

ONE UNFAIR PLAN FROM ONE FAIR WAGE

RWC-CTR, August 2020

With much fanfare, the group One Fair Wage (OFW), in collaboration with fifty New York restaurant owners – including ultra-wealthy capitalists like David Chang and Danny Meyer¹ – has recently unveiled a proposal for a so-called “Safe and Just Reopening Plan” for the restaurant industry, presented in the form of a letter to New York State Governor Andrew Cuomo.

OFW is a project of the ROC-United (Restaurant Opportunities Center – United), a so-called “worker” center that is **mainly bankrolled by big capitalist institutions like the Ford Foundation**. Restaurant workers play little role in either funding or leading ROC-United. In this sense, it has more in common with a charity than with a trade union.

The stated goal of OFW is for all workers to receive the full minimum wage, ending the sub-minimum wage for tipped workers, represented in the first pillar of the reopening plan: *“One Fair Wage is a national coalition, campaign and organization seeking to lift millions of tipped and*

¹ Danny Meyer, one of the authors of the plan, is the founder of Shake Shack (275 locations worldwide) and the founder and CEO of the Union Square Hospitality Group (USHG), which includes 18 restaurants. Danny Meyer’s estimated net worth is \$400 million. Twelve of the USHG restaurants received between \$11.4 million and \$27 million in PPP loans during the pandemic. Meyer was able to count the affiliated restaurants separately, which is why they qualified as “small businesses” eligible to receive the loans. Meyer has attempted to implement similar anti-worker schemes before, most prominently when he ended tipping at his USHG restaurants in 2015, claiming this would lead to an increase in income for his BOH workers. The result was a sharp increase in the turnover rate for the FOH workers due to lowered FOH income following the implementation of the policy. BOH workers won only nominal wage increases. The results of schemes to ‘increase’ wages without taking a dime out of the pockets of restaurant owners have universally resulted in failures. Meyer’s policy was reversed just this past month.

*subminimum wage workers nationally out of poverty by requiring all employers to pay the full minimum wage with fair, non-discriminatory tips on top.”*²

The “Safe and Just Reopening Plan” is representative of the strategy OFW promotes to save the industry via what they call “*high road*” employment, at the core of which is a quid pro quo in which restaurant owners will transition to paying employees the full minimum wage in return for a change in state law to permit tip sharing across all workers in the restaurant. New York state law currently allows tip sharing only among front of the house (FOH) workers, with the full wage of back of the house (BOH) workers to be paid by the restaurant owner.

The **four pillars of the OFW plan** are as follows:

1. Elimination of the sub-minimum tipped wage in New York State.
2. A change to New York state law in order to allow tip sharing with BOH.
3. Payroll tax relief “for struggling restaurants.”
4. Establishment of a 5% safe reopening surcharge that restaurants can add to customer checks.

The proposal calls for all four of these elements to be implemented simultaneously: “*many New York restaurant employers are prepared to move to a full minimum wage if tip sharing becomes permissible—along with a recovery surcharge, and modest tax relief only applicable to increased wages.*”³

The perspective underlying this plan is that restaurant workers and owners have the same interests. Indeed, the slogan OFW raises in order to promote the proposal reads: “*New York restaurant owners and workers – united together.*”⁴ **Of course, restaurant owners and workers do not have common interests, and unity between bosses and workers can *only* mean the workers submitting to the bosses.**

If implemented, the OFW four-point plan would be an enormous gift to restaurant owners and a terrible blow to restaurant workers. The essence of the plan is that in return for paying minimum wage, restaurant owners will get tax breaks, a 5% surcharge windfall, and a change in the law to allow one section of workers to pay wages to another section of workers.

² <<https://onefairwage.com/about/>>

³ <<https://gothamist.com/food/restaurant-industry-leaders-propose-safe-just-reopening-plan>>.

⁴ <<https://twitter.com/onefairwage/status/1291505683976855552>>.

While RWC-CTR shares OFW's goal of ending tipping and the sub-minimum wage, this plan is not the way to accomplish this goal: it will make restaurant owners wealthier, and it squarely places the burden of raising the income of BOH workers on FOH workers.

THE TESTING MODEL

We tested the OFW plan by running numbers using the model of a hypothetical small, high-end restaurant. The model unsurprisingly revealed that the OFW plan would enrich owners substantially while lowering the wages of all FOH workers. Although we were skeptical of the OFW plan from the start, **even we were surprised by the degree to which owners benefited from the plan at the expense of their workers.**⁵

The testing model set the following parameters for our hypothetical “*high road*” restaurant:

- The restaurant has **10 tables** (8 tables and a bar with 8 seats, the equivalent of 2 tables).
- The restaurant is open between 5 pm - 11 pm, for **6 hours**, while shifts are from 4pm - midnight, or **8 hours**.

⁵ In fact, our model **understated** the benefit for the restaurant owners, because we did not include the “tax relief” plank of the proposal, as this element was too vague to test with numbers. Although the substance of the tax relief element of the proposal is difficult to discern, what is clear is that it is **intended for owners**, not workers. For one, the plan advocates “*tax relief for restaurants that are struggling.*” Had it been for workers, it would have been for **workers** (not for restaurants) at **all restaurants** (not at just those that are struggling). The OFW campaign shamelessly explains the reasoning behind the “tax relief” plank in its May 2020 *Roadmap to Reimagine Restaurants*:

“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:

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

Since we could not model employer payroll taxes as proposed by the plan, we also did not include payroll taxes paid by workers. Inclusion of both of these elements would only have reinforced our conclusions. See OFW and RAISE, *Roadmap to Reimagine Restaurants*, 2020, p. 24, <<https://www.highroadrestaurants.org/wp-content/uploads/2020/06/RoadmapToReimagineRestaurants.pdf>>.

- The average turn per table is 2 hours, so there are 3 turns per shift per table. The check average is \$150 per table, so **average total sales per shift** are **\$4,500** (= \$150 x 10 tables x 3 turns).
- Assuming tips average 20% of sales, then **average total tips per shift** are **\$900**.

Regarding labor, the restaurant has **11 workers** (6 tipped, 5 non-tipped), paid as follows:

<u>Position</u>	<u>Tipped (Yes/No)</u>	<u>Hourly Wage</u>	
1. Bartender	Yes	\$10.00	} Tipped workers (FOH)
2. Waiter	Yes	\$10.00	
3. Busser	Yes	\$10.00	
4. Barback	Yes	\$10.00	
5. Food runner	Yes	\$10.00	
6. Host	Yes	\$15.00	
7. Dishwasher	No	\$15.00	} Non-tipped workers (BOH)
8. Line cook	No	\$18.00	
9. Line cook	No	\$18.00	
10. Prep cook	No	\$18.00	
11. Dessert cook	No	\$18.00	

With the exception of the host, the tipped workers make the sub-minimum wage of \$10/hour. The host gets the New York City minimum wage of \$15/hour, in order to compensate for a relatively low share in the tip pool. With the exception of the dishwasher, who makes minimum wage (typical in many restaurants), the non-tipped BOH workers make \$18/hour in order to compensate for the fact that they are not tipped.

The **total wage bill per shift** is therefore as follows:

BOH: cooks (\$576) + dishwasher (\$120)	\$696 +
FOH: bartender, waiter, busser, barback, food runner (\$400) + host (\$120)	\$520
	= \$1,216

THE OLD SYSTEM

Let's look more closely at pay for the workers at our hypothetical restaurant. In order to determine the distribution of the tip pool among FOH workers, we applied a **weighted system**

with 5 total points, taken from the tip distribution system used in the restaurant of a RWC-CTR member.

FRONT OF HOUSE – INITIAL SITUATION

<i>Position</i>	<i>Points</i>	<i>Tips</i>	<i>Hourly Wage</i>	<i>Wage/shift</i>	<i>Total pay/shift</i>	<i>Total income/year*</i>
Bartender	1.40	\$252.00	\$10.00	\$80.00	\$332.00	\$86,320.00
Waiter	1.00	\$180.00	\$10.00	\$80.00	\$260.00	\$67,600.00
Busser	0.70	\$126.00	\$10.00	\$80.00	\$206.00	\$53,560.00
Barback	0.70	\$126.00	\$10.00	\$80.00	\$206.00	\$53,560.00
Food runner	0.70	\$126.00	\$10.00	\$80.00	\$206.00	\$53,560.00
Host	0.50	\$90.00	\$15.00	\$120.00	\$210.00	\$54,600.00
	5.00	\$900.00		\$520.00	\$1,420.00	\$369,200.00

**All annualized figures in the model assume a 40-hour workweek with no vacations.*

Pay for the BOH workers is as follows:

BACK OF HOUSE – INITIAL SITUATION

<i>Position</i>	<i>Points</i>	<i>Tips</i>	<i>Hourly Wage</i>	<i>Total pay/shift</i>	<i>Total income/year</i>
Line cook	0	\$0.00	\$18.00	\$144.00	\$37,440.00
Line cook	0	\$0.00	\$18.00	\$144.00	\$37,440.00
Prep cook	0	\$0.00	\$18.00	\$144.00	\$37,440.00
Dessert cook	0	\$0.00	\$18.00	\$144.00	\$37,440.00
Dishwasher	0	\$0.00	\$15.00	\$120.00	\$31,200.00
	0	\$0.00		\$696.00	\$180,960.00

As is clear from comparing the two charts, our hypothetical restaurant reflects the high level of income stratification in the sector, particularly striking when comparing FOH and BOH, with total yearly income ranging from \$86,320 for the bartender down to \$31,200 for the dishwasher. The OFW plan and the future union that RWC-CTR is working to establish would address this problem in significantly different ways.⁶

THE OFW SYSTEM

How is the initial situation transformed when we implement the OFW plan (5% surcharge, tip-sharing across the restaurant, end of the sub-minimum wage)?

⁶ One of the goals of RWC-CTR is to abolish the racialized and gendered hierarchy of wages in restaurants. <<https://restaurantworkerscouncil.org/2020/07/14/struggleagainstracism/>>.

In what follows we assume (generously!) that customers tip on the full amount of their bill, including the new 5% surcharge. Since the addition of the surcharge means that **sales per shift have risen by \$225**, from \$4,500 to \$4,725, this means **tips have also risen**, from \$900/shift to **\$945/shift**.

In line with the OFW plan, we have extended tip-sharing to the BOH workers, adding 3 points to the weighted distribution, so it is now an **8-point weighted distribution** (FOH, 5 points; BOH, 3 points). First, let's look at how the FOH workers fare under the new system:

FRONT OF HOUSE – OFW SYSTEM

<i>Position</i>	<i>Points</i>	<i>Tips</i>	<i>Hourly Wage</i>	<i>Wage/shift</i>	<i>Total pay/shift</i>	<i>Income/year</i>	<i>Net shift diff</i>	<i>Net diff/year</i>
Bartender	1.40	\$165.38	\$15.00	\$120.00	\$285.38	\$74,198.80	-\$46.62	-\$12,121.20
Waiter	1.00	\$118.12	\$15.00	\$120.00	\$238.12	\$61,911.20	-\$21.88	-\$5,688.80
Busser	0.70	\$82.69	\$15.00	\$120.00	\$202.69	\$52,699.40	-\$3.31	-\$860.60
Barback	0.70	\$82.69	\$15.00	\$120.00	\$202.69	\$52,699.40	-\$3.31	-\$860.60
Food runner	0.70	\$82.69	\$15.00	\$120.00	\$202.69	\$52,699.40	-\$3.31	-\$860.60
Host	0.50	\$59.06	\$15.00	\$120.00	\$179.06	\$46,555.60	-\$30.94	-\$8,044.40
	5.00	\$590.63		\$720.00	\$1,310.63	\$340,763.80	-\$109.37	-\$28,436.20

There are two things to notice here.

First, the OFW plan has **reduced the income of every single FOH worker**, despite the fact that, with the exception of the host, all FOH workers received an hourly wage raise. Tips have decreased from \$900 to \$590.63, a loss of \$309.37 per shift, i.e., a **loss of \$80,436.20 per year**. This is not a trivial amount, especially considering our hypothetical restaurant is tiny, with only one worker in each FOH position!

Second, notice that the **total wage bill per shift** for FOH workers has **risen by \$200**, from \$520 to \$720, or \$52,000 per year. **However, the drop in tips (\$80,436.20) is much greater than the wage gain (\$52,000)**. This adds up to a massive net loss for FOH workers, both individually and collectively. The collective **net loss for FOH workers** is \$109.37 per shift, or **\$28,436.20 per year**.

Now let's look at the situation of BOH workers under the OFW plan. First, we should note that since now the BOH workers are all receiving tips, the restaurant owner no longer has any reason to pay the cooks \$18/hour. And lacking a union, the cooks are powerless to defend their old wage. The cooks therefore now receive the minimum wage of \$15/hour, like all tipped workers, i.e., **there is now a uniform minimum wage across the restaurant**.

BACK OF HOUSE – OFW SYSTEM

<i>Position</i>	<i>Points</i>	<i>Tips</i>	<i>Hourly Wage</i>	<i>Wage/shift</i>	<i>Total pay/shift</i>	<i>Total income/yr</i>	<i>Net shift diff</i>	<i>Net diff/yr</i>
Line cook	0.80	\$94.50	\$15.00	\$120.00	\$214.50	\$55,770.00	\$70.50	\$18,330.00
Line cook	0.80	\$94.50	\$15.00	\$120.00	\$214.50	\$55,770.00	\$70.50	\$18,330.00
Prep cook	0.60	\$70.87	\$15.00	\$120.00	\$190.87	\$49,626.20	\$46.87	\$12,186.20
Dessert cook	0.60	\$70.87	\$15.00	\$120.00	\$190.87	\$49,626.20	\$46.87	\$12,186.20
Dishwasher	0.20	\$23.63	\$15.00	\$120.00	\$143.63	\$37,343.80	\$23.63	\$6,143.80
	3.00	\$354.38		\$600.00	\$954.37	\$248,136.20	\$258.37	\$67,176.20

Now we can fully assess the OFW plan.

First, while we see above that the owner has to pay \$200 more in wages per shift, or \$52,000 per year, to the FOH workers, here we see that the wage bill for the BOH workers has **fallen** by \$96 per shift, from \$696 to \$600. So **the owner only has to pay a net \$104 extra in labor costs per shift**, which amounts to **\$27,040 per year**. What this means is that the BOH drop in wages helps to cover the cost of the increase in FOH wages. But does the rest of this \$27,040 *really* come from the owner?

No it does not! Recall that the 5% surcharge to all bills now brings in an **\$225 extra** per shift, which amounts to an additional **\$58,500 per year**. So this new influx of money can easily be used to cover the remaining labor costs for FOH workers – covering what the decrease to the BOH wages does not cover. In our model, since the net increased FOH wages amount to \$27,040, **the owner gets to pocket the remaining \$31,460!** Our restaurateur must very grateful indeed to OFW for this gift!

The OFW plan involves many moving parts: higher FOH wages and lower BOH wages; a transfer of tips from FOH workers to BOH workers; higher sales and a marginally larger tip pool... But this complexity is a mask for a scheme in which one part of the workforce pays another and the owner comes out on top. We can sum up this **scam** that ROC-United and its wealthy restaurateur friends⁷ are trying to perpetrate on restaurant workers as follows:

⁷ “On January 26, the Ford Foundation and ROC-United hosted a discussion on [ROC-United co-founder Saru] Jayaraman’s new book and what can be done to improve worker conditions in American restaurants. The event featured prominent figures in the restaurant industry, including restaurateur Danny Meyer and chef and Top Chef judge Tom Colicchio, who are taking the ‘high road’ in providing their employees fair wages, good working conditions, and opportunities.”

<<https://www.fordfoundation.org/the-latest/ford-live-events/forked-celebrating-a-new-standard-for-american-dining/>>.

- FOH Workers:** Without the surcharge, the new tip-sharing arrangement would have caused the FOH workers to experience a decline in tips from \$900 to \$562.50, a **drop of \$337.50 per shift**, or **\$87,750 per year**. It is true that the surcharge adds new tips equivalent to a paltry 1% of the original total sales to the tip pool, and the FOH gains \$28.13 per shift out of these additional tips – a **gain of 3.12%**, **against a decline in tips of 37.5%**! The remaining \$16.87 per shift from the surcharge tips is transferred to the BOH workers, leading to a **net transfer of \$354.37 per shift**, or **\$92,136.20 per year**. If we then factor in the offsetting \$200 per shift rise in the FOH wage bill (\$52,000 per year), we are left with **annual net transfers by FOH workers of \$40,136.20**. If we disregard new transfers from surcharge tips (\$11,700 per year), this represents a **net loss of \$28,436.20 annually** compared to what FOH workers made under the original system.
- BOH workers:** The transfer in tips of \$354.37 per shift (= \$92,136.20 per year) by FOH workers becomes a gain of the same by BOH workers. But this is offset by a **decline in the wage bill of BOH workers by 13.79%**, from \$696 to \$600 – a loss of \$96 per shift. The collective net gain for BOH workers is therefore \$258.37 per shift, or \$67,176.20 per year, **all paid for by their fellow workers**. The FOH workers have essentially given the BOH workers a raise to which the owner hasn't contributed a cent.
- The owner:** The owner makes an extra \$225 per shift, or **\$58,500 per year**, of which **\$27,040**, or 46.22%, goes to cover increased labor costs, leaving **\$31,460 per year**, or **53.78% of the surcharge, in the owner's pocket** (and remember! our model **didn't even include the payroll tax relief** for restaurant capitalists that is an integral part of the OFW plan).

Ultimately, when you aim to help the bosses, the only “safe and just plan” is to force workers to pay each other! And that’s precisely how this *fraudulent scheme* works: ONE PART OF THE WORKFORCE PAYS THE OTHER, while the OWNER MAKES EVEN MORE PROFIT.

CONCLUSIONS

Rather than having the owner use new gains to pay for wage increases for the BOH workers, **the OFW plan would have the FOH workers pay for such increases!** It is quite telling that OFW, which often notes that tipped workers are on average the lowest-paid restaurant workers, should promote a plan that **lowers the wages of tipped workers even further**. In fact, what ROC-United is advocating is a **frontal attack on precisely those restaurant workers who find themselves in the greatest danger of contracting COVID-19**. Why should undocumented bussers who risk

their lives every day just to make a living be forced to pay the wages of the kitchen staff out of their own wages??

ROC-United is supported by some of the wealthiest people in our society. The OFW reopening plan is a plan to further enrich the restaurant owners who exploit us day in and day out. It is unsurprising that – given the void of organized labor in the restaurant industry – it is the same owners who exploit our labor that have become the supposed champions of “progressive” change in the industry. But we should not be fooled by their display of generosity. After all, **they could give the whole surcharge to their workers without losing any money whatsoever**, but they instead choose to profit off of our misery.

The OFW swindle starkly illustrates why we in the RWC-CTR argue that “worker” centers only exist to disorganize the working class and sow confusion in our ranks by promoting an imaginary “partnership” between labor and capital.⁸

The only path forward for restaurant workers is to construct a **democratic and independent trade union** that gathers together **all** restaurant workers: undocumented and documented, BOH and FOH. This union will be both **funded** and **led** by its **worker members**. This is because we in the RWC-CTR understand that we can only conquer new territory through our **organized independent activity**, possessed of our own initiative.

The union will fight to **put an end to the tipping system**, which results in inconsistent pay and harassment and abuse of workers by both customers and bosses. Under the banner of the slogan **“equal wage for equal work,”** the future union will negotiate pay raises for underpaid sections of the restaurant and – just as in every other sector of the economy – **those pay raises will come out of the owners’ pockets.**

ROC-United is attempting to barter away our interests without even consulting us. The OFW proposal dresses up a plan to attack us in the fine language of “progress” and “unity.” Whenever the restaurant owners are pleased, whenever they smile and tell us we are “family,” whenever they try to author our battle plans for us, we must be vigilant and expose the **robbery** that is underway. It is a dangerous illusion to imagine that the interests of workers and bosses are the same. To the bootlicking OFW slogan *“New York restaurant owners and workers – united together,”* we reply by raising slogans of our own, slogans that can further our independent aims as workers:

⁸ See <<https://restaurantworkerscouncil.org/2020/07/06/thepathforward-elcaminoadelante/>>.

Restaurant workers, we must exercise our power against the bosses by relying on our organization and unity!

Down with worker-boss collaboration!

STRONGER TOGETHER!