

"Tipping is actually one of the biggest hoaxes ever pulled on an entire culture."

—Danny Meyer, owner and CEO of Union Square Hospitality Group

Written by
Rachel Knox

Illustration by
Leonardo Yorlca

Every so often New York City has one of those schizophrenic weather weeks: foggy mornings burning off into hazy afternoons, the sun blazing down, followed by clear and balmy "patio days" where every customer at the restaurant I work at will want to sit outside. I'm serving the patio section on such a night, which under the right circumstances will allow me to make half my rent in one shift. But, around 7:15, with a section full of rosé-sipping revelers, a shadow spreads over the oil-clothed tables with surprising speed. Rain comes down slantwise, just as we are resettling our guests into the indoor dining room. I sulk on the inside while I finish serving my tables, a few of them good sports but the majority dampened in both spirits and appearance. My boss

cuts me after the last of them have paid. After printing my sales report and tipping out the bartender, host, and food runner, I leave with \$85 in my pocket, less than half of what I had expected to make tonight.

Payday comes later in the week and, with an overdue phone bill and student loan payment, I tear open the envelope and see those five dreaded words: "THIS IS NOT A CHECK." My total weekly tips has equal to just the amount of the gap between the wage my employer is required by the state of New York to pay and the minimum wage. I haven't made a dime in hourly wage outside of my rain-soaked tips.

All across the country, but especially in New York City, the gratuity-free restaurant has been lauded as a cure-all for the ailments of the current restaurant power imbalance: servers will not be at the mercy of an arbitrary customer-determined wage; line cooks and dishwashers will make their hard-earned share of front of house's profits; no more guesswork on the part of customers. Restaurateurs like Danny Meyer, Will Guidara, and Andrew Tarlow have moved to gratuity-free models across their New York City establishments.

As a server and bartender of over ten years, the last five in Brooklyn, I'm interested in how much better or worse this system is for employees. At the end of the day, restaurants are still businesses—sometimes corporations—and don't usually adopt policies that solely benefit employees. Additionally, restaurants are notoriously hard to make profitable. The National Restaurant Association is historically pro-owner and anti-union; their "Save Our Tips" campaign has raised ire among service workers for its purposefully misleading language. As one of the largest national employers of undocumented immigrants, wage theft and labor regulation abuse run rampant in the food service industry.

Five years into the gratuity-free model, some restaurants have reported success, but by and large employees are earning less money than before and working more

hours to make up the difference. Like any system in its infancy, the gratuity-free model has complicated pros and cons, and can feel confusing and frustrating for the average diner who wants to do the right thing.

After talking to several colleagues in tipping and gratuity-free restaurants, here's a breakdown of a few common misconceptions about both models. (All workers I spoke to requested anonymity.)

Gratuity-free restaurants are fairer, because underpaid back of house employees will make the same as servers and bartenders.

This may be the most touted benefit of the gratuity-free model. In reality, kitchen employees at gratuity-free establishments I spoke to continue to make a significantly lower hourly wage than their front of house counterparts, even if they did see revenue share. The revenue share model works like this: net sales of a particular shift are tabulated. The restaurant then distributes a flat percentage of that revenue, generally between 18 to 20 percent,

amongst the front of house employees who worked that shift. They see this percentage on their next paycheck, with state taxes and social security taken out. The average wage at these establishments—around \$15-\$20 an hour, depending on the employee's position and time with the company—meets the state non-tipped minimum wage requirement, but their individual take-home pay is rarely different than before the model was implemented, and often significantly less after taxes. Every restaurant's exact model and percentage varies, of course, but almost all the people I spoke to reported that the back of house received an increase in hourly wage, but did not see a portion of the revenue share. One restaurant employee did tell me that their employer distributed the "rev share" to their small staff of kitchen workers; however, the chef-owner worked the line almost every night. By law, owners and managers cannot participate in a tip pool or receive tips, so the kitchen was operating with one less

person they were required to pay a fair wage. The higher hourly pay for waitstaff is intended to make up for the tips they would normally be receiving in traditional restaurants. Rather than leveling the playing field, gratuity-free models simply move the goalposts: waitstaff and kitchen employees might be making more money on average, but the disparity in their wages remain the same, weighted in favor of front of house employees.

A noteworthy difference in this respect is the quality of life back of house employees reported in one particular restaurant group. This group slowly transitioned all of their locations to this model after experimentation. They did the math for individual line cooks and dishwashers to determine their weekly pay at their previous spread of hours, usually between 60 to 70 a week, which is not uncommon for kitchen employees. That dollar amount was then reconfigured for a 40-hour work week. Back of house employees do not receive a percentage of the revenue share, but make as much money as they would before, with the rare ability to have two days off and enjoy some semblance of a normal job. In a career where cuts, burns, heavy lifting, and extreme heat are daily occupational hazards, 20 hours of free time can make a world of difference to mental and physical health.

Taking away tipping will lead to a decline in service quality.

The inherent problem here is a mindset that a large tip is the only reason service industry professionals might do a good job. Service work is work, and work that should be valued as a skilled trade performed by complex human beings, just like any other. The idea that the sole reason a server or bartender might do a good job is financial reward is, frankly, insulting. Of course, money is a major motivator; I'd imagine it is in your line of work, too. But in the New York City restaurant world I work in, where the standard of service is generally high, waitstaff take pride in providing guests with the best possible experience. Many servers at the top of their class in high-end tipped restaurants are able to make



A Service Worker's View on the No-Tip Model

a career and support their families by waiting tables and bartending. Bank tellers, metalworkers, and ballet dancers all perform their jobs with no incentive other than customer satisfaction, so why wouldn't service professionals? In my experience, this fear often stems from the idea that as a guest, one has the power to deem whether or not their personal standard of service has been fulfilled, regardless of actual adherence to company standards or personality differences. If this power is taken away, a guest might be forced to value service work as that of any other industry; worthy in its own right of a fair and equal wage, every single time.

If standards of service are not upheld, an employee will simply lose their job and its benefits. As in the case of all restaurants, tipped or not, guests reserve the right to vote with their dollars if service does not meet their standards, by dining elsewhere.

As a customer, the gratuity-free model saves me money.

At the risk of sounding conspiratorial, that's what they want you to think. Actually, gratuity-free dining simply moves the onus of providing a fair wage from the employer to the guest.

Confused? Here's how it works: under the old system, legislation mandates that employers may pay their staff between \$2-\$5 an hour, with a "tip credit" built into the wage. Employees are required to declare their tips at the end of each

shift. If the amount of declared tips in a pay period works out to meet the minimum wage, employers, by law, do not have to pay their staff more than that minimum. If the employee makes a tip amount that equals more than the minimum, employers may not even be required to pay the minimum. As I've experienced firsthand, my employer often does not owe me a penny for the 40 hours I worked for them, because according to the computed tips I have taken in, I made the minimum wage of \$14 an hour. However, this does not account for the money tipped out from servers to bartenders, busboys, hosts, and other support staff. Employers' labor costs are kept extremely low due to this mandate, and tips effectively become the sole living wage of the waitstaff. A bad night or a table that stiff's you can set off a chain of late payments and overdrafts if you don't have other means of income.

The solution to this is a uniform minimum wage, right? The answer is, kind of. A higher hourly wage is paid to employees under the gratuity-free system, but the customer is the one who ends up footing the bill, both literally and figuratively. To account for their now-high (or, some would argue, standard) labor costs, restaurants raise their prices significantly. Diners are now paying 20% more, which goes directly to the restaurant, who then distributes this money as they see fit to their employees. A universal minimum wage wouldn't necessitate the need to eliminate tipping, either. Instead, the competitive take-home pay of a fair wage plus tips could entice skilled individuals to the field, raising the bar for the industry-wide standard of service.

At least one price-fixing lawsuit has been brought against gratuity-free restaurant owners, and many guests feel slighted by the expectation that they are required to pay more for their meals in order for restaurant employees to make a living wage. Danny Meyer himself has said that pre-tip menu prices already include all costs. In essence, owners are robbing Peter to pay Paul by charging their guests more in order to pay their employees a fair wage, instead of working a fair wage into their existing budgets and looking elsewhere—suppliers, liquor distributors, dry-cleaning companies—to cut non-labor costs.

So, what's an ethical guest to do? Gratuity-free restaurants are certainly imperfect, but offer employees a step in the direction of equality. The new model is better, but it's far from good enough. I've talked to peers working on both sides of the fence and their suggestion has been overwhelmingly simple: encourage employers to pay all of their employees, front and back of house, a living hourly wage with no catch; no revenue sharing, no tiered distribution, no tip offset. Give guests the option to reward staff for exceptional service with tips if they feel so inclined, without the power to deny them a livable wage by withholding tips. Research and support groups like ROC United and their One Fair Wage campaign. Allow restaurant workers to unionize without fear of job loss or deportation. Most importantly, value our work just as you do anyone else's: with your dollars, your vote, and your empathy. We want our guests to be full, happy, and welcomed to the table. Don't we deserve that, too? •

the
future
of
gratuity