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U. S. DEPARTMENT OF LABOR
WAGE AND HOUR DIVISION
Washington, D. C.

CLEVELAND TERMINAL SUED ON RED CAPS' TIPS

A suit to compel the Cleveland Union Terminal Company, which is controlled by the New York Central Railroad systems, to pay the red caps the minimum wage of 30 cents an hour as provided under the Fair Labor Standards Act, was filed today in the U. S. District Court in Cleveland by the Wage and Hour Division, U. S. Department of Labor.

The complaint charges that the defendant terminal company has failed to pay its red caps 30 cents an hour and has falsified its books. Not only has the defendant sought to count tips as wages, the complaint alleges, but red caps have been coerced into reporting that they have received 30 cents an hour as tips even though in most cases they did not receive nearly that much. By this practice, the defendant has avoided paying the red caps anything.

A similar suit was filed against the Cincinnati Union Terminal Company on November 6, 1939. As a result of this suit the Cincinnati Terminal recently announced that it had abandoned the practice of counting tips as wages. Under their new plan, inaugurated on February 1st, red caps will be carried on the payroll of the company at a wage of 30 cents an hour. For each bag or parcel carried the passenger will be charged 10 cents, which will be paid to the red cap and turned over by him to the terminal company. The Cincinnati Terminal

contends that this new system, which was put into effect after the government's suit was brought, renders the case moot. The Wage and Hour Division is opposing this contention in the Federal Court in Cincinnati on March 18th, and will argue that the past violations of the terminal are of such a character that there is real danger that the defendant will resort to similar practices in the future unless restrained by court order.

In its trial brief filed in the Cincinnati case last week, the Wage and Hour Division reaffirmed its position that tips are not wages within the meaning of the Act. In addition, the brief charged that even if tips are counted as wages because of a contract between the red cap and the terminal, the defendant Cincinnati Union Terminal Company failed to pay the minimum wages required by the Act. By systematic falsification of its records, the defendant has attempted to conceal the fact that red caps had been receiving tips in sums substantially less than 25 cents (the minimum wage prior to October 24, 1939) or 30 cents an hour since that date.

Employee suits by red caps to recover back wages have been filed against several terminals. If these suits are successful, over two million dollars will have to be paid by the railroads and the terminal companies to red caps throughout the country.

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