the direct employment provisions in the Safe Hotels Act are likely to affect lower-cost, independent hotels outside Manhattan to a greater extent than other types of hotels in the City. The broader economic effects, in terms of wages for hotel employees, and the tourism sector in New York City, remain a topic for future study.

Thank you for the opportunity to testify today. I would be happy to answer any questions.