REGARDING EFFORTS TO RAISE MINIMUM WAGES LOCALLY

I heard today, and have previously read, about county efforts to place a minimum wage question on the ballot for Summit County. Judging from the high profile you’re carrying on this issue I assume you have your mind pretty well made up regarding the benefits of a higher minimum wage in our county. But let me entertain you with the viewpoint that affects front-of-house (FoH) and back-of-house (BoH) employees immensely and we literally have thousands of these people residing and working in our county.

We currently start dishwashers (low end of the scale) at $14 p/h but they pretty quickly move their wages up and our BoH staff, across four restaurants, average $16.65 p/h. You’re likely pretty familiar with this scenario and maybe it’s helped ease your mind that a county minimum wage increase to $15 won’t affect the bunch of business that are already paying wages at or above market rate but, as you’re anticipating, our story is not that simple. It’s pretty hard to argue against higher wages for the lowest paid in our expensive marketplace and I’ll let Vail Resorts argue all they want on that account, but the big issue for our industry is one of wage disparity between the front-of-house (tipped employees) and the back-of-house employees and it’s a disparity that is exacerbated with each and every minimum wage increase. More on that in a minute.

The complexity comes from the custom of tipping in the U.S. which applies it’s own unique pressure to the wage problem in that the tip credit, which allows restaurateurs to pay a wage less than minimum wage to the FoH, tipped, employees, is not enough to equalize pay between FoH and BoH employees. Not that the tip credit was designed for an equalization purpose, but with the increase in menu pricing and the change in dining habits (higher per-head averages, adjusted for time, than even 15 years ago) our FoH employees commonly make, with their tip credit minimum, $25 - $40 p/h. And every time a menu is adjusted for CPI (we recognize 2% annually, which is a touch low) or commodity and protein pricing (up but never down) the tipped employee receives a boost in their tip income due to the changes in menu pricing.

Back to the disparity question and here's where the problem gets tricky. If restaurateurs wish to increase BoH wages they’ll necessarily raise menu pricing to cover these costs. But that menu increase artificially raises the tipped income in the FoH and does nothing to alleviate the wage disparity it was trying to correct. While it may not bother some people that wages in one part of an organization are higher than wages in another part, it does bother me. This is because the BoH employees tend to build their careers around their craft and do things like continue their education, apply and receive certifications and, generally, try to improve their skills set. They stick it out and become really excellent employees. Not that attention to one’s profession cannot happen in the FoH but employees taking those jobs tend to be attracted by the low level of skills needed to make a higher than average (as compared to a retail, lift-op or stock clerk job) wage. And they contribute much less to our community in that they are way more
seasonal, less socially active (less kids in schools, mortgages, etc.) and less committed to the industry which is providing their meal ticket. The average retention of a BoH employee in our company is 4.5 years with the average for a FoH employee a much shorter 2.25 years. Of the employees, not counting our 19 managers, who have been with the restaurants over 10 years, 80% of them are BoH employees. This is from a total of 211 employees, this week anyway. The resulting hard fact for our industry is the staff with the most value is paid less than their teammates who are all engaged in the same mission at the same time. FoH cannot work without BoH and vice-versa. Recently, our industry has experimented with applying a 2% - 3% surcharge to the bill to try and equalize the disparity with a few restaurateurs employing this tactic locally. While it remains to be seen if customers remove this percentage when calculating tips for their server, it is recognized by a rational percentage of customers that they must round-out or remove the tax when calculating tips. Currently, Federal Labor Department rules, upheld by Supreme Court case law, do not allow restaurateurs to redistribute FoH tips to their BoH coworkers.

So what’s the solution? I’m glad you asked. Simply exempt tipped employees from the minimum wage increase you are considering or, alternatively, increase the tip credit (or some other local scenario) so that tipped employee’s wages, while being adjusted lower, pace future minimum wage increases in a more balanced way. While all solutions can add their own particular complexity the first solution may be simple enough to be easily understood by the voting public, its alternative (what is a tip credit anyway?) not so much.

I appreciate your consideration of these viewpoints and very much support the concept of a living wage for all. I hope there is a way to recognize the complexities of the restaurant industry and our marketplace. While I’m speaking on behalf of my partners, myself and our employees (and I hope that you employ discretion with the sensitive data I have provided), I’m confident the majority of restauranteurs feel much the way we do.

Regards,

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