



Prepared by the Blue Sky Consulting Group Item No.: 1

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## Impact of Establishing a Minimum Wage for Hotel Workers in Los Angeles *Commentation from the Public*

### – Summary of Findings

- This document presents an assessment of the potential impact of a minimum wage for hotel workers in the City of Los Angeles (the City) based on an analysis of existing research.<sup>1</sup>
- The likely effects of such a policy were it to be implemented include the following:
  - Many workers would see a significant increase in their wages.
  - Workers would likely spend a fraction of their additional earnings in the City, thereby benefitting local firms and their workers.
  - Hotel profits would likely decline, and so too would the value of existing hotels.
  - Some hotel owners might be forced to sell or otherwise restructure their investments.
  - Most hotel owners would be limited in their ability to pass along any increased labor costs in the form of higher room rates.
  - Hotel owners would look to cut expenses through reductions in staffing levels and reductions in certain purchases of goods and services in the local economy, partially offsetting any gains in economic activity generated by increased spending by hotel workers who receive a raise under the policy.
  - The reduction in profitability for hotels would reduce the likelihood (at least to some extent) that new hotels would be developed in the City. The extent of this effect is mitigated by the fact that many potential new hotels would have unionized workforces and therefore not be subject to the minimum wage.
- In summary, establishing a minimum wage policy for hotel workers represents an inherent trade off. Newly hired or current hotel workers who remain employed would likely see a benefit, as would businesses that sell goods and services to these workers; however, these benefits would come at the expense of laid-off hotel workers or those not hired in the first place, as well as hotel owners who would see their profits decline.

<sup>1</sup> This document is a summary of a larger report prepared by the Blue Sky Consulting Group entitled, "Hotel Minimum Wage: Analysis of the Impact on the City of Los Angeles of the Proposed Minimum Wage for Hotel Workers."