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CLIENT ALERT
SEPTEMBER 2010

NEW HOSPITALITY INDUSTRY WAGE RECOMMENDATIONS UNDER REVIEW

Following years of ambiguity and uncertainty with respect to restaurant industry employment practices and wages, New York State is set to implement an instructive series of reforms that will significantly affect New York's hospitality industry. The proposed recommendations from the New York State Department of Labor would give clarity to several currently confusing regulations and would include, among other changes: (i) an increase in the current minimum wage for tipped employees from $4.65 to $5.00; (ii) the manner in which tips are distributed; (iii) an addition which would mandate that service charges in connection with banquets and special events must be distributed to tipped employees as gratuity unless advance notice is given to the customer that the charge is not a gratuity and; (iv) an exemption to restaurants that are currently required to supply employees a weekly laundry allowance of between $7.00 to $9.00. The Labor Department stated that if there are no new revisions or objections, the recommendations could go into effect in the next few months

These recommendations come nearly a year after they were first introduced by former New York Labor Commissioner M. Patricia Smith. As reported in a previous Oved & Oved LLP Client Alert, as a result of the bureaucratic delay, plaintiffs have been very active in commencing new lawsuits against a multitude of industry defendants including some of the most successful and prominent Restaurant and Nightlife establishments in New York City. This trend will likely continue in the following months as restaurants and employees alike begin to adjust and adapt to the new regulations.

Of important note to current business owners is the fact that the new regulations will not relate back retroactively to practices or grievances that occurred in the past. This, combined with New York's liberal six (6) year statute of limitations for class action suits, will result in the possibility of continuing exposure to liability for business owners after the regulations are passed.

We are closely involved in monitoring these events and will continue to provide you with pertinent updates as more information becomes available. If you have any questions about the matters covered in this Client Alert, or wish to schedule a private consultation, please call Terrence A. Oved, Esq. of Oved & Oved LLP by telephone at 212.226.2376 or contact by email at terry@ovedlaw.com.

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