

# **Inquiring Minds Topic – 30 October 2015**

## **Claudia Upper, Moderator**

### **Are American restaurants reaching a tipping point on tipping?**

By Kate Drew... NBC news

To tip or not to tip? It's hard to tell these days.

Some restaurateurs in the U.S. are starting to ban tipping and raise overall menu pricing to compensate. Danny Meyer's Universal Hospitality Group announced its decision to end tipping in its restaurants this week. It's an effort to balance wage inequality in the industry — chefs and kitchen workers often bring in less because their pay is not subsidized with tips.

"It's troubled me for 21 years that the tipping system is antithetical to creating a real profession for people who takes their jobs seriously," Meyer told CNBC on Friday. "You don't tip your doctor if they do a good job. You don't tip the airline pilot if the plane lands. ... It's actually a demeaning practice."

But unless broadly embraced by restaurant companies across the \$730 billion U.S. dining industry — which restaurant experts are skeptical will happen — it's likely to lead to confusion among diners.

"People won't know whether to tip or not when they go out to eat," said Aaron Allen, founder of restaurant consulting firm Aaron Allen & Associates.

Of all the restaurateurs abandoning gratuity, the most notable is Meyer, whose company owns the famed Gramercy Tavern in New York, as well as The Modern, which will be the first of his places to abandon tipping. Meyer said he is eliminating tips across the Group's restaurant portfolio to balance wages among the staff.

"We believe hospitality is a team sport, and that it takes an entire team to provide you with the experiences you have come to expect from us," he said in a statement when announcing the move on Thursday.

Meyer's heart seems in the right place, but his plan may not work as well as imagined. He'd have to raise prices by about 20 percent to compensate for the lack of gratuity. That is the standard amount to tip these days, Allen said. An entrée at Gramercy Tavern costs \$19-\$24, with a 20 percent markup, that's \$23-\$29 for a meal. With tip, it's the same — but diners can be emotional.

Meyer told CNBC diners will see the exact same price on the check as it would have been if, like an average New Yorker, they are leaving 21 percent tips. He confirmed that his restaurants will have to raise prices by a level in the "low 20s percent."

Warren Solochek, president of NPD's food service division, said that people may choose to go to places that are comparable but include tipping, just so that they can feel in control of their bill. "It is absolutely a psychological issue," he said. "It's also an economic issue."

There still is the perception that a customer is paying more, Allen said, when a restaurant puts an extra dollar sign next to menu items, even if the bottom line is same.

Meyer said the average American doesn't understand what happens to a tip, that the waiter may share with other waiters and bartenders but not with the cook, dishwasher or the person who took your reservation.

There is a way that no-tipping policies could actually make meals more expensive. It's in the American culture to tip, and that temptation is always going to be there, Allen said. Even if there is no tip line on the bill, diners might still be inclined to leave something in fear of seeming impolite. And, if they're unsure whether or not a restaurant is a tipping or non-tipping one, that would likely lead to a lot of gratuities left "just in case."

To avoid accidental tipping, all the restaurants in the U.S. would have to adopt a no-tipping policy — which is unlikely. On the flip side of doubled-tipping would be situations in which diners think a tip is no longer required even when a restaurant doesn't have a no-tipping policy and has not initiated a wage increase for workers. It would be a new way to "stiff" restaurant staff.

Many applauded Meyer's decision, pointing to the fact that wage problems are rampant in U.S. restaurants.

"Eliminating the two-tiered wage system is essential to ensuring a fair and just future for the nation's 11 million restaurant workers," Saru Jayaraman, co-director and co-founder of Restaurant Opportunities Centers United, said in a press release. But if diners forgo eating out completely, this will all be moot.

And a number of other restaurant owners have already implemented no-tipping policies. Amanda Cohen, owner of Dirty Candy in New York, charges a 20 percent administration fee in lieu of tips. At Tom Colicchio's flagship Craft restaurant, lunch service is tip free. "It's time for a change. It's time to pay the servers a salary," he told Eater.

Meyer said wage inequality is only part of the issue — it's a critical recruiting issue for good restaurants. He said the industry is facing the "biggest labor shortage in culinary talent we've ever seen in this country. ... People can't afford to go to culinary school and then take a \$9 to \$10/hour job."

But other restaurateurs aren't so sure. "Tipping is a way of life in this country," Drew Nieporent, a restaurant owner in New York and London, told *The New York Times*. "It may not be the perfect system, but it's our system. It's an American system."

"I would call it an experiment for the restaurant industry as a whole," Solochek said.

Meyer said that it's not the restaurant industry as a whole that he's looking to for change — or that compelled him to action. The threat he sees is that the restaurant industry is "absolutely going to look at

the end of fine dining as we know it." With fast food wages on the rise, "Why would you ever want to work in a high-end restaurant when you can get paid more to make tater tots?" Meyer said.

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## **Why tipping is wrong?**

by Saru Jayaraman. NY Times, 15 October 2015

Berkeley, Calif. — The announcement on Wednesday by the New York restaurateur Danny Meyer that he was eliminating tipping at his restaurants shows that he understands the impact tipping really has: It has created a two-tiered wage system with deep social and economic consequences for millions.

Mr. Meyer's move to establish a transparent, fair salary for his staff is laudable, and I hope it will help set a new standard for the industry. But to achieve change across the restaurant business nationwide, we need reform to the law that has created a lower minimum wage for tipped workers.

Last month, Gov. Andrew M. Cuomo threw his support behind a statewide \$15 minimum wage for all New Yorkers, but his proposal is expected to exclude the state's 380,000 tipped workers. Despite the planned raise to \$15 an hour already approved for workers in the fast-food industry, most restaurant staffers will continue to suffer under a lower minimum wage. Median pay for a tipped worker in New York, including tips, stands at just \$9.43 an hour.

The omission of these workers in New York not only perpetuates an unfair pay system — in particular, one that reinforces pay inequity for a largely female work force — but also extends an ugly, racialized history. The practice of tipping originated in the aristocratic homes of feudal Europe. Then, in the 19th century, Americans returning from travel abroad would attempt to tip workers here to show that they knew the rules of Europe.

Toward the end of that century, a powerful anti-tipping movement arose. It called the practice undemocratic and un-American, arguing that employers, not customers, should pay their workers. In turn, American restaurant owners and railway companies fought to keep the system on the grounds that tipping was a legitimate alternative to wages — especially since many of their workers were African-American, in many cases freed slaves whom these employers resented having to pay at all. One writer of the period noted that he could never feel comfortable tipping a white person, since the practice should be reserved for "Negroes."

While the anti-tipping movement was picked up by labor unions in Europe, America moved in the opposite direction, entrenching tipping in custom and law. The first minimum wage law passed under the New Deal, in 1938, exempted businesses not engaged in interstate commerce, including even chain restaurants. In effect, the first minimum wage for tipped workers was legislated at \$0 per hour.

Although the law was amended in 1966 to include tipped workers, things have improved very little at the federal level: The so-called subminimum wage has been frozen at \$2.13 an hour for nearly a quarter-century. In only seven states do tipped workers enjoy the same minimum wage as others.

In New York State, prolonged campaigning on the issue led to an increase to \$5 an hour in 2011, and the minimum wage for tipped workers is finally set to rise again, to \$7.50 an hour, at the end of this year. This is a step in the right direction, but not nearly enough.

The racialized element of the practice continues to this day: 53 percent of tipped workers in New York State are minorities, and 21 percent live at or below the poverty line. And most tipped workers are not fancy steakhouse servers; they are women working at places like IHOP, Applebee's and Olive Garden. Based on American Community Survey data, the Restaurant Opportunities Centers United estimates that nearly 70 percent of tipped restaurant workers are women, 40 percent of whom are mothers.

The subminimum wage for tipped workers also enshrines pay inequity for a predominantly female work force, perpetuating the gender pay gap. For African-American female servers, the disparity is even greater: ROC United calculates that they earn only 60 percent of what male servers are paid, costing those women more than \$400,000 over a lifetime.

Worse still, this two-tiered system is the reason the restaurant industry is the single largest source of sexual harassment claims in the United States. Women forced to live on tips are compelled to tolerate inappropriate and degrading behavior from customers, co-workers and managers in order to make a living. So while restaurants employ about seven percent of American women, nearly 37 percent of all sexual harassment claims to the Equal Employment Opportunity Commission come from restaurants.

The seven states, including California, that have adopted minimum wage parity for tipped workers are faring better on almost every measure than the other 43, including New York. They have higher sales per capita, as well as higher restaurant job growth; some even have higher rates of tipping by customers.

There is no reason that New York State cannot join the ranks of the states that have demanded that this industry pay its own workers a livable wage. The former New York senator — and now presidential candidate — Hillary Rodham Clinton supports eliminating the tipped minimum wage.

Last week, Governor Cuomo, who has championed women's equality in the past, called New York the "progressive capital of this nation." But as long as this unfair system that dates from the days of slavery persists, neither progressivism nor women's equality will be realized.

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