

ROADMAP TO REIMAGINE RESTAURANTS



A NEW PATH FORWARD AFTER COVID-19

MAY 2020





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The COVID-19 health and economic crisis has changed everything about the restaurant industry. Few other industries have suffered more job losses, fallen sales and closures.^{1,2,3} Two out of three of the 13.5 million restaurant employees nationwide have lost their jobs, four out of ten restaurants have closed their doors, and a predicted \$240 billion in losses is facing restaurateurs by the end of 2020.⁴ Small and independent businesses are being hit the hardest while the majority of restaurant owners say federal aid won't prevent more layoffs.⁵ These facts are something that restaurant workers and owners know intimately. The very landscape that owners have built their business upon has shifted. In order to emerge from this crisis, restaurants around the country are reimagining everything about how they operate.

From how restaurants set pricing to overcoming capacity limitations to new wage compensation models, we have compiled specific guidance from restaurant leaders across the country who are finding new ways to survive this downturn and redefine for themselves more practical, sustainable, and ethical businesses.

THE VERY LANDSCAPE THAT OWNERS HAVE BUILT THEIR BUSINESS UPON HAS SHIFTED. IN ORDER TO EMERGE FROM THIS CRISIS, RESTAURANTS AROUND THE COUNTRY ARE REIMAGINING EVERYTHING ABOUT HOW THEY OPERATE.



In May of 2020, One Fair Wage, the Institute for the Future and the James Beard Foundation convened over 25 restaurant owners in a virtual meeting from around the country to explore how new innovations are helping them adapt during these times of cataclysmic change. These restaurateurs, representing a spectrum from fine to casual dining, full service to counter service, challenged basic underlying assumptions about how the restaurant industry must operate to survive. Together they identified three widespread, yet outdated beliefs that most limit the restaurant industry in a post-COVID economy, and then flipped those assumptions on their head with new solutions for the future.

This guide summarizes those three core assumptions, and how restaurant leaders are imagining and testing an emerging set of opportunities given our current reality. This roadmap serves as a starting point for an interactive, crowdsourced platform in which employers can share and learn from one another about how to implement new and innovative experiments that

flip these long-held assumptions about running restaurants. In this guide, based on requests from employers, we examine in greatest depth how employers are moving to at least a full minimum wage for all employees, with gratuities handled in one of three ways:

1. tip sharing among all non-management employees;
2. service charges; or
3. gratuity free models.

One Fair Wage's 'High Road Training and Technical Assistance' program offers more complete information on how to transition to a full minimum wage, tip sharing, and increased race, gender, and occupational equity, including financial models that help restaurant owners explore various wage, tip and staffing structures. Another resource is ZingTrain, which offers a full training in how to implement 'Open Book Management,' employed by several of the restaurants described here. While those two resources provide more in-depth and personalized training, here we seek to provide initial case studies of how employers have made or are making the transition to a full minimum wage for all employees and increased race, gender and occupational equity.

In particular, the three challenged assumptions are outlined below and examined in greater depth in this Roadmap, with Assumption #3 detailed in the greatest depth.

ASSUMPTION #1 Restaurants are only profitable if the floor is full. SEE PAGE 5

REIMAGINED INDUSTRY: Restaurants reimagine their physical limits, set pricing, dining hours, use of physical space, and target consumer base to wildly expand their reach and capacity.

TOP EMERGING MODELS: Independent restaurants around the country are examining alternative sources of revenue, including: securing government and medical center feeding procurement contracts; expanding customer reach through delivery and home meal kits; and exploring restaurants as multi-use spaces.

ASSUMPTION #2 Restaurants drive down their menu prices to stay competitive and diners don't know the true cost of a dish. SEE PAGE 7

REIMAGINED INDUSTRY: Educated and engaged consumers value restaurants above all else for their high-quality food, service and ethical labor, environmental, and equity practices. Restaurateurs collaborate on pioneering sustainable business practices that redefine the industry.

TOP EMERGING MODELS: Dining guides and awards promote sustainable restaurant practices, livable wages and working conditions for employees. Consumers are educated on the true cost of meals through events and transparent menu descriptions.

ASSUMPTION #3 A two-tiered wage system keeps tips only for Front-of-House workers and creates income differentials. SEE PAGE 9

REIMAGINED INDUSTRY: All restaurant professionals are paid a full livable wage from their employer. Gratuities are shared among all non-management employees, ushering in greater equity and unity between colleagues.

TOP EMERGING MODELS: Many independent restaurants are moving toward One Fair Wage—a full minimum wage with tips on top for more ethical, sustainable and unified businesses. They are experimenting with gratuities in three main ways:

- 1) Tip sharing among all non-management employees;
- 2) Service charge/administrative fees; and
- 3) Gratuity free models.

Many restaurants are coupling these changes with changes in their hiring and promotion practices that diversify the racial makeup of their front and back of house staff, allowing for greater equity and unity between all workers, cross-training among employees and fluidity of occupations.

I. | ASSUMPTION ONE

Restaurants are only profitable if the floor is full.

UNDERLYING FACTS

1. Restaurants are physical places
2. Restaurants have maximum capacities
3. Restaurants only serve food
4. Diners mostly dine in certain time frames

RESTAURANTS REIMAGINED

Restaurants reimagine their physical limits, set pricing, dining hours and target consumer base to wildly expand their reach and capacity.

FLIPPED FACTS AND NEW MODELS

1. Restaurants expand beyond physical places and set dining times.

- ◆ **Expanding dining rooms onto closed streets or parking lots** to allow for safe social distancing is a newly popular policy intervention. Piloted in Europe, cities around the country including Berkeley, Raleigh, Tampa and Denver are all considering closing down streets to allow for greater space for restaurant dining.^{6,7,8,9} Restaurant groups have been essential in pushing governments to invest in new uses for public space.
- ◆ Award-winning Chef and Restaurateur Renee Erickson is not only growing her restaurants' take-out meals and their own delivery service, but is also **preparing packaged food and meal kits to take home**. "We're selling a marinated, half-roasted chicken to take home to cook. We're selling a lot of that. If we have [the food] in the restaurant, we're thinking, 'Is there another way to sell it rather than make people sit in the restaurant eating it?'" Renee is also exploring non-traditional food service hours. "We're turning one of our restaurants into an all-day cafe, offering counter service during the day. There would potentially be some evenings where we'd offer dinners, but it would be a uniform menu that shifts. That would allow us to add staff at different times during the day because we'd be open all day."
- ◆ Many restaurants have closed down their dining rooms and **converted to delivery service**, scaling for increased take-out capacity. The point of sale has moved to the internet, allowing for pre-purchase of meals or gift cards. "Capacity is not limited to how many you can fit on your dining floor. The limit is how far you can drive, and how much you can store or prep to serve," remarked one restaurateur. Restaurant owners are working on setting up their own online ordering system, to ensure that large delivery corporations such as Uber Eats and Doordash do not extract over 30% of meal revenue. "Our sales were down 50%," explains Ji Hye Kim of Miss Kim in Ann Arbor. "We were doing very little delivery and take out before, but now it is 100%. At first, we

used third party apps, but now we created our own online store to order directly and can avoid being taken advantage of by the 30% fees. The majority of our sales come from our own delivery site.”

- ◆ Another restaurant is considering **mail order** as an opportunity to really expand their reach. “We’re using consumers’ homes as an extension of our kitchen. We cook something 80% of the way and then sell it to you to cook the last 20%,” says Michael Fuquay The Queensborough in Queens, NY.
- ◆ Michael Fuquay is also one of several restaurants considering **non-traditional meal times** to allow more customers to dine in socially-distanced spaces. As Fuquay says, “we’re flipping the restaurant. People are working on a rotating schedule and therefore eating at different times”.
- ◆ In Detroit, Devita Davison of Food Lab Detroit highlighted **pop-ups in outdoor locations** such as urban farmers as an avenue to satisfy physical distance requirements, local food system support and consumer interest. “Many of our chefs have meals on the field by paying farmers to pop their restaurants up on a farm. It has been incredibly popular with consumers,” says Davison.

2. Restaurants expand their service to new customers and markets outside of the dining room.

- ◆ **Corporate catering and medical center partnerships** are a new revenue stream for Judy Ni of Baology in Philadelphia. Her team has partnered with Penn Medicine’s Center for Health Care Innovation to create a system that provides healthcare providers the ability to order lunch and dinner from a rotating schedule of local, independent restaurants—creating a new logistics and supply chain model. Looking toward the future Judy is recognizing the opportunities in corporate catering and the competitive edge smaller restaurants can have over larger corporate food institutions.

“I want to change the corporate catering model. There are incredibly large organizations in this market that operate with legacy models that carry a lot overhead and baggage that do not focus on sourcing, training and development, or see their roles as community-based organizations. Imagine what could happen if you built a business with the express mission of under-

standing that supporting the community (by sourcing from, hiring from, feeding) IS what will make it viable and sustainable—not just for the business but for all the stakeholders involved?”

- ◆ **High Road Kitchens**, developed by One Fair Wage (OFW), is a program to use restaurant kitchens to provide food on a sliding scale to low-wage workers, health care workers and first responders during this crisis, while supporting both restaurant workers and responsible restaurant owners.

The High Road Kitchens Program is a partnership with private funders as well as state and local governments. Restaurants in the High Road Kitchens program are eligible for a wage subsidy of \$15,000-30,000 from city or state government funding as well as a \$5,000 initial investment from One Fair Wage. Participating restaurants are asked to make a commitment to scaling up to paying a full minimum wage, with tips on top, within the next five years. They are also asked to implement OFW’s Equity Toolkit and Training Program over the next year. Participating restaurants are then connected to additional government feeding contracts.

3. Restaurants are used for multiple purposes.

- ◆ As the industry continues to contract, some owners are considering joining forces and **running multiple restaurants out of the same physical space**. For instance, one could run morning and evening service.
- ◆ A number of restaurant owners at our convening described converting their restaurant into **grocery stores and alcohol shops** in addition to to-go orders. “Since we have to have fewer diners in the space, we’re looking into being a hybrid restaurant-grocery store,” describes Toni Morrell of Zingerman’s in Ann Arbor.
- ◆ Others are considering restaurants as **alternative community spaces** such as virtual classrooms, shared work spaces and even as hybrid laundromats. On the Commons in Detroit runs a popular laundromat and coffee shop where customers can meet various basic needs. Juliet + Co in Sommerville utilizes its space as a performance venue, and most recently is considering it for children-focused events. Owner Irene Li of Mei Mei in Boston uses the restaurant’s dining room as virtual classroom space.

II. | ASSUMPTION TWO

Restaurants drive down their menu prices to stay competitive and diners don't know the true cost of a dish.

Underlying Facts

1. Restaurants compete with each other on cost
2. Diners don't know what their money actually pays for
 - ii. Accurate labor and environmental costs aren't reflected in menu prices
 - iii. Restaurants have closed-book management and Profit and Loss is private
 - iv. Consumers don't care about the true cost of their food
 - v. In certain regions, customers define value as the most food for the least amount of money ("cheesecake factory factor")
3. Restaurant owners are competitors not colleagues

RESTAURANTS REIMAGINED

Educated and engaged consumers value restaurants above all else for their high-quality food, service and ethical labor, environmental, and equity practices. Restaurateurs collaborate on pioneering sustainable business practices that redefine the industry.

FLIPPED FACTS AND NEW MODELS

1. Restaurants compete with each other on ethical and sustainable practices.

- ◆ **Good Food 100** significantly promotes restaurants that perform a self-audit on their supply chain from local sources as a requisite to joining the network. Good Food releases regular impact studies revealing financial and social benefits to both restaurants and the economy.
- ◆ **The ROC National Diners Guide** showcases restaurants who provide livable wages, paid time off, racial equity practices and benefits and mobility for all workers. The app allows consumers to rate and draw support for establishments based on their social values. The app provides recognition for restaurants that identify with a network of emerging industry leaders. It allows owners to connect with a growing customer base that places value on the workers' rights. The app also helps groups differentiate themselves in an incredibly competitive market.
- ◆ **Good Works Austin** is a collaborative of about 30 restaurants and other businesses in Austin, TX that has collectively designed and committed to a series of protocols for how to safely and ethi-



cally reopen after COVID-19. Dedicated to worker and consumer health and safety, all restaurants that abide by these guidelines will receive promotional materials including traditional and social media collateral, will be a certified member of the GWA website and featured in a PR campaign. This project works to both provide consumers with a safe dining alternative while also educating them about the real need for worker health and safety as well. For more information visit goodworkaustin.org.

2. Diners understand the true cost of a meal.

- ◆ Zingerman's has pioneered **Open Book Management** to educate line-level staff in the finances of the company. Irene Li of Boston based Mei-Mei took it a step further when she ran an Open-Book Management course for her customers. Two-hundred community members attended and she has gotten requests for more. "Customers have even indicated that they would be willing to pay a nominal fee to attend future sessions," remarked Li.
- ◆ Many employers across the country have experimented with **explaining their prices, wage structures, and gratuity models on menus and websites**. See case studies in section three for more details.

3. Restaurant owners form a community of support not competition.

- ◆ **RAISE** is an association of 800 'high road' businesses that are committed to raising wages, improving benefits and creating racial and gender equity in the industry. RAISE offers technical assistance and a peer learning network for leaders who want to adopt best practices for how to invest in their employees.

III. | ASSUMPTION THREE

A two-tiered wage system keeps tips only for Front-of-House workers and creates income differentials.

Underlying Facts

1. Workers are divided between front-of-house and back-of-house
2. Tipped staff receive a lower base wage and create income differentials
3. Cities and states have different minimum wages and regulations around tipping
4. Tips require restaurants to keep prices artificially low
5. Tips obfuscate the consumer's understanding of operating costs
6. In most casual restaurants, tipped workers are women and single mothers who experience three times the poverty rate of the rest of the US workforce
7. Tips are not only based on service, but on gender, race, skin color, and physical appearance
8. Customers want to retain the freedom to tip

RESTAURANTS REIMAGINED

All restaurant professionals are paid a full livable wage from their employer. Gratuities are shared among all non-management employees, ushering in greater equity and unity between colleagues.

FLIPPED FACTS AND NEW MODELS

Many independent restaurant owners across the country are transitioning to paying all employees at least a full minimum wage, with gratuities either being shared among all non-management staff or incorporated into the menu price. Employers are moving in this direction to create more stability and equity for non-management employees. In terms of stability, a full minimum wage reduces employees' reliance on tips, creating more stable year-round incomes and reducing employer liability that comes from employees' exposure to the biases and harassment of customers. In terms of equity, a new 2018 federal law that allows for gratuities to be shared with all non-management employees if employers pay at least a full minimum wage to all employees has opened up the possibility for all restaurant owners nationwide to achieve greater race and gender equity, fluidity, cross-training and unity between front of house and back of house employees. Restaurant owners are finding that these changes reduce turnover among all employees and attract high-quality employees who are trained by the restaurant and stay over a long period of time, reducing costs of re-hiring, re-training, and promotion.



THE RESTAURANT OF THE FUTURE

Imagine a restaurant in which all employees are paid at least a full minimum wage with tips on top. Gratuities are shared among all non-management staff in an equitable way. These changes allow workers formerly known as front of house to have a stable wage they can count on regardless of season, weather, or customer bias; and they allow workers formerly known as back of house to receive a share of tips, increasing their overall income.

But these distinctions are less important now—with everyone receiving a full minimum wage with tips on top, workers can cross-train and perform several different functions as needed. This also allows for mobility—former dishwashers and line cooks can train to become servers and bartenders, which means that the dining floor and kitchen are equally racially diverse, and many workers have transitioned from being dishwashers and cooks to being servers, bartenders, and ultimately managers—though they are able to move between occupations and serve in many different capacities. With a team that is more racially diverse in both the dining floor and kitchen, there is a greater sense of unity and equality—no one assumes that their job is more important than another's, or that they are entitled to more than others. All of this—higher, more stable wages; opportunity for mobility and training; a more diverse workforce that operates as a unified team—results in far less turnover and ultimately, higher-quality food and customer service.

Seven states in the United States—CA, OR, WA, NV, MT, AK, and MN—require One Fair Wage, or a full minimum wage for all workers with tips on top.¹⁰ Hundreds of thousands of restaurants in those seven states, and hundreds more in the 43 states that allow for a subminimum wage for tipped workers, have eliminated the subminimum wage for tipped workers and transitioned to One Fair Wage. These restaurants have implemented a range of approaches for redistributing tipping. These approaches include: 1) a full minimum wage for all employees, with tips shared among all non-management employees; 2) a full minimum wage for all employees plus a service charge and/or administrative fee in lieu of tips; and 3) offering service-inclusive menu pricing without gratuities.

One Fair Wage's 'High Road Training and Technical Assistance' program offers more complete information on how to transition to a full minimum wage, tip sharing, and increased race, gender, and occupational equity, including financial models that help restaurant owners explore various wage, tip and staffing structures. Another resource is ZingTrain, which offers a full training in ways to implement 'Open Book Management,' employed by several of the restaurants described here. While those two resources provide more in-depth and personalized training, here we seek to provide initial case studies about employers who have made or are making the transition to a full minimum wage for all employees and increased equity based on race, gender and occupation. In the first two approaches—One Fair Wage and tip share, and One Fair Wage and service charges or administrative fees—we provide examples of employers who made these transitions before COVID-19, and a few that are happening as a result of COVID-19.

On the consumer side, new polling data from The Justice Collaborative Institute reveals that American voters and diners overwhelmingly support One Fair Wage, and more so as a result of the pandemic. A poll of over 1000 American consumers from late April 2020 shows that 78% are in favor of altering federal minimum wage laws to require that all workers are paid the minimum wage, even if they are in an industry where tips are customary.¹¹ It is clear that Americans are supportive of professionalizing the work of service workers, ushering them into a wage structure that is regular and dependable. The same poll reveals that 72% support raising the federal minimum wage to \$15 per hour and even support automatically adjusting that wage every year to account for national cost of living adjustments.¹²

More than half of polled participants said that the pandemic has made them more likely to support a \$15 minimum wage for all.¹³ Seventy four percent recognize that tipped workers have been hit especially hard by the economic crisis caused by the coronavirus, because it is harder for them to get the same unemployment benefits as workers who have been paid a traditional hourly rate.¹⁴ These voters agreed that adopting a one fair wage policy would give them some protections and benefits other workers have.¹⁵ Finally, 59% of American voters and diners agree that the coronavirus crisis has revealed that we take the work of many low income workers for granted, and that after the pandemic we should aim to have a more fair economy for all workers.¹⁶

SUMMARY OF ONE FAIR WAGE MODELS

KEY QUESTIONS FOR TRANSITIONING TO ONE FAIR WAGE

How do you determine base wages?

EXAMPLE MODEL

Base wages should be at or above the state minimum wage for all workers, regardless of position.

How do you divide tips between the front and back of house sections?

EXAMPLE MODELS

All employees are paid One Fair Wage and tips are evenly divided across all non-management employees to ensure the greatest parity and team unity.

Analyze your average net revenue, determine the percentage that can be dedicated to employee compensation, divide by number of employees and work backwards to select a tip share percentage that matches a competitive average take home wage for a given occupation in your area.

Institute a service charge and then proportionately distribute that income across front and back of house, paying attention to which positions are more difficult to retain.

REFERENCE CASE STUDIES

Miss Kim
L'Oca D'Oro

How do you divide tips between individual employees taking into account their prior occupational tier?

EXAMPLE MODELS

Start all employees at the state minimum wage and increase the wage based on occupational position from that point using tip share, service charge or menu-added pricing. Use a point system that is based on level of responsibility, the expertise of the position, level of cross training ability, and/or performance.

Tips are distributed according to occupational tier, in which lead staff receive a higher proportion compared to support staff, whether they are in the kitchen or dining floor.

REFERENCE CASE STUDIES

Miss Kim
Busboys and Poets
Farmers Restaurant Group
L'Oca D'Oro

How do you pay One Fair Wage and redistribute tips while still remaining competitive in the labor market?

EXAMPLE MODELS

One Fair Wage and tip redistribution can help raise back of house wages without increased labor costs, increasing the applicant pool and retention.

For wait staff, highlight greater wage stability/predictability, schedule flexibility, comparable average wages in lieu of tips, and team cohesiveness and task support between sections.

Use diversified tipping structures that account for performance, skills, and level of responsibility to incentive mobility.

REFERENCE CASE STUDIES

Miss Kim
Alta
Farmers Restaurant Group
L'Oca D'Oro

What is the best way to mitigate resistance from servers who are attached to current tipping models?

EXAMPLE MODELS

Intentionally diversify your front and back of house staff. When all segments of the workforce are racially diverse, employees are more likely to see their peers in other occupations or parts of the restaurant as equals and are more willing to accept more equitable tip distribution systems and cooperate as a team.

During this time of reduced staffing, make a choice to explicitly re-hire people who support the model.

REFERENCE CASE STUDIES

Busboys and Poets
RAISE Racial Equity Program
Miss Kim

1. One Fair Wage and Tip Share Model: All workers are paid at least a full minimum wage by their employer, and tips are shared with all non-management staff

In 2018 Congress, in consultation with One Fair Wage leadership, passed a rider to their annual budget bill confirming that tips can only be distributed to non-management employees, but also permitting employers who pay their employees a full minimum wage to redistribute tips across all non-management employees, including back of house, or dining employees. This law is in effect everywhere with the exception of New York State, which has unique statutory and administrative laws that supersede federal law and prohibit tip sharing even when employers pay the full minimum wage to all employees.

Restaurant leaders have found that a One Fair Wage and tip share model provides greater equity and stability for all employees, in turn decreasing divisiveness and turnover. This model allows servers to achieve increased wage stability while also increasing incomes in the back of the house.



CASE STUDY

Miss Kim, Ann Arbor, Michigan Transitioned pre-COVID-19

“This is the better model. I think that people are bought in. When you treat people fairly, generally that breeds a culture of sticking around and being bought into the business. This model offers better pay in the long run. Everybody’s paid a good wage, everybody has the opportunity to have insurance through our organization if they elect to. Everybody has a consistent, from one week to the next, set of hours. I think in the long run it’s just a healthier, more sustainable model for wages. You never have to worry about a snow storm fluctuation in pay rate, whether you get a table that is all kids and the bill is too small and people don’t know the tipping culture so they don’t tip you correctly. Here you are focused on doing a good job and providing really nice service, and the rest of it doesn’t matter.” —Amos, Bar Manager, Miss Kim

Miss Kim’s is the product of a collaboration between Ji Hye Kim and the Zingerman’s Community of Businesses. It opened in 2016, reimagining Kim’s popular Ann Arbor food cart, San Street, as a casual fine dining full-service restaurant serving traditional Korean food in Ann Arbor, Michigan. Zingerman’s businesses have a reputation for treating their workers fairly, offering ‘thrivable’ wages and benefits. Miss Kim has implemented One Fair wage, a full starting wage of \$14 an hour for all employees regardless of whether they are a dishwasher or a bartender, with tips shared across the front and back of house.

Transitioning to a full minimum wage was a given for the ZCB’s second full-service restaurant, as both Kim & Paul Saginaw, Zingerman’s co-founder, have been highly influenced by arguments about the sexist practices sustained by tipping and its historical roots in the American slave trade. Kim’s opposition to the subminimum wage also comes from her experience as a server, as she told us:

“When I had worked at a corporate restaurant a lot of it depended on the weather, what section you had. At the time there [were] smoking sections so if I got [a] smoking section my tips were generally lower. Your pay is inconsistent. Sometimes you have to put up with guests who may not treat you very nicely because you are worried about paying your bills and not being able to do that without that guests’ gratuity....So a lot of it is actually from my personal experience, of not appreciating being in a tipped wage service system.”



In addition to paying one fair wage, all employees at Miss Kim share tips based simply on the number of hours an employee works. If an employee is full or part time, front or back of the house, that is the proportion of tips that an employee receives within their biweekly paycheck. Kim has found that model to be most equitable and has seen immediate benefits in terms of retention and team coherence. “Because we started as One Fair Wage it was much easier to have the front and back of the house get along. For example, one time I saw someone from the kitchen tell a server that they could help with their workload so the server could focus on serving the customer because they split the tips. I’ve also seen someone from the front of house help put away dishes. It’s just more of a team,” says Kim. Cross training also supports the sense of team unity. Everyone at Miss Kim receives cross training and receives a raise for their increased skill level. Line cooks are asked to cross train at the bar, while servers are trained in the kitchen. When COVID emerged, Kim found her team’s flexibility was invaluable as her servers could move into positions as cooks. For many employees at Miss Kim, the tip share model has meant an extra \$4 an hour for back of house workers in addition to a higher wage they were already paying kitchen staff. Kim has seen huge benefits in retention of her back of house staff.

Since Miss Kim has never paid its servers a subminimum wage, its employees have been recruited based on their interest and desire to work for a steady living wage rather than being dependent on customer’s tips. Kim explained how she sets clear expectations for employees from the beginning of the hiring process and is able to train workers in her own philosophy of service. “I hire people who have customer service experience and then train them to become servers. Every server is trained to educate the consumer as well. The servers give a spiel to the consumer about how they have an option to leave a tip but how we also compensate our team.” As a result of having implemented One Fair Wage in her restaurant, Kim finds that she does not get as many white applicants from fine dining restaurants who are accustomed to a certain level of tipping. Instead, she receives more racially diverse applicants whom she is able to train in the kind of service she would like to see offered in her restaurants. “I get more racially diverse applicants, I get younger applicants with less experience... We are also getting more candidates from corporate restaurant experience, places like Red Lobster and Olive Garden, those people with experience there are applying rather than people with high-end restaurant experience. And when I talk to them, what we offer hourly is comparable or even better than what they end up with at a corporate restaurant, and then we also offer benefits and training.”

One of the most innovative aspects of Miss Kim’s approach involves their open-book management practices. Workers are encouraged to participate in a paid weekly huddle, which consists of an hour-long meeting in which everybody is invited to learn more about food costs, labor costs, profit, cash flow, and other key financials related to the health of the business. According to Kim, this practice “encourages everyone to take an active role in the health of the business and share the burden together.

And the staff really understands what our bottom-line is, what our profit is, and what our food and labor costs are.” Open-book management is supplemented with gain sharing so workers understand that they have a stake in the success of the restaurant.

Workers at Miss Kim say they prefer the model to the industry norm. For Bar Manger Amos, “consistency is the key... it should be a right that somebody should always know how much they are going to make.” Amos has experience having to depend on tips and recalled times where, “There were weeks where I would come short.” Misha, another server at Miss Kim, added his perspective on working in a one fair wage setting, “People are more likely to stay since there is a constant, steady idea of what they are going to be making. They are not going to be threatened or feel like they are competing for a better section or shift.” Both Amos and Misha remarked on the enhanced teamwork they felt in a one fair wage environment. Misha told us, I think the no-tip model is a preferable model because people will help you out, give you support” while Amos said, “everybody is playing as a team, there are more people available to help, ‘instead of oh that’s not my section’ you can play the field rather than just stick to your section, so I’d posit that it’s probably better service for the customer in a non-tipped restaurant as well.”

CASE STUDY

RAISE Racial Equity Program, National

In 2017, Restaurants Advancing Industry Standards in Employment (RAISE), now a part of One Fair Wage, piloted the first ever racial equity initiative in the county with two California-based restaurants, Alta and Homeroom. This process involved in-depth assessment and guidance on where restaurants stood in terms of recruitment, hiring, promotion and compensation policies that either advanced or hindered equity across their employees. Both Alta and Homeroom had already demonstrated a clear track record ranging from their explicit value set, goals, staff time and resources, to strong training and personnel evaluation systems. What came next was a focused overhaul of their recruitment and hiring process to ensure they were truly eliminating racial bias from their policies and practices, and thus bringing in a team that would be the right fit for the ethics of the business. Participating restaurants found that when all segments of the workforce are racially diverse, employees are more willing to welcome equitable tip distribution systems and cooperate as a team because they are more likely to see their peers in other occupations or parts of the restaurant as equals. Employees are also more likely to stay in the restaurant longer because they achieve mobility and can see their work as a career or profession rather than as a transitional job.

The participating restaurants had already identified equity as a key value for their businesses. In 2017, they decided to take this pursuit a step further, ushering in a series of operational transformations that put racial and gender equity at the forefront of their business models. The racial equity initiative assisted these restaurants in really refining the everyday processes within their business to achieve tangible results in terms of greater representation of people of color in front of house and management positions.

The Racial Equity toolkit provides specific and tangible guidance for employers on how to address racial and gender bias in their policies, practices and operations, and thus address barriers to hiring, promoting and retaining employees of color and women in their business. The primary benefits employers have found in utilizing the toolkit include: 1) attracting socially conscious consumers, 2) attracting and retaining a diverse pool of talent, 3) increasing employee morale, staff unity and



retention, thus lowering turnover costs, and 4) less resistance from servers to tip sharing and other equalizing compensation models.

The racial equity process captured in the toolkit includes two sections. The 'Track Your Numbers' section provides employers with an overall assessment of the level of occupational segregation by race in their restaurant. It includes an easy-to-follow worksheet to help employers calculate a number-based score that one can use to track and measure racial equity throughout the business. The second section, 'Analyze Your Choice Points,' provides an in-depth analysis of four major workplace areas where racial equity and inclusion can be improved; 1) racial assessment and work plans 2) recruitment, outreach and advertising, 3) application and hiring, and 4) promotions and training.

As a result of this process, participating restaurants have seen as much as a 28% increase in the representation of people of color in front of house positions. Decreasing occupational segregation and building a racially diverse staff throughout a restaurant business brings a level of team cohesion and stability that can be critical to the wage restructuring process. Adding Racial Equity To the Menu: A Toolkit for Restaurant Employers is publicly available online, and One Fair Wage is offering free training and technical assistance to help other employers go through the equity program.

CASE STUDY

BusBoys and Poets, Washington, D.C.

Transitioning due to COVID-19




"Right now we are planning it one day at a time. The hope is that this is an opportunity for us to rethink, reassess, and realign. We want to make a lot of changes that we have wanted for a long time. To get prepared for when we reopen, how can we not come back to where we were?" —Andy Shallal, Owner, Busboys and Poets

Like so many restaurant owners, the COVID-19 shut down has completely changed the landscape for Andy Shallal and his seven Busboys and Poets casual fine dining establishments. Shallal, however, is taking this crisis as an opening to restructure his business to create a more sustainable, consistent and unified team. Before COVID, one of Shallal's biggest challenges had been with retaining and managing his wait staff. "Servers are our largest category of employees, and also tend to be the most fickle. They come from different backgrounds, work ethics. It's hard to put them together to operate in harmony. There is just constant turnover and change, which is really costly," remarks Shallal. With the huge reduction in his staff necessitated by the COVID-19 shutdown, Shallal is taking this time to institute the One Fair Wage and tip share model to improve the wages of those employees who will continue into the future.

Shallal is looking to retain or rehire staff that are "more stable, committed, and career oriented". He intends to use technology to get the right people and retain them, even automating some of the service tasks and elevating the service standard that his employees offer. He sees his future service staff after COVID acting more like concierges, guiding the customers in their eating experience. With a decline in customer desire for close interaction, Shallal believes this new service model will meet the needs of the customers while also allowing him to provide a higher base wage to his team. Shallal plans to institute One Fair Wage as soon as possible, while also employing a tip share model to better distribute tips between the front and back of house.

While his team is still deciding on the exact method, their plan is to split tips between the front and

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back of the house by a specific ratio and then utilize a formula to further distribute tips according to position, skill, seniority and other factors. Shallal is sensitive to ensuring that he can retain or hire skilled wait staff and knows that striking the right balance of a high base wage plus tips is necessary. Under the current system, a subminimum wage plus tips, the amount each server takes home varies a lot depending on the server and the shift. On average, however, servers typically earn around \$25 an hour. Moving forward with One Fair Wage, Shallal plans to institute the full state minimum wage for all employees and then add tip share based on calculating the amount of sales divided by the number of employees. His aim is to determine the proper percentage so that servers continue to bring home their average, but more consistent salary.

Shallal's pursuit of a new path forward is not simply to align with his values, in addition he foresees a number of benefits as an owner and manager of seven successful establishments.

"I think part of it is that people who make the minimum wage and additional tips are just easier to manage frankly. Right now it's hard to ask people to do anything when they work for \$5 an hour. They are independent operators. Difficult to get them to work as a team. The servers are counting their cash and the cooks are cooking and cleaning and elbow deep in grease. Having worked as a cook and a server, I know what those dynamics are like. There is this tension that if I don't make food there would be no tip. With this model the tension is greatly reduced. Everyone needs to work together to bring the tips that will be divided by the team. It makes it fair. That is the main thing I want out of it."

Greater morale, professionalism and retention are Shallal's primary goals as he takes this time to reimagine what is possible at BusBoys and Poets. The cost savings of not needing to constantly train and rehire his employees is a major draw. In the midst of crisis, Andy Shallal is working to build something better than before.

2. One Fair Wage and Service Charge/Administrative Fee Model: All workers are paid at least a full minimum wage by their employer, and there are service charges, administrative fees, or other optional additions to the menu price that can supplement workers' incomes.

CASE STUDY

L'Oca D'Oro, Austin, Texas

Transitioned pre-COVID-19



L'Oca D'Oro is an Italian-inspired casual fine dining community restaurant that focuses on fresh ingredients, locally sourced practices and ethical labor standards. In Texas, service staff make only \$2.13 an hour, creating precarity and instability for the front of the house and little control for employers over staff compensation. At L'Oca D'Oro, all staff start above the state minimum wage, at \$8 an hour or higher, and the restaurant distributes a 20% service charge and any additional tips to all employees. With this control, L'Oca d'Oro is able to provide part-time cooks and other back of house staff with a \$13 an hour wage plus a proportion of the service charge that guarantees them at least \$15 an hour or a salary for full-time cooks between \$35-\$55k.

The service charge and any additional gratuity at L'Oca D'Oro is pooled and then divided up based on a point system and the number of hours worked. Points are distributed based on level of responsibility and the expertise of the position. At Orman's restaurant, cooks start at a higher base wage but have



fewer points than wait staff so their paychecks look similar to those of the service staff who tend to work shorter shifts. The goal of their model is to have greater ultimate parity between the paychecks of cooks and servers while being attuned to industry expectations. “A lot of servers are serving because they know they can make more money in fewer hours. It’s important for them to know they can have that but that, if they sacrifice a little bit, they will have a greater job satisfaction that comes with being part of a team,” says Orman.

When advising other restaurants who are interested in moving to One Fair Wage, Orman instructs employers to just work backwards. “Let’s say you bring in \$85,000 in net sales per pay period. You figure out what percentage you can pay out to your employees. You know how many employees you have and how many hours they work. You know the variables. The points will answer themselves because you know what ending salaries you need to hit [to be competitive in the labor market].” It has taken some testing, but the staff at L’Oca D’Oro have finally reached a structure that pays a livable wage to all staff, creates equity across the team and provides schedule flexibility for servers.

Like most businesses in the world, the owners at L’Oca D’Oro also believe that they, not their customers, should be in charge of compensating their employees.

“I spend a lot of time talking to other restaurant owners about how 15 to 25% of the money that comes into the restaurant is leaving every night in tips. Why wouldn’t you want to take control of that and have your employees working for you instead of the customer? I want to decide what amount of money makes sense for a certain position to be compensated. I want to create a ladder for my service staff that I just can’t if I’m paying the lowest wage possible and my employees are making most of their income in tips. Instead you can create the point system and an appropriate hourly wage, and have them work up the ladder. It’s really professionalizing the industry.”

Since instituting One Fair Wage with a service charge in lieu of tips, Orman has seen an overwhelmingly positive response from both customers and his team. With a clear and transparent hiring process, and solid communication plan, Orman is able to deploy his staff to directly educate the customers. In response, customers regularly leave positive reviews highlighting how grateful they are to patron a restaurant that has great food and takes care of its staff. They have staked a place in the Austin food scene as a “labor leader,” says Orman.

Paying people a full livable wage, providing strong benefits and instituting a greater level of fairness between the kitchen and dining room has generated a higher level of trust between management and staff. During the COVID-19 crisis, Orman reports that it has been easy for him to talk and work with

staff who know that the management is on their side. “For staff to know that when they come back we will just start them at \$15 [gives them a sense of security]. They are subsequently not trying to cheat us cause we don’t cheat them. It can be one of the most corrosive things about restaurants—owners policing their own people. At our restaurant there is no maliciousness, money or beer never goes missing. Our people understand where it is that they work”, explains Orman. The low turnover rates are the ultimate proof of staff satisfaction. In the last three years, Orman has not lost a single service staff member to another Austin restaurant.

CASE STUDY

Farmers Restaurant Group - Founding Farmers, Washington D.C., Pennsylvania, Maryland and Virginia Transitioning due to COVID-19



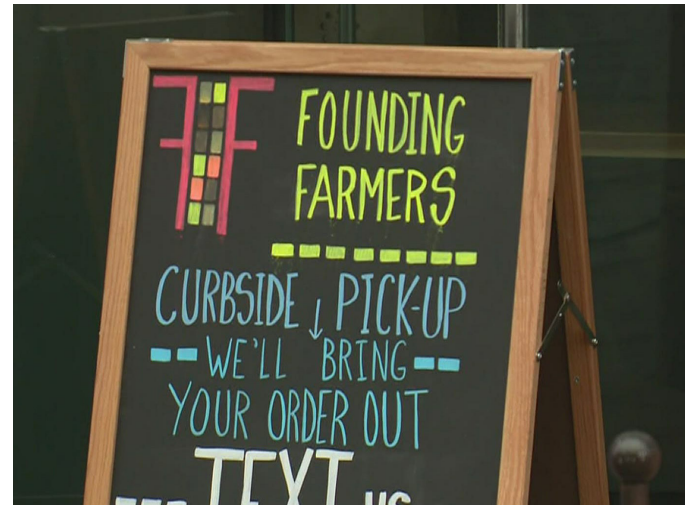
The Farmers Restaurant group has spent over 12 years bringing sustainable, family farmed food to diners in DC, Maryland, Virginia, and Pennsylvania. With the recent seismic shifts in the restaurant industry, restaurateur and co-owner Dan Simons has moved to become a leader in ethical labor practices as well. Before COVID-19, tipped employees at all nine full-service Founding Farmers’ restaurant locations had been paid the subminimum wage for tipped workers in their state. With the pandemic, Simons was forced to close dine-in service at all locations, resulting in the layoff of nearly 1,100 workers. Since the closures, however, Simons has begun to build out their new market and grocery business model, along with continuing their restaurant take-out business.

Based on this new business the farmers restaurant group was able to rehire 300 employees all paid at a wage above the full minimum in each state. The impact and limitations of this pandemic have caused Simons’s business model to completely change. Employees are working as delivery drivers and table servers have become street side food runners. The front of house staff are now picking, packing and bagging food and goods. Everyone is part of the team and everyone is paid the same base wage. On top of this, Simons is developing a performance bonus structure tied to performance results, cross training ability, and skill level including results from their ongoing education program.

In his current model, Simons is using a contribution from consumers that is similar to a gratuity, and sharing it among all non-management employees on top of a full minimum wage. For full re-opening, he is exploring a model that would include the menu price, gratuities and or a service charge for personal protective equipment (PPE), health insurance premiums, and additional employee benefits and safety supplies to address pandemic safety protocols. Simons is reticent to change menu prices as it might deter consumer spending, but wanted greater flexibility to pay his entire staff a full fair wage and create greater equity among all occupations. He feels that some combination of gratuities and administrative fees can help achieve this goal.

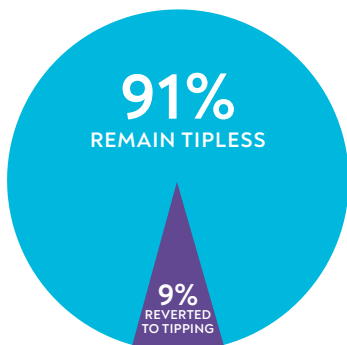
As Simons explains, “It’s about building new compensation structures and new business models for the world we are in. For example, of course we need to provide employees PPE while certainly not making it a cost to the employee. Perhaps we can include both a fixed service charge and fixed COVID charge, which allows you to use that money as the business needs to protect our employees”. Simons wants the customers to know what portion of the additional charge is going to pay a full living wage, to provide PPE, what is going toward their health insurance or toward the performance point system. They are currently testing what works at the bottom of the check that ensures his staff’s livelihood and safety while also driving consumer buy-in.

Simons's hope is that this new wage structure will create greater parity between the service and kitchen staff. As part of a consortium of fine dining restaurants, prior to COVID-19, some of the service staff at the various Farmers Restaurant Group establishments were making far more than the kitchen staff. With this change, Simons is hoping to "even the playing field" even though he knows that may shift the type of servers who work with him. Ultimately he believes this shift will lead to lower turnover, and more long term stability, with a more diverse and stable front of house team. "The person who gets into this job is more likely to be satisfied to build the life they envision for themselves as a [service] professional instead of passing through this job on their career arc. For me, I want to focus on... a system that raises up the bottom, and creates more fairness and stability," says Simons. "It's exciting. COVID times are scary but it's also an opportunity to rebuild. Pre-COVID, people didn't want to admit that if you make a change like going to one fair wage you might have to change up your staff. But I was just forced to lay-off 1,100 people, so now the change barrier is clear; we need to get people back to work in the most stable way we can. Now is a time to rehire people that are a good match where it is a win for workers and companies, so that together we can build an equitable future."



3. One Fair Wage and Gratuity Free Model: All workers are paid a livable wage by their employer, and there are no tips. Workers are professionals.

GRATUITY-FREE RESTAURANTS



After restaurant industry leader Danny Meyer moved to a gratuity-free model in 2015, hundreds of other restaurants followed suit. Press reported that many of these restaurants ultimately reversed course, moving back to tipping. However, findings from MIT research analyst Max Ghenis indicate that the majority of restaurants that transitioned to a gratuity-free model did not reverse course. Using a crowd-sourced database of tip-free restaurants, Ghenis' research revealed that moving to a gratuity-free model worked for a majority of restaurants because it creates a more sustainable work environment, reduces turnover, and improves worker safety.

According to the report, there are at least 233 US restaurants that have been publicly recognized for going tip-free. Of these, only 21, or 9% reverted back to a tipped house model.¹⁷



CASE STUDY

Union Square Hospitality Group, New York City, New York Transitioned pre-COVID-19

Union Square Hospitality Group (USHG) has created some of the most beloved restaurants, cafes, and bars, which offer outstanding food delivered with its signature warmth and hospitality. Founded by CEO Danny Meyer with the opening of Union Square Cafe in 1985, the company now extends be-

yond the walls of its eateries. In addition to creating Shake Shack, USHG offers operational consulting and runs a multifaceted catering and events business, Union Square Events. With operations in New York, Las Vegas, and Washington, D.C., USHG has long supported its communities by supporting hunger relief and civic organizations. USHG holds 28 James Beard Awards and numerous accolades for its distinctive style of hospitality.

Union Square Hospitality Group's ultimate goal is to create an employee compensation model that enables them to serve all of their stakeholders.

- ◆ Because USHG's team members are earning beyond one fair wage, their unemployment benefits are significantly higher than those at a tipped minimum wage which is especially critical during this pandemic.
- ◆ In addition to compensation structures that incorporate one fair wage, USHG believes it is critical to offer clear paths for continued growth at the hourly level to create a culture of development and promotion from within.
- ◆ USHG is continuing to evolve its models to create strong employee incentive plans and career development opportunities in both Front of House and Back of House.

Danny Meyer's decision to transition to a full minimum wage for all was based on a combination of considerations, including ethical values and the changing labor market in New York.

According to Meyer, workers' satisfaction is crucial for their service-inclusive model to be successful, "There's not a more important stakeholder to get right than our staff." USHG secured worker buy-in by holding town-hall style meetings and conducting multiple one-on-one conversations with each worker to address their concerns about the change process. Erin Moran, Chief Culture Officer at USHG, described the purpose of the meetings:

"We certainly implemented a strategy that helped us through [the transition], using multiple forms of communication for our people. We've had town halls, we've had online forums, we've had open Q&A, we've had an email address where people can submit their questions, we've had focus groups, but probably the most important thing that we've done is that we've met with each individual employee. In those meetings, we are customizing that conversation on the personal and professional growth of each individual and letting them know what growth looks like for them, and what it could look like in terms of their skill set improvements as well as compensation increases."

Workers are given an opportunity to discuss their career plans with management, and a formal development plan is put in place to advance employees towards greater skill, responsibility, and compensation. As a result of dispensing with the subminimum wage and compensating their staff with a full minimum wage, management has gained the ability to give merit raises to service staff based on their performance, track how long employees are in specific positions, and track who is eligible for a promotion. A server at The Modern told us that they especially enjoyed being treated "like a professional... you work towards your rate... like any other industry, you work towards your position."





CASE STUDY

Honey Butter Fried Chicken, Chicago, Illinois

Transitioned pre-COVID-19

"I love this change, I love what it says about this business, and I love that we are trying to do our part to abolish an outdated system of tipping in this country." —Jordan, Cashier, Honey Butter Fried Chicken

"You may not get tips or anything but your wages are adequate and it's way more stable than having to worry about tips. I definitely feel that it's helped out that we've switched over to this model. It's benefited me..." —Joe, Front-of-House, Honey Butter Fried Chicken

Honey Butter Fried Chicken (HBFC) is a neighborhood casual fried chicken restaurant located in Chicago. Owners Josh and Christine have over 23 years in the restaurant industry between them. Alongside outstanding food and customer service, Honey Butter is set apart from its competitors by the excellent pay and benefits offered to staff. At the center of HBFC's high road philosophy is their "hospitality-included" policy, a term inspired by Danny Meyer's practices at Union Square Hospitality Group. Employees at HBFC have never been paid a subminimum wage, even though tips were initially collected and phased out in April 2016.

Workers received raises to compensate for the loss of income from gratuities. When employees begin their work at Honey Butter, they are paid a training wage of \$12 per hour for 60 days, after which they are paid \$13 per hour with the potential to progress up to \$16 per hour. Since the COVID-19 outbreak, owners are working to bring all employees back at a minimum of \$15 an hour. Jordan, a front-of-the house worker whom we interviewed, confirmed that since HBFC transitioned to hospitality-included, workers' income has "increased since moving away from tips." Critically, Jordan pointed out the stabilizing impact this policy has had on workers' income over time as premiums for busy shifts and seasons evened out. "Last winter I was paying rent, and if my tips weren't enough, I'd be short on rent, but at least now it wouldn't affect my check at all because I'm being paid a flat rate which is pretty cool."

Instead of motivating employees through the prospect of receiving gratuities, Honey Butter offers their workers a stake in the success of the restaurant through 'gain-sharing'. Josh described how this works. "[Gain-sharing] was the replacement for rewarding staff for doing well for the business, so the motivation for them becomes to make the business healthy and successful so they get a share in any gains that we get from our finances." Alongside gain sharing, open-book management practices at HBFC help to ensure that workers have a stake in the restaurant's success, as Joe told us,

"Every Friday we have this thing called a huddle. That gives everyone in the restaurant a chance to see where we are financially with the restaurant, like how much money we are making, how much the food costs. It gives employees here another aspect of how the restaurant works. Not only do we see it working as a normal restaurant but we also see it behind the scenes, where the numbers are going, what our food costs are, what our labor percentage is. A lot of other restaurants don't share that and their employees are in the dark about stuff like that so it's nice to know that they share that. Not everybody shares that information with their employees. It's nice to know that they trust us with that information, that we are included, for me it makes me think of how I can improve the business and that's really beneficial to my mindset with Honey Butter."



To inform the transition away from gratuities, Josh and Christine worked with a group of students from the Kellogg Business School at Northwestern University. The students analyzed menu prices and sales data to suggest ways for the business to absorb the increased labor costs associated with replacing income from gratuities. Modest price increases were targeted at high value items and paired with reconfigurations of the menu that encouraged family-style ordering, driving up overall revenue. As Christine explained,

"We didn't just raise prices—we looked at our overall menu and what we were offering product-wise and created a new category of what we refer to as shareables in the restaurant... We created a section that is like a big salad that people can share or a platter of wings, or we have this buffalo mac and cheese. That new section helped drive some of our revenue up a little bit which helped us pay for this."

According to Josh, "[Our prices went up about 9 or 10% and] we were able to raise pay across the board by almost 30%." As a result of raising wages, HBFC has professionalized their workforce. As Christine described, "it's a long-term game—your higher retention of employees, your higher morale of employees, rewarding them in other ways, it eventually pays for itself." Moreover, eliminating gratuities has helped foster teamwork. Josh reported that "We don't have any of those traditionally front versus back issues. [We have a] totally cohesive, positive workplace." A front-of-the-house worker we spoke with confirmed that without gratuities there was no animosity between front and back of the house workers, reporting that "It really feels like part of a team here."

IV. | POLICY RECOMMENDATIONS

Support Restaurants Need to Make Change Now

The COVID-19 pandemic has created the opportunity for restaurants to reimagine a business model that is more sustainable for both employees and employers. However, in order to support restaurants in being able to take advantage of this opportunity, policy makers and philanthropists must take action now.



1. Provide capital access to restaurants who seek to transition to One Fair Wage.

Restaurants can and should be provided with grants and long-term low-interest loans to help them transition to One Fair Wage. In California and now New York City, Detroit, and Boston, One Fair Wage and RAISE launched ‘High Road Kitchens,’ a program that provides a combination of public and private dollars to restaurants that commit to transitioning to ‘high road’ practices—livable wages and increased equity and benefits for workers. In New York City, owners can commit to moving to a full minimum wage within five years in order to receive a wage subsidy of up to \$30,000 and additional \$5,000 in funding from One Fair Wage to pay for inventory and supplies. If they make this commitment, restaurants receive \$15,000–\$35,000 in cash grants to re-hire workers safely, with proper safety protocols and personal protective equipment (PPE) and provide free meals to hundreds of people in need. The program allows for regular consumers to pay for meals in a way that subsidizes free meals and allows restaurants to re-open and sustain themselves beyond the initial grant funding. While they are not fully re-opened, restaurants are provided with One Fair Wage’s free training and technical assistance program that includes restaurant operators and business consultants training them with financial models to help transition to One Fair Wage profitably and increase race, gender and occupational equity at the same time. More cities and states should partner with One Fair Wage and RAISE to implement ‘High Road Kitchens.’

A second program being initiated by One Fair Wage is its ‘High Road Loan Fund,’ to provide long-term low-interest loans to restaurants transitioning to One Fair Wage over the next several years. While an initial cash grant to participate in the High Road Kitchens program is helpful, some restaurants are looking for larger low-interest loans that will allow them to transition over time—especially since the Paycheck Protection Program provided through the federal government’s CARES Act is extremely challenging to use for the minority of restaurants that receive it. One Fair Wage is partnering with several banks and foundations to create a guaranteed low-interest loan program that could support this need, and is actively seeking additional partners.

2. Tax Subsidies

Cities and states can support restaurants transitioning to any of the new models described above, and especially to One Fair Wage, by providing tax relief to restaurants as they make this important transition. Tax relief can be implemented in a number of ways:

- ◆ Allow restaurants to maintain their current payroll tax levels even as they increase workers' wages.
- ◆ Waive franchise or other operating or business taxes to restaurants as they transition to One Fair Wage.
- ◆ Provide landlords with tax relief that they pass on to restaurants in the form of rent control as they transition to One Fair Wage.



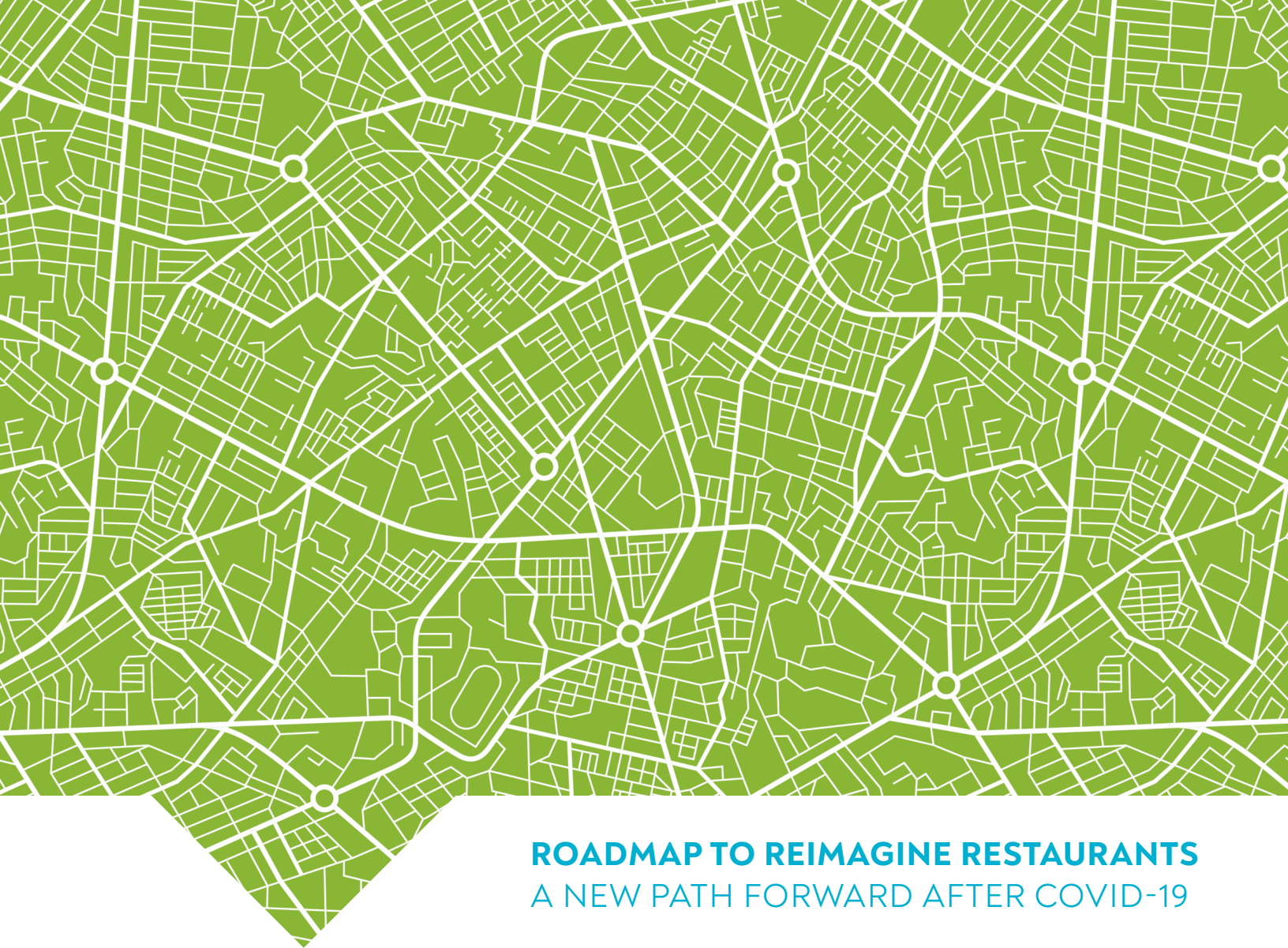
3. Legalize tip sharing in New York if employers pay the full minimum wage.

As a result of the 2018 Congressional budget rider, all states except for New York have made tip sharing among all non-management employees legal as long as employers pay the full minimum wage. New York State has statutory and administrative laws that supercede the federal law and that nearly all parties agree must be changed to allow restaurants to move to a full minimum wage with tips on top profitably. New York restaurant owners who want to transition to pay all of their employees a full minimum wage with tips on top should not be disincentivized because they are barred from implementing the complete range of business models. Every restaurant, sector and consumer base is different, and only the people closest to the business know what will work for their establishment. We have seen One Fair Wage and tip sharing function as a viable option for many restaurant owners in states around the country, increasing equity, sustainability, and unity among restaurant owners. Tip sharing can support greater wage parity between front and back of house staff, a critical racial and class dividing line. It is tantamount that all restaurants, regardless of geography, can institute one fair wage free from policy obstacles.



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ROADMAP TO REIMAGINE RESTAURANTS A NEW PATH FORWARD AFTER COVID-19



onefairwage.org



raiserestaurants.org