



NYC | HOSPITALITY[™]
ALLIANCE
Rising Labor Costs Survey

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As we enter 2019, New York's restaurant industry awaits Governor Cuomo's announcement on the future of the industry's tip credit. The credit allows employers to pay tipped workers, such as servers and bartenders, a \$10 *tip* minimum wage if they earn at least \$5 an hour in tips. If they earn less, the law requires the employer pay the difference. So, workers are guaranteed at least \$15 an hour, and in practice earn more (unless the law is violated in which case it must be enforced). A compensation survey by the New York City Hospitality Alliance was conducted with 486 city restaurants, which employ nearly 14,000 tipped workers. It found those servers earn a median hourly wage of \$25.

The labor market, labor costs, and labor laws have been influencing significant changes in full and limited restaurant industry fundamentals. Much of the financial and regulatory pressures on restaurants have occurred while Andrew Cuomo has been governor of New York State. The pressures heavily driven by recent labor mandates in New York City include: doubling the tip wage in a mere three years, six consecutive annual minimum wage increases, a \$300 increase to the minimum weekly rate for salaried employees, paid sick leave, healthcare, workers' compensation, taxes, compliance, and other related costs. This also includes the upward pressures these increases place on wages as an expense.

To gain insight into the labor market, between November 28th and December 27th, 2018, the New York City Hospitality Alliance conducted a survey to investigate how restaurants in the city of New York are addressing increasing labor costs.

The operators of 574 establishments responded to the survey, which represents 324 full service restaurants and 250 limited service restaurants.

The survey results presented in this report include powerful insights. 76.50% of full service restaurant respondents reduced employee hours, and 36.30% eliminated jobs in 2018, in response to mandated wage increases. 75% of limited service restaurant respondents report that they will reduce employee hours, and 53.10% will eliminate jobs in 2019 as a result of mandated wage increases that took effect on December 31, 2018.

There's also a concerning trend found in restaurant employment data. When the tip wage increased 50% in 2015, and since doubled, annual employment growth dropped from 6.67% to less than 1% as of November 2018. The State Department of Labor's data for employment at limited service restaurants show a similar downtrend. Both decreases in growth, the results of this survey, and other industry trends signal that a once growing industry; responsible for hundreds of thousands of jobs, and billions of dollars in economic impact, has become stagnant.

The survey results and the government data are two more reasons for Governor Cuomo to choose policy over politics and keep the restaurant industry tip credit fully intact in order to nurture an economically vibrant restaurant industry in New York City.

If you have questions about the survey please contact:
info@thenycalliance.org or 212-582-2506



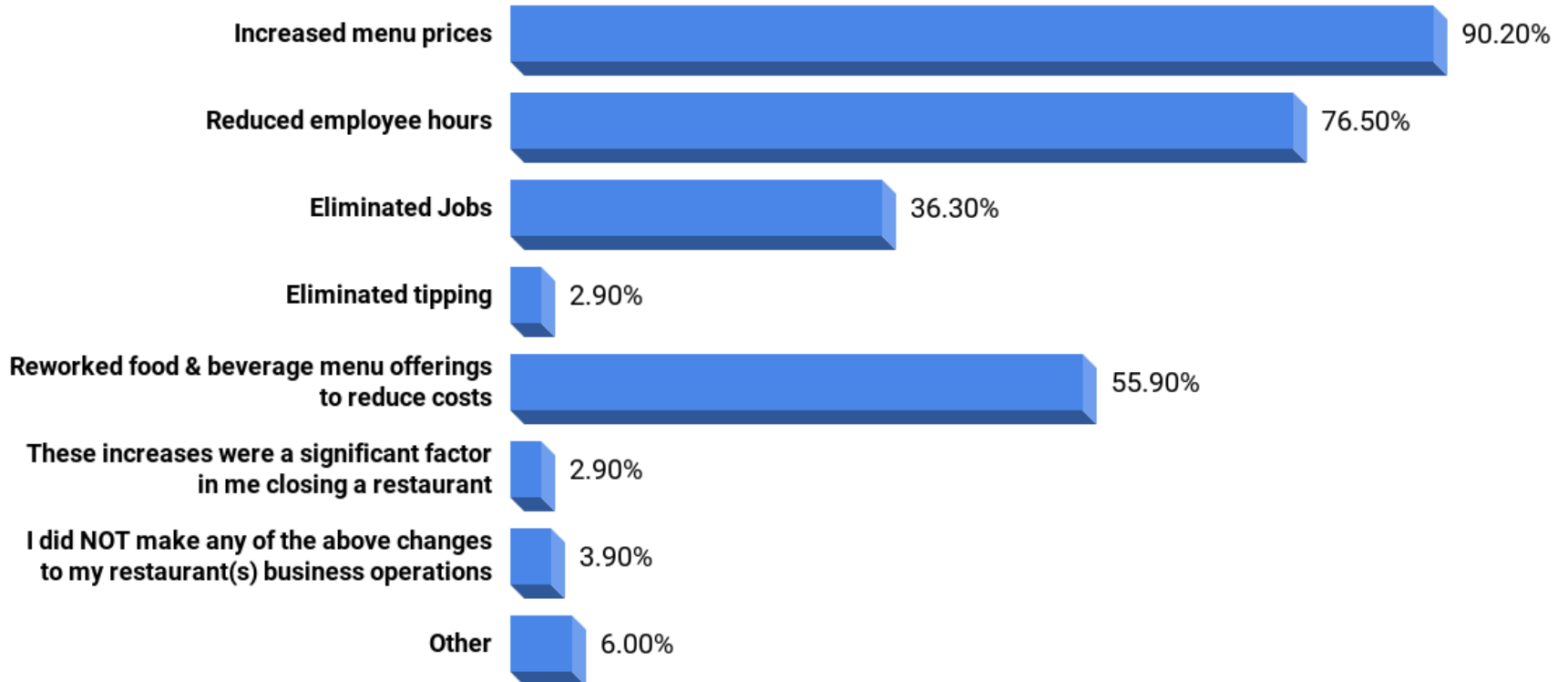
Full Service Restaurant Responses

Full Service Restaurants - At a Glance

- 76.50% of respondents report reducing employee hours, and 36.30% eliminated jobs in 2018 in response to mandated wage increases.
- 74.50% of respondents report that they will reduce employee hours; and 47.10% will eliminate jobs in 2019 as a result of mandated wage increases that took effect on December 31, 2018.
- 87.30% of respondents report that they will increase menu prices in 2019 as a result of mandated wage increases, compared to 90.20% in 2018.
- 60.80% of respondents will rework food & beverage menu offerings in 2019 to reduce costs in response to mandated wage increases.
- 34.40% of respondents report that their repeat customers dined at their restaurants less frequently after they raised menu prices in 2018.
- 40.20% respondents report employing fewer people in 2018 than 2017, but their payroll stayed about the same.

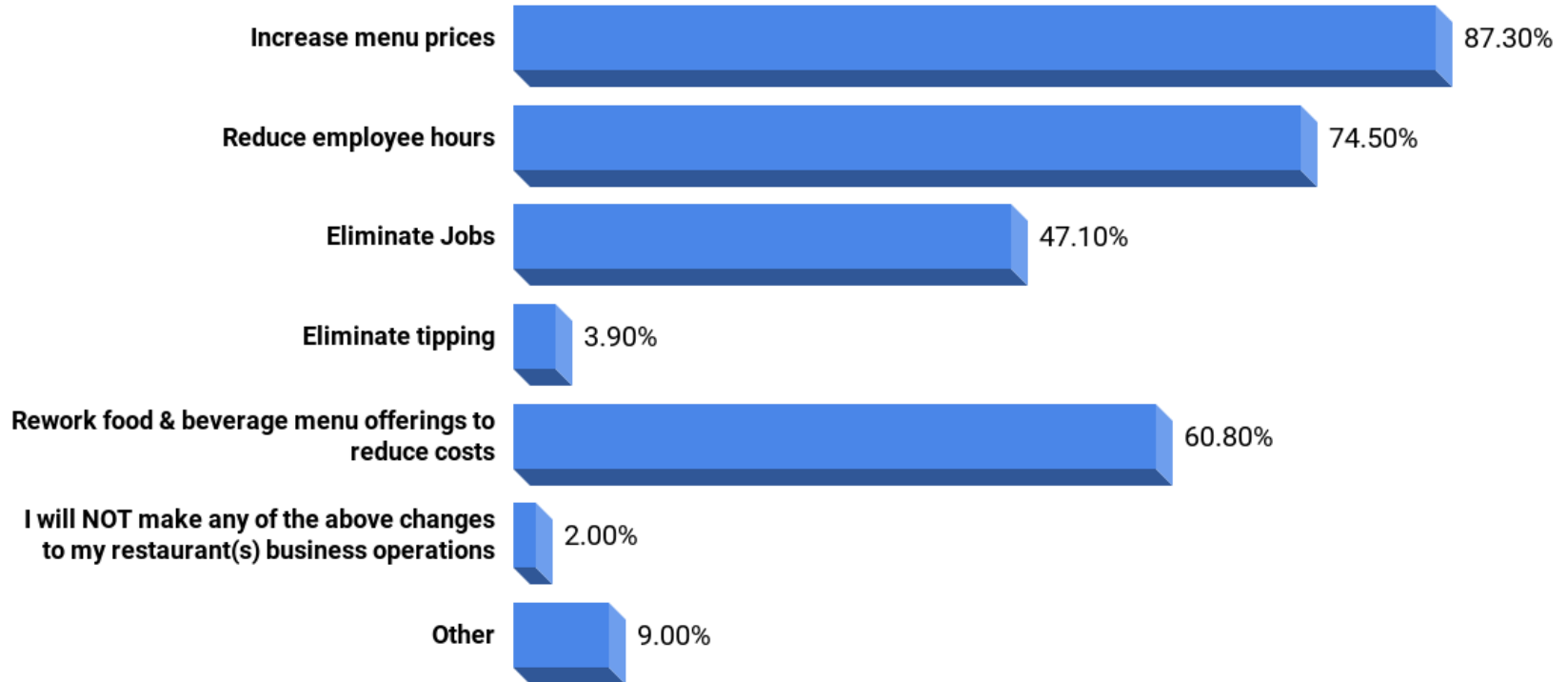
Full Service Restaurants

On December 31, 2017 the minimum wage, tip wage, and minimum salary requirements increased for full service restaurants in New York City. In response to those increases, respondents adjusted their restaurant(s) business operations in the following ways in **2018**.



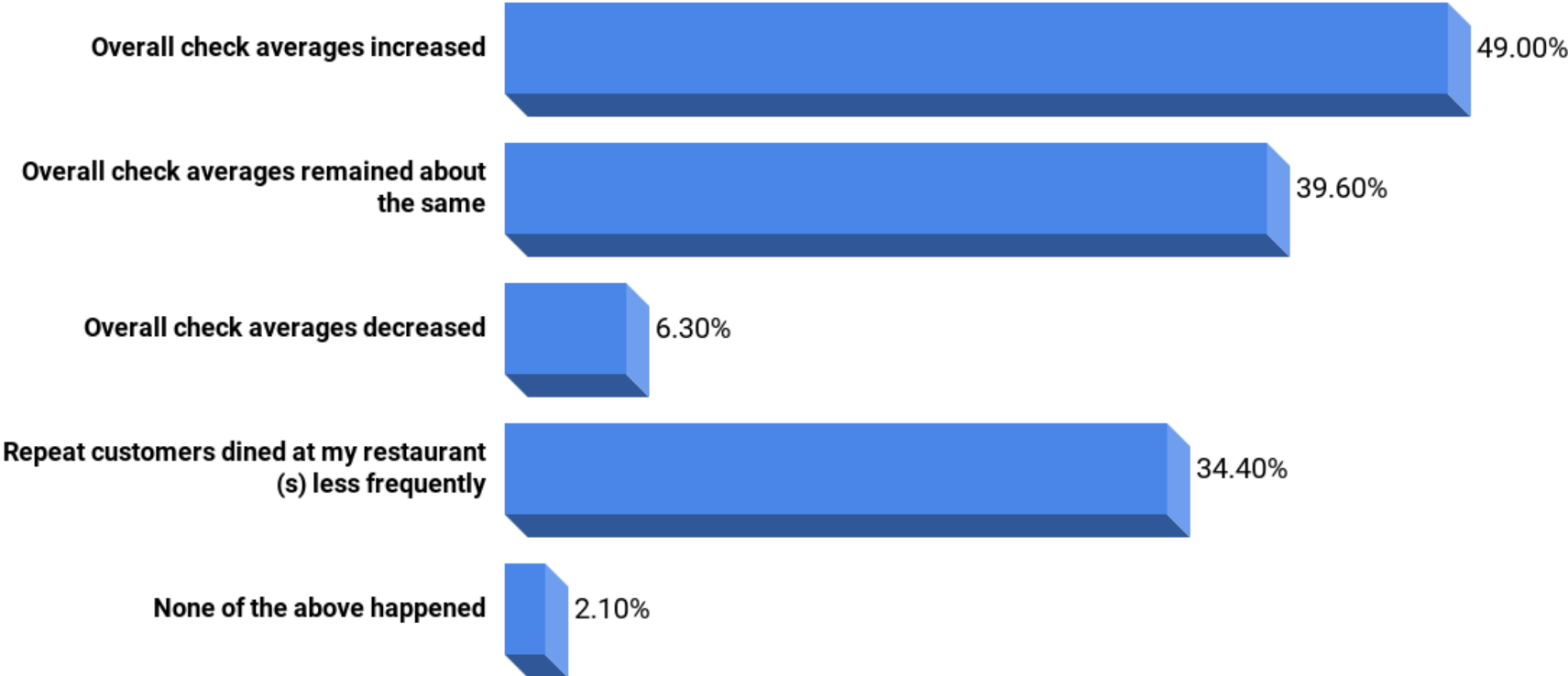
Full Service Restaurants

In response to the minimum wage, tip wage, and minimum salary requirements increasing in New York City on December 31st, 2018, full service restaurant respondents will adjust their restaurant(s) business operations in the following ways in **2019**.



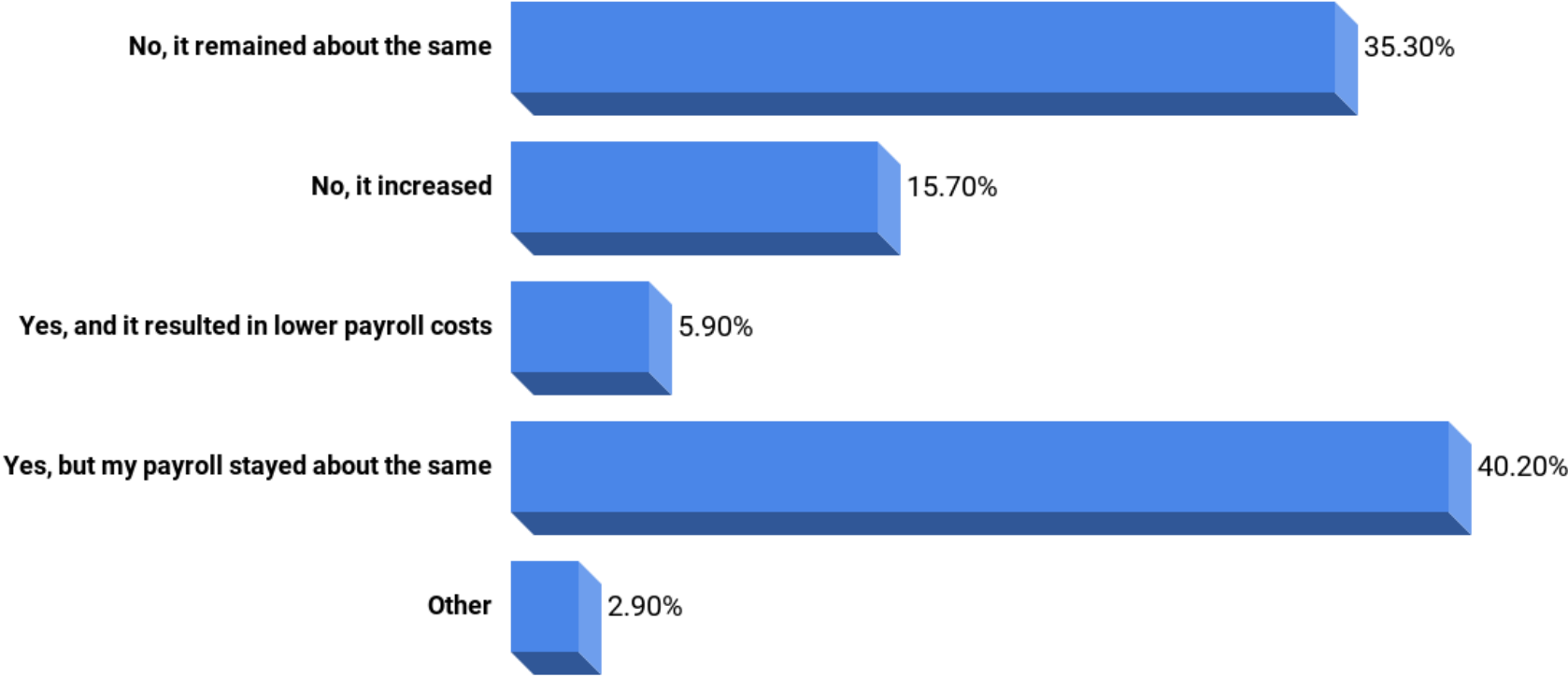
Full Service Restaurants

Full service restaurant respondents who increased menu prices in 2018 identified the following results.



Full Service Restaurants

Did you employ fewer people in NYC in 2018 versus 2017?





Limited Service Restaurant Responses

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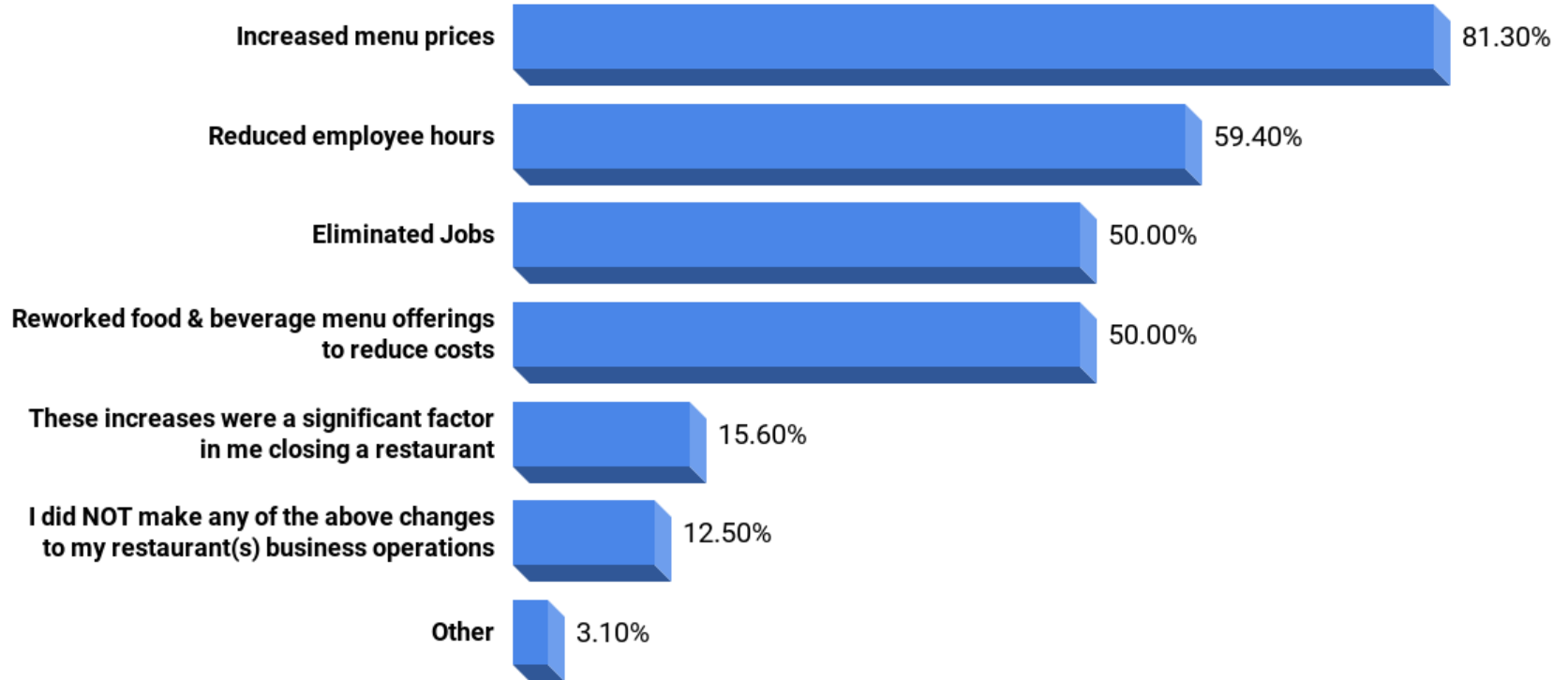
CAFE AMERICANO	4	CROISSANT	4
CAPPUCCINO	4	PAIN CHOCOLATE	4
MACCHIATO	4	CRUMBCAKE	4
CAFE LATTE	4	GUAVA PASTELITO	4

Limited Service Restaurants - At a Glance

- 59.40% of respondents report reducing employee hours, and 50% eliminated jobs in 2018, in response to mandated wage increases.
- 75% of respondents report that they will reduce employee hours, and 53.10% will eliminate jobs in 2019 as a result of mandated wage increases taking effect on December 31, 2018.
- 78.10% of respondents report that they will increase menu prices in 2019 as a result of mandated wage increases, compared to 81.30% in 2018.
- 60% of respondents report that their overall check average increased as a result of raising menu prices in 2018, compared to 30.0% who report they stayed about the same, and 3.30% report that their overall check average decreased.
- 46.70% of respondents report that their repeat customers dined at their restaurants less frequently after they raised menu prices in 2018.
- 21.9% of respondents report employing fewer people in 2018 than 2017, but their payroll stayed about the same.
- 62.50% of respondents will rework food & beverage menu offerings in 2019 to reduce costs in response to mandated wage increases.

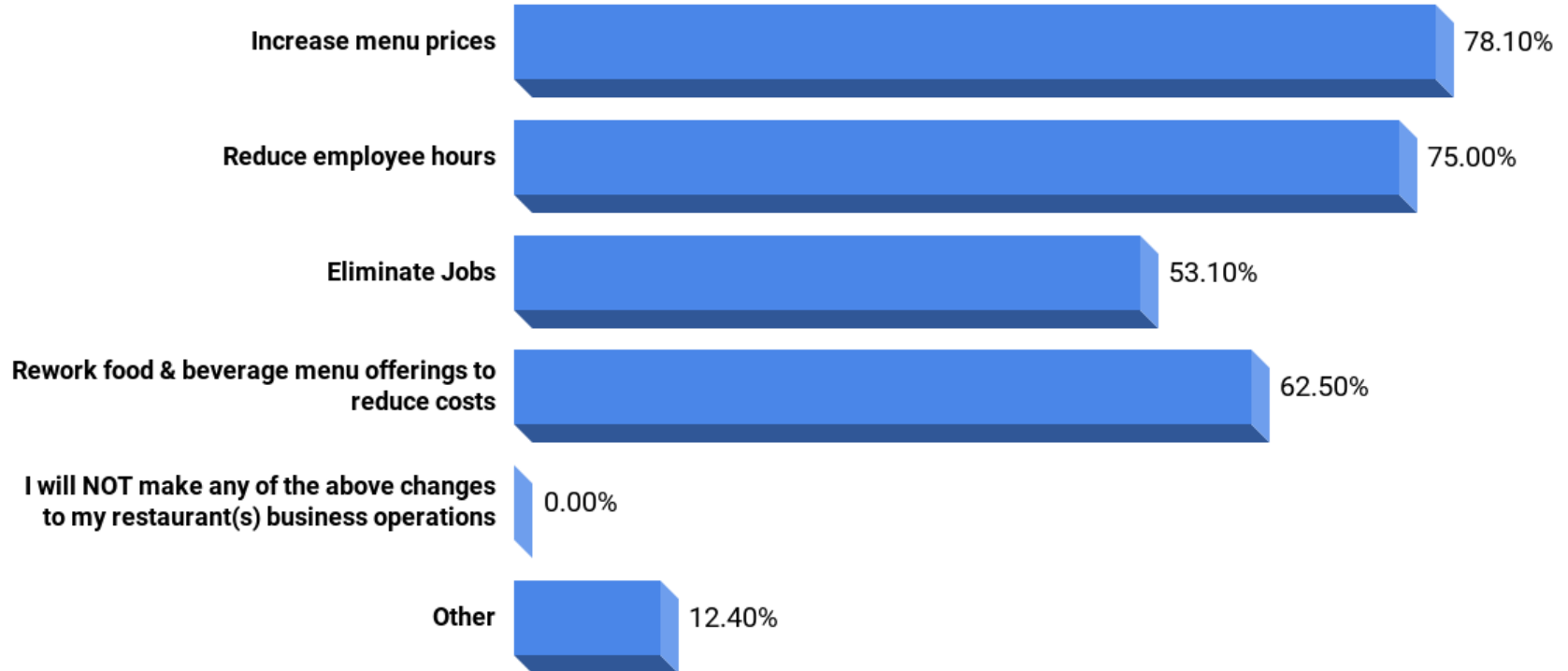
Limited Service Restaurants

On December 31, 2017 the minimum wage and minimum salary requirements increased for limited service restaurants in New York City. In response to those increases, respondents adjusted their restaurant(s) business operations in the following ways in 2018.



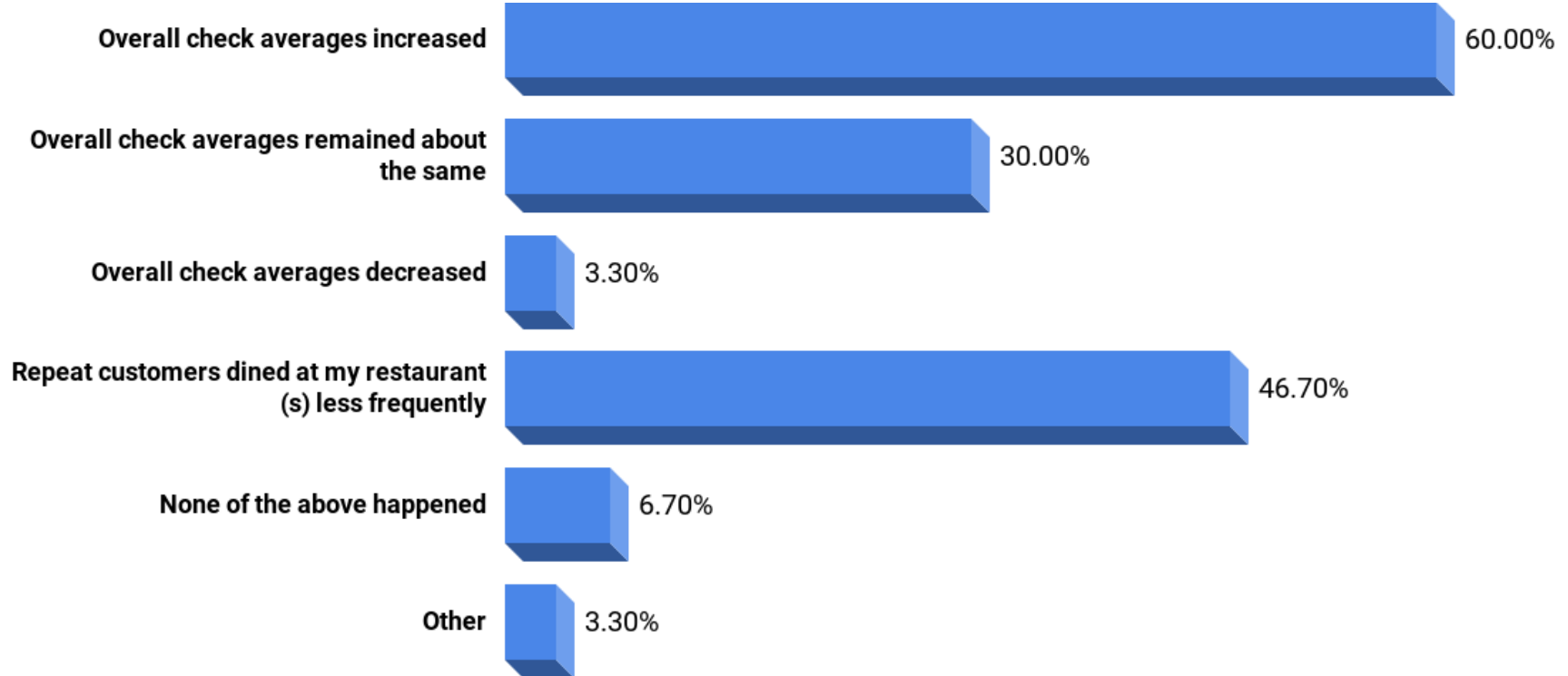
Limited Service Restaurants

In response to the minimum wage and minimum salary requirements increasing in New York City on December 31st, 2018, limited service restaurant respondents will adjust their restaurant(s) business operations in the following ways in 2019.



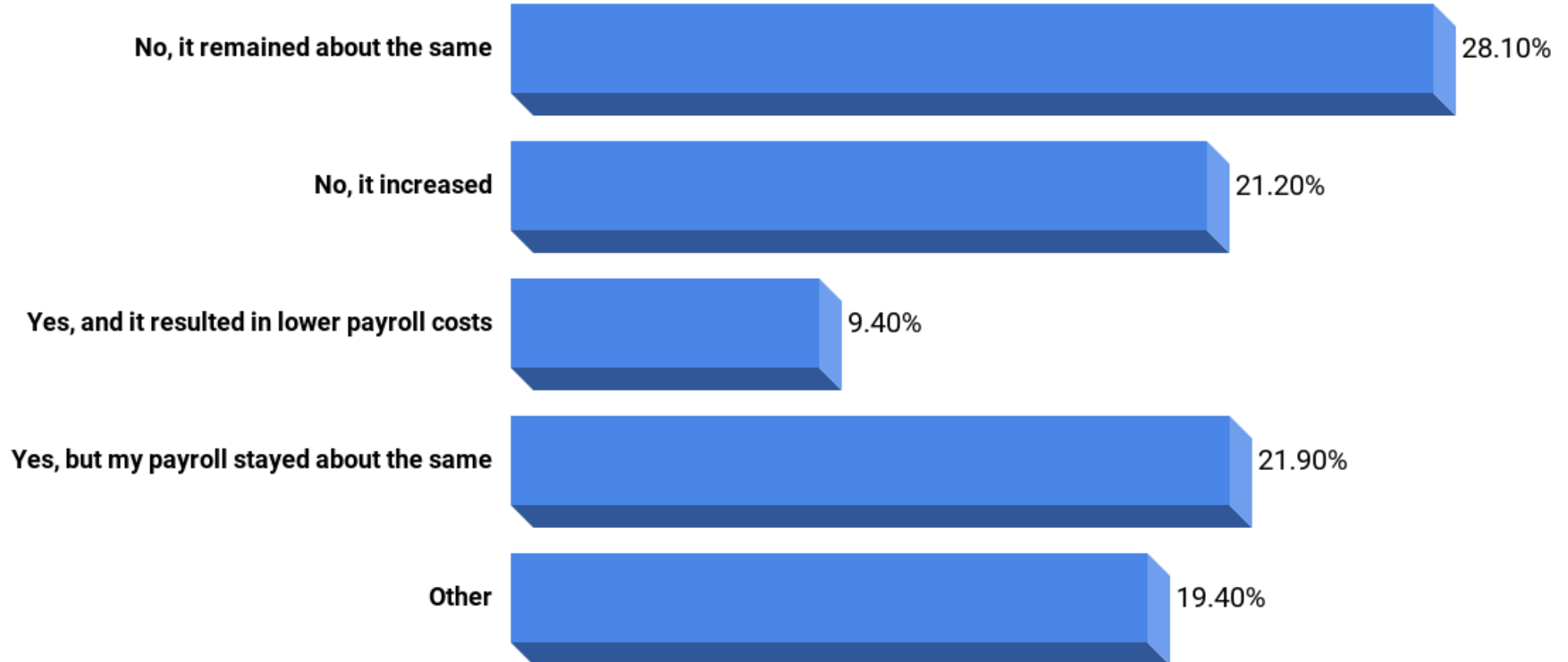
Limited Service Restaurants

Limited service restaurant respondents who increased menu prices in 2018 identified the following results.



Limited Service Restaurants

Did you employ fewer people in NYC in 2018 versus 2017?





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