The Impact of Low Wages On Long Beach Hotel Workers

By Los Angeles Alliance for a New Economy

Executive Summary

The pandemic took its toll on many industries. The hotel industry in Long Beach was no exception, but in the years since the pandemic, the hotel industry in Long Beach has not only regained its financial health but has surpassed pre-pandemic profits. But does this corporate comeback story paint a complete picture for Long Beach and its residents? How have the workers who helped generate these profits fared? A recent survey of Long Beach hotel workers, both union and non-union, paints a dire economic picture of the workforce behind the success of Long Beach Hotels. Nearly 100 workers were surveyed anonymously (to prevent any form of retaliation) in December 2023 and January 2024 to gather information regarding the quality of their lives and gauge how the passage of Measure RW would impact their lives.

The results of a Los Angeles Alliance for a New Economy (LAANE) survey show that 71% of hotel workers live in Long Beach. The survey reveals that 92.5% of Long Beach hotel workers are rent-burdened (paying more than 30% of their wages on rent) 91% spend 50% or more of their paycheck on rent. Nearly 24% hold a second job to make ends meet. The survey reveals a workforce that has been left behind, with many having to rely on public assistance, a workforce that hasn't shared in the economic windfall being enjoyed by corporate hotel interests.

Measure RW would raise the Long Beach hotel worker's minimum wage to $23 by July 2024, with an escalator to $29.50 by the 2028 Olympics. Long Beach hotel workers currently earn $17.55 per hour, which is clearly too low, as the survey reveals.

Findings: Economic Fast Facts

The survey reveals the economic precarity of most hotel workers in Long Beach. By a large margin, 86% of Long Beach hotel workers surveyed say they have been concerned about paying rent or eating in the past few years. While 20% say they have experienced homelessness while working for their current hotel.

> "I would feel much better [if Measure RW passed] and not have to worry about how much money I have to save to get my family through the week with dinner, gas, transportation, etc." – Long Beach Hotel Worker

Currently, the standard used by the federal government to determine if an individual or family is rent-burdened is that no more than 30% of one's income should be spent on rent[1]. Based on the current wage of $17.55 and assuming a 40-hour work week, the gross wages for a full-time hotel worker in Long Beach should be $2,800 per month. If we apply the current rent burden standard, then hotel workers should spend no more than $840 monthly on rent. As the chart below clearly shows, most hotel workers surveyed pay much more than the current federal standard.

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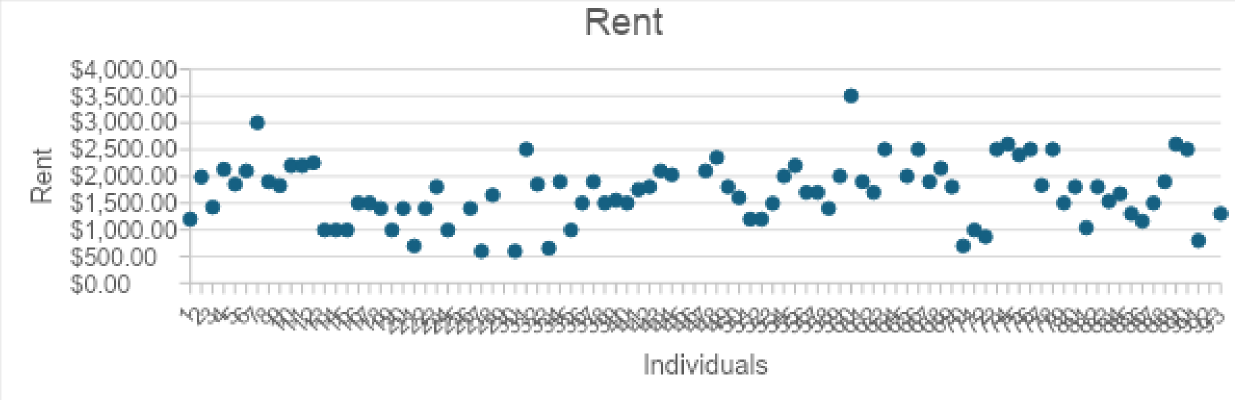
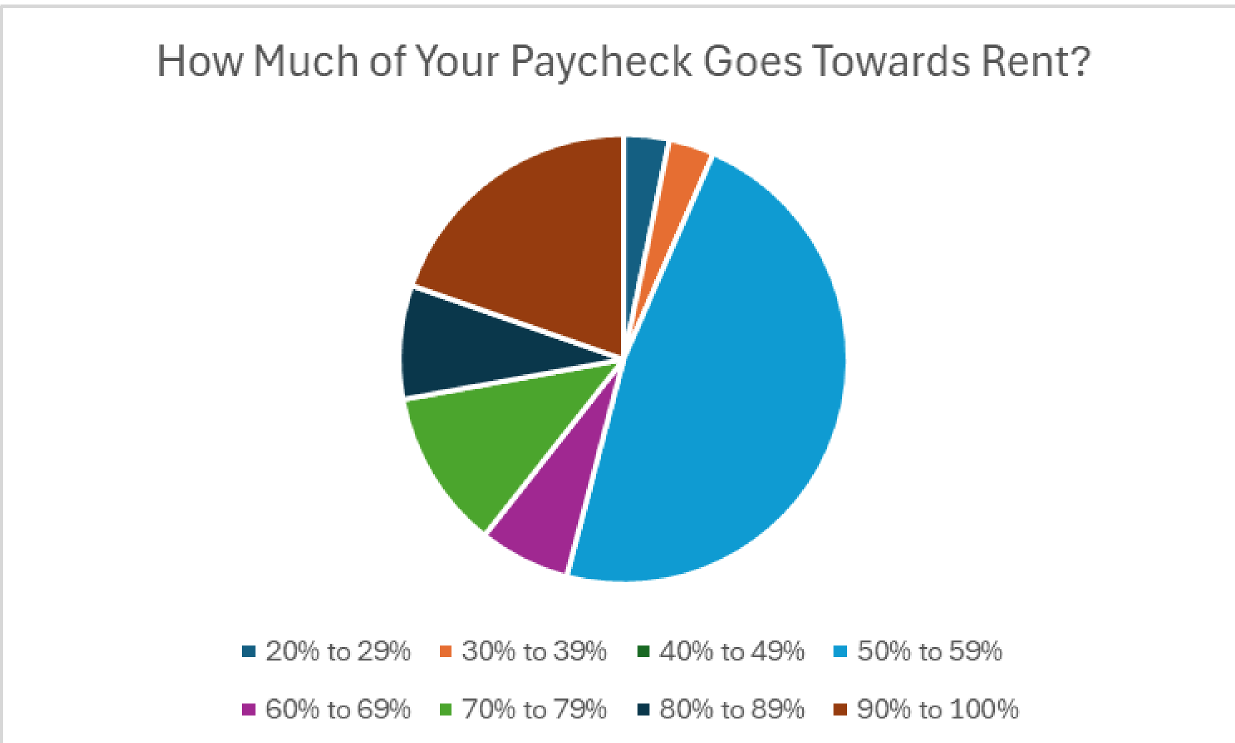
[1] https://www.huduser.gov/portal/pdredge/pdr_edge_featd_article_092214.html



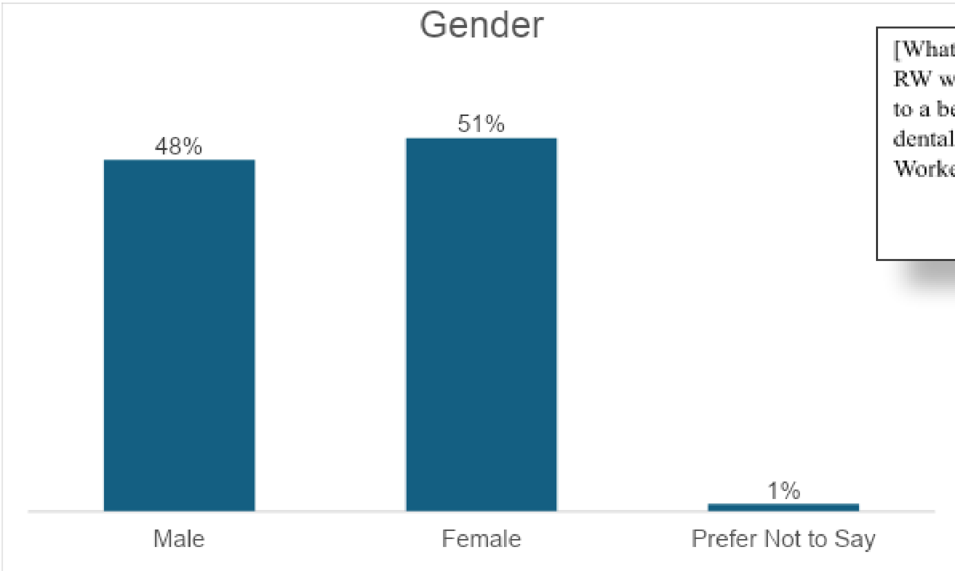
According to the worker survey, 11 Long Beach families pay $2,500 or more monthly rent. 27 families are paying $2,000 or more per month for rent. At $2,000 or more per month for rent, hotel workers are spending 66% of their paychecks on rent. Nearly 92% of all hotel workers in Long Beach are rent-burdened and spend more than 30% of their wages on rent. By any measure, this is an unreasonable metric.



Because workers are being left behind, nearly 25% of Long Beach hotel workers hold a second job. The current wage structure has not kept up with inflation, and hotel workers are struggling. While their situation might not be unique in Long Beach, it must be stated that very few industries have benefited more from public dollars than the Hotel Industry in Long Beach. Measure RW would address that issue to ensure hotels take responsibility for their employees to ensure that one job should be enough to survive and thrive in Long Beach.

Findings: Demographics

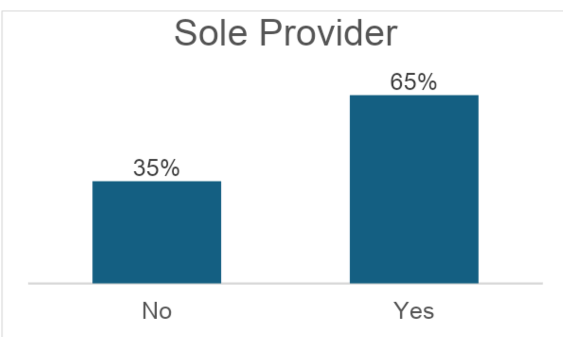
The survey taken by LAANE also provides data on the demographics of Long Beach hotel workers. The gender breakdown of the survey respondents is about 50/50. With 51% of respondents identifying as female, 48% identified as male, and 1% preferred not to say.

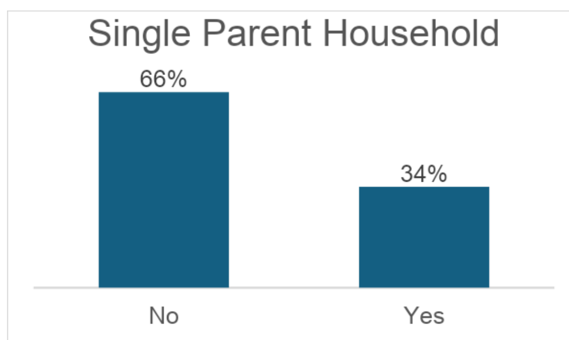


[What would it mean to you if Measure RW were to pass?] Save, possibly move to a better apartment. Spend locally, dental work etc. – Long Beach Hotel Worker

The household demographics also reveal why so many Long Beach hotel workers are struggling.

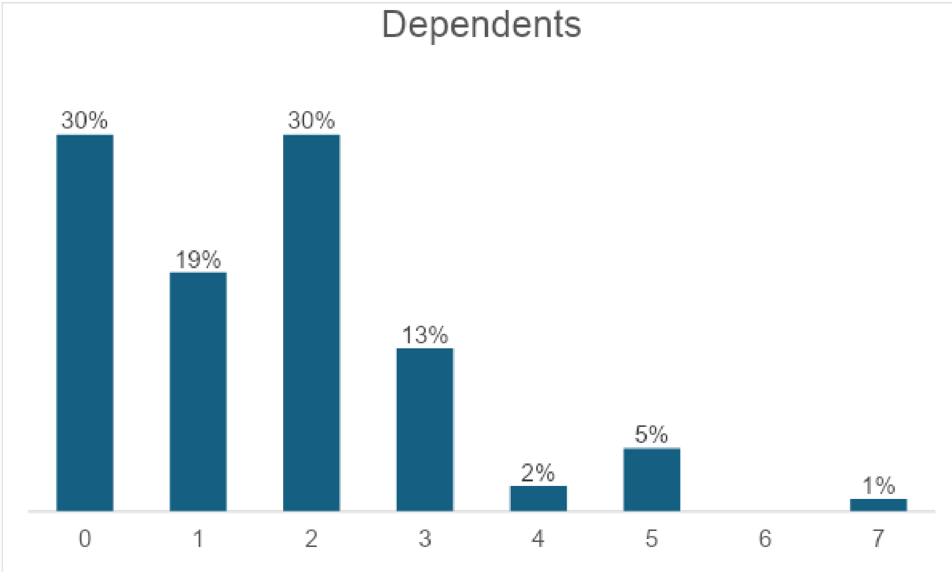
The results show that 65% of hotel workers are the sole provider for their families, and 34% lead a single-parent household. For these two groups, one person's salary must cover the economic needs of an entire family.





Furthermore, 13% support three dependents, 30% support two dependents, and 19% support one dependent. This means 62% of hotel workers support between 1 and 3 dependents. Based on the income limits to qualify for public housing, most workers, regardless of the number of dependents, would be considered "very low income" if they worked full-time and grossed $33,600 annually. If you add two dependents into the household, they will fall into the "extremely low income" category for Los Angeles County[2].

[2] https://la.urbanize.city/post/here-are-californias-new-income-limits-2023



This is why it is unsurprising that 34% of Long Beach hotel workers rely on social services to survive. Far too many Long Beach families are struggling and failing to make ends meet at the current wage of $17.55 per hour. The result is the public has been subsidizing corporate hotels through our tax dollars because workers must rely on public assistance to make ends meet.

What's the Future for Long Beach:

The data collected for our recent survey should sound an alarm for policymakers. Thousands of Long Beach residents are being overworked and underpaid. As tourists flock to Long Beach hotels and convention center, hotel workers will do their utmost to ensure their stay in local hotels are as comfortable as possible. The Long Beach tourism industry is guaranteed future growth when L.A. County hosts the 2026 World Cup and the 2028 Olympics. The city's Elevate 28 plan is betting on this by pouring another $750 million into infrastructure and tourism-related projects. As Long Beach gears up for these major world events, we must ensure that the workers who make them possible will not continue to be left behind.

Corporate hotels have prioritized their shareholders over workers, and Long Beach has paid the price. They have claimed poverty or competition from nearby cities threaten their profits, and they also claim wage increases hurt profits, reduce the workforce, and hurt the local economy – claims not supported by facts.

Below you'll see the yearly average of the key metrics the Hotel Industry uses to measure financial performance. The key metrics are Average Daily Rate (ADR), Revenue Per Available Room (RevPAR), and Occupancy Rate as you can see, every key metric has risen since the approval of Measure N in 2012. The corporate hotel industry and other business interests foretold a financial apocalypse if Measure N was approved, but as the numbers clearly demonstrate, the industry is healthier today than it was in 2013.

	ADR	RevPAR	Occupancy
2023*	$175.96	$129.20	73.60%
2019	$149.04	$113.04	75.42%
2018	$145.50	$111.40	76.36%
2017	$141.35	$107.83	76.87%
2016	$134.71	$101.24	75.67%
2015	$124.31	$92.52	74.47%
2014	$114.43	$82.99	74.02%
2013	$111.03	$79.00	72.20%

*CoStar Submarket Report includes estimates for December 2023

Long Beach residents have the opportunity to say they believe in a better future by voting Yes on Measure RW. Raising the living wage would not only create higher earnings for workers, but working-class people are more likely to spend their disposable income locally, which would positively impact the Long Beach economy, especially given that 71% of Long Beach hotel workers live & work in the city.

While raising the living wage alone won't solve the rent burden issue alone, it's a significant step for the city.

"It would allow me to be comfortable and not worry about if I can pay rent or might be homeless." – Long Beach Hotel Worker