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Let's Stop Tipping the Wage Scales

by Martin J. Bennett

The Sonoma City Council recently approved the North Bay's first citywide minimum wage law, raising wages for 2000 low-wage workers to $15 an hour by January 2021. Last week Petaluma approved the second affecting 9,000 workers and Santa Rosa, Novato, and other North Bay cities are considering similar legislation.

A controversy erupted in Sonoma when several upscale Plaza restaurants implored the council to exempt "front of the house" tipped workers or include a "tip credit" that would permit restaurants to pay servers less than the new minimum.

Sonoma City Attorney Jeff Walter concluded that either option violates California's labor code, which explicitly prohibits state and local government from establishing a two-tiered minimum wage for tipped and non-tipped employees.

What's this about?

The Bay Area's restaurant industry represents nearly 10 percent of the workforce, is the 5th largest private-sector employer; and has experienced robust growth since the 2007-2009 Great Recession ended. The industry is a pillar of the Wine Country tourism and hospitality sectors. The Sonoma County Economic Development Board reported that the past decade's tourism earnings and local tax revenue were the highest ever–despite a brief drop following 2017 fires.

The majority of Bay Area restaurant workers are working poor who daily struggle to make ends meet. According to 2018 California Employment Development Department data, the median wage for Sonoma County's cooks was $15.75 an hour and an average annual income $32,758; dishwashers received $12.12 an hour and $25,777 annually, and servers (including tips) earned $15.84 an hour and $32,957 annually.

The California Budget and Policy Project estimates that in Sonoma County a living or self-sufficiency wage for two parents working full-time to support two children and pay for childcare, housing, health care, transportation, and food is $23 an hour–about $81,000 annually.

According to a 2016 Restaurant Opportunities Center (ROC) report 'Behind the Kitchen Door,' the Bay Area's restaurant industry is highly segregated by race and ethnicity. The industry is divided between full-service fine dining ($40 or more spent per client), and

moderately priced family and chain restaurants (i.e., Denny's, Applebee's), and fast food. Twenty percent of restaurant workers—primarily front-of-the-house fine-dining servers and bartenders, 78 percent of whom are white—earn livable wages with tips.

Yet seven out of the ten lowest-paying jobs are in the restaurant industry, mainly "back of the house" non-tipped occupations. In California, 80 percent of prep cooks, 75 percent of bussers, and 85 percent of dishwashers are immigrants and workers of color.

The ROC report demonstrates that a $6.12 average hourly wage gap separates white workers and workers of color in fine dining Bay Area restaurants, plus a $3.34 wage gap separates women and male workers. Moreover, few back-of-the-house employees have access to on-the-job training and promotion opportunities; and 80 percent of all Bay Area restaurant workers lack affordable employer-provided health care benefits.

The dilemma for high-end fine dining restaurants such as The Girl and the Fig and Café La Haye in Sonoma is how to adjust wages to address the restaurant industry's racial/occupational segregation and low wages, yet simultaneously retain front of the house workers who already earn livable wages.

A UCB Labor Center report on the economic impact of $15 minimum wage in the North Bay indicates that operating costs for the foodservice and restaurant industry will increase by just 2.1 percent annually. Most restaurants can adjust to the wage hike by raising prices by less than 2 percent and absorbing higher wage costs due to increased worker retention, training, and productivity.

However, fine dining restaurants might consider billing and compensation innovations implemented by employers in other cities with minimum wage laws:

+Include a 'kitchen surcharge' of 3 to 5 percent for back-of-the-house employees to reduce the wage gap between front and back-of-the-house and practice 'open-book management' so that all employees know exactly how the surcharge is distributed;

+Create a separate 'kitchen service' tip line on the bill, so that customers may tip both front and back of the house;

+Abolish tips and include a 10 to 20 percent surcharge to replace tips and pay livable wages–and provide comprehensive benefits to all employees–as the Sunflower Café in Sonoma has done.

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