

October 2021

Follow @Paul_Hastings



New York City Enacts Law Requiring Severance Pay for Hotel Employees

By [Rick Kirkbride](#), [Sara Kalis](#) & [Kaveh Dabashi](#)

On October 5, 2021, Mayor Bill de Blasio signed into law a requirement that New York City hotels pay their non-managerial employees \$500 in severance pay every week, for each week after October 11, 2021 that the employees remain laid off. This is in addition to any severance paid to employees for periods prior to October 11, 2021. The law is effective immediately and expires on June 1, 2022.

Under the new law, severance is capped at 30 weeks and the requirement to pay severance to an employee ceases when either (1) the employee is recalled, or (2) a closed hotel has recalled 25 percent or more of its employees by October 11, 2021 and reopens to the public by November 1, 2021. For those hotels that did not close completely, the only remedy to avoid severance appears to be a recall of all employees.

Not all hotels and hotel employees are covered. The law only applies to hotels that had 100 or more rooms as of March 1, 2020, and which closed or engaged in a mass layoff of over 75% of their employees on or after March 1, 2020. Only non-managerial hotel employees who were employed by the hotel on March 1, 2020, and who had been employed by the hotel for at least a year by that date, are eligible for the new severance pay.

The remedy for violation of the law, which provides a private right of action, is steep: employees who do not receive their severance can recover twice the amount owed, along with reasonable attorneys' fees and costs.

The law—which was lauded by its proponents for incentivizing the reopening of hotels closed by the pandemic—has already generated a legal challenge. On October 8, 2021, the Hotel Association of New York City initiated a lawsuit against New York City in the Southern District of New York, arguing that the new law essentially requires a new employee benefit plan, thus unlawfully preempting the federal U.S. Employee Retirement Income Security Act. The Court has not yet had an opportunity to address the merits of this argument.

Hotel employers should consider the potential cost of severance payments under the new law, and, to the extent feasible, weigh their plans to reopen and recall employees.

◇ ◇ ◇

If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings lawyers:

Los Angeles

Rick S. Kirkbride
1.213.683.6261
rickkirkbride@paulhastings.com

New York

Sara B. Kalis
1.212.318.6021
sarakalis@paulhastings.com

Kaveh Dabashi
1.212.318.6658
kavedabashi@paulhastings.com

Paul Hastings LLP

Stay Current is published solely for the interests of friends and clients of Paul Hastings LLP and should in no way be relied upon or construed as legal advice. The views expressed in this publication reflect those of the authors and not necessarily the views of Paul Hastings. For specific information on recent developments or particular factual situations, the opinion of legal counsel should be sought. These materials may be considered ATTORNEY ADVERTISING in some jurisdictions. Paul Hastings is a limited liability partnership. Copyright © 2021 Paul Hastings LLP.