

ANALYSIS

Study Implies \$15 Minimum Wage Would Have Outsized Impact on Hotels

Nearly Two-Thirds of Hotel Staff Paid Below Proposed Threshold



A new study finds that nearly two-thirds of U.S. hotel employees are paid less than \$15 per hour. (Getty Images)

By **Del Ross**

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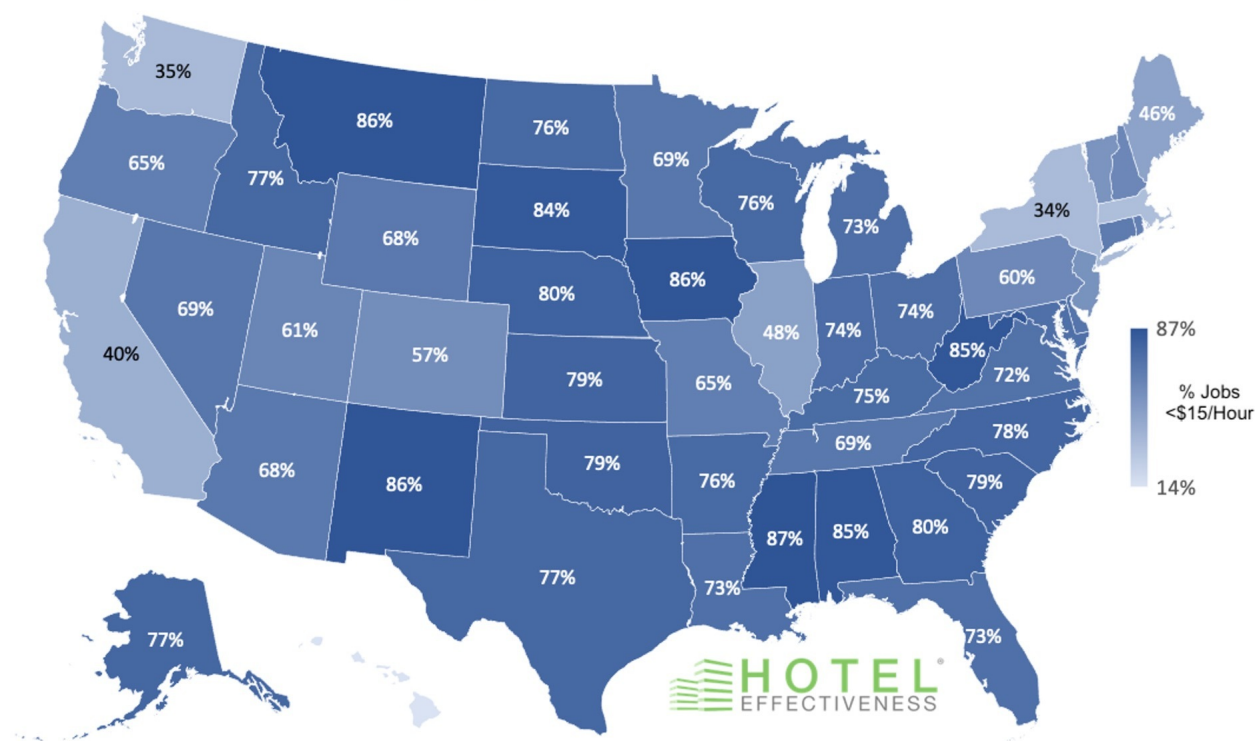
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The Biden administration has proposed a new federal minimum wage of \$15 an hour as part of its COVID-19 relief program.

Just as the hotel industry has felt the worst of the economic impact from the pandemic, hoteliers may have to bear an outsized share of this new pay hike. A study of more than 5,000 hotels across the U.S. has found that 64% of the country's hotel workers currently earn less than \$15 per hour. In some states, this proportion reaches nearly 90% of workers.

The \$20 billion annual cost is not spread evenly across the country and will have a greater impact in secondary and low-density markets than in population centers. Hotels in these markets tend to be owned by small, family-owned companies.

U.S. Jobs Below \$15 per Hour



Source: Hotel Effectiveness



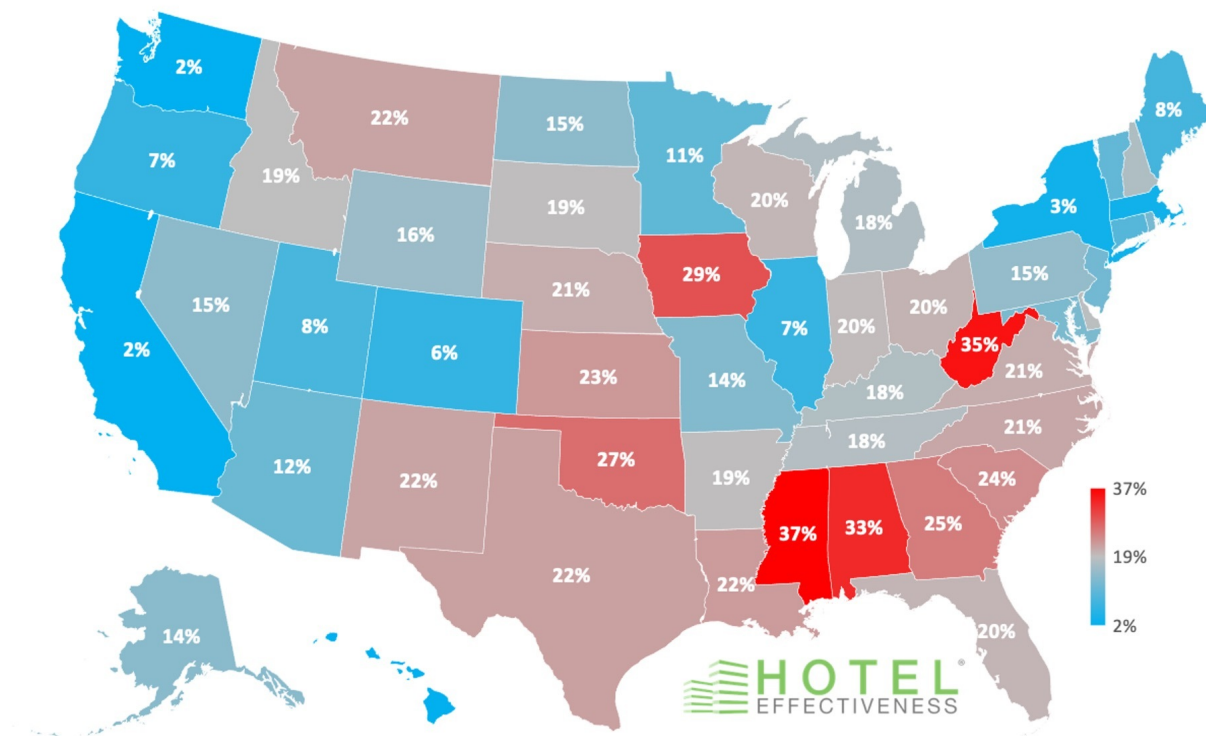
According to Taylor Beauchamp, chief product officer of Hotel Effectiveness, “labor now represents more than 80% of total operating costs for hotels. The proposed wage hike, combined with reduced [average daily rate], will pose significant challenges for smaller companies. Our analysis does not include the impact of wage compression on higher-wage positions, so the actual effect could be even more.”

Less than half of all pre-COVID-19 hospitality jobs have been recovered to date, according to Hotel Effectiveness labor-management data, which represents a sample of more than 4,000

same-store hotels and excludes hotels that have been closed during the analyzed period.

Higher wages may slow down the pace of job recovery, leaving millions of hotel workers unemployed and putting more pressure on current employees. As occupancy improves, guest expectations will also increase. Brands are beginning to re-instate brand standards that were suspended during the pandemic, and having fewer workers will make it harder for hoteliers to meet the requirements of their customers and franchisor.

Average Wage Increase with \$15 Minimum Wage



Source: Hotel Effectiveness



Del Ross is Chief Revenue Officer for Hotel Effectiveness.

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