

# TAKING THE HIGH ROAD

A How-To Guide for Successful Restaurant Employers



BY THE RESTAURANT OPPORTUNITIES CENTERS UNITED  
AND DR. ROSEMARY BATT, PH.D. CORNELL UNIVERSITY ILR SCHOOL

JANUARY 2012

FUNDING PROVIDED BY THE FORD FOUNDATION



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# TABLE OF CONTENTS

**EXECUTIVE SUMMARY 1**

**INTRODUCTION 7**

**COST-BENEFIT ANALYSIS 9**

What does turnover really cost the restaurant? 9

Measuring the Benefits of Taking the HIGH ROAD 13

Managing the Costs of High-Road Practices 17

**PROVIDING LIVABLE WAGES 21**

CASE STUDY **Avalon International Breads** 24

CASE STUDY **Good Girl Dinette** 27

CASE STUDY **Cowgirl** 30

**BENEFITS: MAINTAINING A HEALTHY WORKPLACE 35**

CASE STUDY **Zingerman's** 37

CASE STUDY **Busboys & Poets** 42

CASE STUDY **El Fuego** 45

CASE STUDY **Houlihan's of Chicago** 48

**CREATING CAREER LADDERS FOR ADVANCEMENT 51**

CASE STUDY **Neyow's Creole Café** 53

CASE STUDY **Good** 56

**CONCLUSION 61**

**APPENDIX 63**

Case Study Interview Guide 63

Focus Group Guide 64

Participating Restaurant Employers 65

# EXECUTIVE SUMMARY

The United States restaurant industry is one of the largest and fastest-growing sectors of the national economy, now accounting for nearly 1 in 12 private-sector workers.<sup>1</sup> While the industry has grown rapidly, its long-term stability is threatened by poor job quality. Restaurant workers' wages are lower than those of any other occupational category,<sup>2</sup> and 90% of restaurant workers do not receive paid sick days, paid vacation, or health insurance through their employer.<sup>3</sup> Moreover, there is often little career mobility. These factors increase employee turnover costs and diminish food and service quality, which impact the success and profitability of a restaurant.

There is a direct link between job quality and the long-term success and stability of a restaurant. This report provides concrete examples of restaurateurs who have created “win-win-win” solutions for employers, workers, and diners alike. These restaurateurs have been successful because they have nurtured the loyalty and investment of their employees by supporting them through livable wages, benefits, and career mobility.

## METHODOLOGY

This report is based on focus groups and interviews of employers, managers, and workers from 33 restaurants in eight U.S. cities that present a broad array of experiences in terms of size, age, segment, cuisine, and employment practices. Focus groups answered questions about turnover costs, worker productivity, job quality, challenges and obstacles, and employment practices. Nine restaurants were selected for “high-road” case studies that exhibited strong employment practices.

1 U.S. Bureau of Economic Analysis, Full-Time and Part-Time Employees by Industry, December 14, 2010.

2 Bureau of Labor Statistics, U.S. Department of Labor. Occupational Employment and Wage Estimates, May 2010.

3 Restaurant Opportunities Center United, Behind the Kitchen Door: A Multi-Site Study of the Restaurant Industry, February 14, 2011.

## RESEARCH FINDINGS

### THE HIGH ROAD

Employers defined the “high road” as *employment practices that support workers and unleash their loyalty, creativity, and productivity to make the restaurant successful*. While specific practices varied, these “high-road” policies fell into the following three areas: providing livable wages; maintaining a healthy workplace through paid sick days, vacation, or health insurance; and creating career ladders for employees. High-road employers emphasized that the benefits of increased productivity of invested long-term workers and the reduced cost of employee turnover outweigh the short-term costs of high-road practices.

### WHAT DOES TURNOVER REALLY COST? WHAT ARE THE BENEFITS OF TAKING THE HIGH ROAD?

Employers emphasized that turnover costs are often underestimated. They explained that certain costs of turnover are easily quantified, while other costs are less tangible yet severely impact the business. Conversely, they emphasized the benefits of investing in workers through high-road practices.

<b>QUANTIFIABLE COSTS OF TURNOVER</b>	<ul style="list-style-type: none"><li>&gt; Training</li><li>&gt; Recruiting and screening</li><li>&gt; Equipment and uniforms</li><li>&gt; Administrative costs</li><li>&gt; Unemployment insurance</li></ul>
<b>NON-QUANTIFIABLE COSTS OF TURNOVER</b>	<ul style="list-style-type: none"><li>&gt; Team morale, trust, chemistry, and social capital</li><li>&gt; Relationships with regulars</li><li>&gt; Employer-worker trust</li></ul>
<b>BENEFITS OF TAKING THE “HIGH ROAD”</b>	<ul style="list-style-type: none"><li>&gt; Trust, dependability, and work ethic</li><li>&gt; Creativity and innovation</li><li>&gt; Great service</li><li>&gt; Worker advertising</li></ul>

## **STAYING AT THE RESTAURANT CONTRIBUTIONS OF LONG-TERM WORKERS**

When restaurant workers are taken care of, they stay longer, providing much-needed stability in a tumultuous industry. Invested, long-term employees act in the interest of the restaurant and take on roles that are typically attributed to management. They will make sure that newer workers understand the standards of the restaurant and inform management of problems. Loyal staff that stays with the restaurant helps cultivate loyal, regular customers.

## **OVERCOMING THE CHALLENGES OF HIGH-ROAD PRACTICES**

- High-road practices often involve a significant short-term price tag. To reap the long-term benefits of these practices, employers profiled in this report have found innovative strategies to adjust expenses other than wages, benefits and training opportunities.
- Labor costs per worker will be higher than average in any restaurant that provides living wages and benefits, but the productivity of those workers will increase along with their potential to bring in added revenue.
- While the employers interviewed maintained that their menu prices were reasonable, they expressed the challenges of being undercut by restaurants that offer “cheap” food by exploiting their workers. Employers approached this challenge in various ways, including being meticulous about food and service quality, and educating consumers both directly and indirectly about the choice that they are making to eat sustainably.

## **PROVIDING LIVABLE WAGES**

- Offering workers wages with which they can support themselves and their families can facilitate lower turnover and higher productivity for the restaurant. Employers explained that this practice helps make workers feel invested in the success of the business.
- Livable hourly wages assure that all employees have their needs met in order to perform their job properly. Underpaid workers will often underperform as the job is only held for survival purposes until something better can be found.
- Raises help retain the workers who are making a restaurant successful by rewarding their loyalty and productivity with increased compensation.
- Profit-sharing aligns the interests of the worker with the interests of the business. If the business is more successful, the workers are more successful. Various restaurants have found this to be an effective way to harness the full productivity and creativity of their workers.

## **MAINTAINING A HEALTHY WORKPLACE**

- Benefits such as paid sick days, paid time off, or subsidized health insurance help retain workers and attract a staff that is dedicated, dependable, and mature.
- Employers that offered paid sick days did not feel that doing so negatively impacted their bottom-line or that their employees took advantage of the policy.

- > To reap the long-term payoff of offering benefits, despite the short-term cost, employers have treated the benefits package as fixed and adjusted their business goals, strategies and other variable costs to accommodate benefits.

### **CREATING CAREER LADDERS**

- > Workers are more dedicated when they receive opportunities for training and promotion.
- > Rather than depend on unreliable interviews, many employers choose to train and promote trusted employees. Current employees already understand the dynamics of the restaurant and fit in well with the team chemistry.

## **CASE STUDY GOOD RESTAURANT**

- > Good has a strong internal training and promotion policy. Over 75% of employees have been promoted. Because of these policies, management invests time into selecting employees for lower-level positions who may be promoted later.
- > Employees receive 5 paid sick days and have not abused them, typically using 3. Employees also receive 1 week's vacation after the first year of employment and 2 weeks per year after two years.
- > Workers receive fair wages and regular opportunities for performance-based raises.
- > Employee loyalty is very high, with typical tenure at 4 years in the front of the house and 8 years in the back. Good has remained profitable for over a decade in a competitive neighborhood.
- > Chef-owner Steven cautions new employers not to underinvest in their employees.

**“Ultimately you will always get what you give. If you give as little possible, then you will probably get as little as possible. That doesn't mean you won't get anything, you might even be able to create a business. But people will take advantage of you when they can, people will steal from you when they can. You will create a mindset that is unhealthy. If people in their heart believe that you are treating them with respect and treating them fairly in terms of business practice, then you will get better from them.”**

### **CONCLUSION**

Many restaurant owners nationwide do not employ high-road practices because they see the short-term costs and not the long-term benefits of these practices. However, while paying workers fair wages, providing them a healthy workplace through benefits, and fostering career ladders does not come without a price tag, the employers profiled in this report found that investing in their workers paid dividends in the long run. By avoiding the steep turnover costs that most restaurants face and tapping into the productivity and creativity of employees, high-road restaurants have been able to capture customer loyalty and succeed in a competitive industry.

# ACKNOWLEDGEMENTS

ROC-United research staff Jonathan Hogstad and Teofilo Reyes were responsible for administering interviews and focus groups as well as authoring and editing the report. Staff members of local ROC affiliates were responsible for recruiting employers to take part in the study. Report design is by Michael Quanci at Quanci Design. We are grateful to the in-depth guidance of Rosemary Batt at the Cornell University ILR School. We also owe much gratitude for the feedback and guidance of advisory board members Alex Susskind of the Cornell University School of Hotel Management, Annette Bernhardt of National Employment Law Project, Eileen Applebaum of the Center for Economic and Policy Research, and KC Wagner of the Cornell University ILR School. We are especially grateful for the cooperation of all of the employers and workers that participated in this report. Finally, this report was made possible by the generous support of the Ford Foundation.



**Restaurant Opportunities Centers (ROC) United** is an organization founded by workers from Windows On The World, the restaurant at the top of the World Trade Center, after the September 11<sup>th</sup> attacks. Initially founded to help the workers and their families after the tragedy, ROC has grown into a national organization dedicated to raising the conditions in the restaurant industry as a whole in a way in that benefits workers, employers and diners alike. ROC-United engages in three areas of work: research and policy advocacy, workplace justice campaigns, and promoting the high road to profitability, which includes opening worker-owned restaurants, providing comprehensive job training and placement programs to help low-wage workers advance to living-wage jobs in the industry, and working to support exemplary employers.

**KEN** GENERAL MANAGER  
BUSBOYS AND POETS  
WASHINGTON DC



# INTRODUCTION

The restaurant industry is one of the largest and fastest-growing sectors of the national economy. In 2009 it accounted for \$277 billion of U.S. Gross Domestic Product<sup>4</sup> and employed nearly 1 in 12 private-sector workers.<sup>5</sup> While the industry has grown rapidly, its long-term stability is threatened by poor job quality. Restaurant workers have the lowest wages of any occupational category,<sup>6</sup> and 90% of restaurant workers do not receive paid sick days, paid vacation, or health insurance through their employer.<sup>7</sup> Moreover, there is often little career mobility and racial segregation keeps people of color disproportionately in the lowest paid positions.<sup>8</sup> These factors increase employee turnover and decrease employee loyalty and productivity, which in turn reduce the quality of food and service. Moreover, restaurant patrons are exposed to contagion when workers cannot afford to stay home when sick.<sup>9</sup>

Employee turnover imposes real costs on employers and impacts the success and profitability of a restaurant. Short-term workers have less skill, less investment in their craft, and lower morale. High turnover and low employee morale affect food and service quality, thus negatively impacting return customer business. Declining revenue pressures employers to reduce wages and benefits, further increasing employee turnover. Economic pressures and low employee morale can even result in litigation against restaurants for employment law violations. Litigation, understanding complex laws, writing an employee manual, administering benefits, and implementing proper training can be especially challenging for independent restaurateurs who do not have the resources of a large corporation or access to expensive attorneys.

Illustrating the direct link between job quality and the long-term success and stability of a restaurant, this report provides concrete examples of restaurateurs who have created “win-win-win” solutions for workers, diners, and employers alike. Other restaurant employers can learn from the experiences and insights of these successful business owners.

## METHODOLOGY

This report is based on focus groups and interviews of restaurant employers, managers, and workers in eight cities: New York, DC, Philadelphia, Miami, New Orleans, Los Angeles, Chicago, and Detroit. While the employers studied all strive to follow high-road practices, the restaurants in this study vary

4 U.S. Bureau of Economic Analysis, Value Added by Industry, April 26, 2011.

5 U.S. Bureau of Economic Analysis, Full-Time and Part-Time Employees by Industry, December 14, 2010.

6 Bureau of Labor Statistics, U.S. Department of Labor, Occupational Employment and Wage Estimates, May 2010.

7 Restaurant Opportunities Center United, Behind the Kitchen Door: A Multi-Site Study of the Restaurant Industry, February 14, 2011.

8 Bureau of Labor Statistics, U.S. Department of Labor, Employment by Detailed Occupation, Race, and Hispanic Ethnicity, 2010.

9 Restaurant Opportunities Centers United, Serving While Sick, September 30, 2010.

greatly by size, age, segment, cuisine, and employment practices in order to present a broad array of experiences. Focus groups answered questions about turnover costs, worker productivity, job quality, challenges and obstacles, and employment practices. Nine restaurants were selected for “high-road” case studies that exhibited strong practices in at least one of the following areas: wages, benefits, and career ladders. For each case study, hour-long interviews were conducted with management, and 20-minute interviews with four workers from the front and back of the house. ROC-United research staff asked standard guiding questions of all participants (see appendix) and additional questions were asked based on participants’ responses.

A diverse group of restaurants participated in the study, including:

- Zingerman’s, dubbed “coolest small business of the year” by Inc. magazine, which has grown from a two-employee deli in 1982 into a \$40+ million operation with 575 employees;
- Chaya, a 390 year-old Japanese restaurant company with several successful fine-dining restaurants in California;
- Ben’s Chili Bowl, a 53-year-old family-owned quick serve restaurant and a DC landmark; and
- Cowgirl, a 22 year-old family-style restaurant and fixture of Manhattan’s West Village.

In total, 33 restaurants participated in this study. These employers have all taken small and large steps to run a successful restaurant by supporting their workers. They are not perfect, but they all strive for improvement and they all have experiences from which others can learn. See the appendix for a full list of restaurant employer participants. Below is a list of the restaurants that were given full case studies.

RESTAURANT	OPENED	SEGMENT	FEATURED IN SECTION
Avalon	1998	Bakery/Coffee Shop	Paying Livable Wages
Good Girl Dinette	2009	Family Style	Paying Livable Wages
Cowgirl	1989	Family Style	Paying Livable Wages
Zingerman’s	1982	Upscale Family Style	Benefits: Maintaining a Healthy Workplace
Busboys and Poets	2005	Upscale Family Style	Benefits: Maintaining a Healthy Workplace
El Fuego	2003	Quick Serve	Benefits: Maintaining a Healthy Workplace
Houlihan’s of Chicago	1998	Family Style	Benefits: Maintaining a Healthy Workplace
Good Restaurant	2000	Casual Fine Dining	Career Ladders
Neyow’s Creole Cafe	2009	Family Style	Career Ladders

# COST-BENEFIT ANALYSIS

## Increasing Productivity and Decreasing Turnover by Improving Job Quality

In the focus groups, employers defined the “high road” as *employment practices that support workers and unleash their loyalty, creativity, and productivity to make the restaurant successful*. While specific practices varied, they fell into the following three areas:

- > Providing livable wages, e.g., a reasonable hourly wage, raises, or forms of profit sharing.
- > Maintaining a healthy workplace, e.g., paid sick days, vacation, or health insurance.
- > Creating career ladders, e.g., an emphasis on training, and an internal promotion process.

“I’m a numbers guy. ... Between the costs of social security tax, setting up a new account, training, and everything else, [it] is around \$5000 to have someone leave your restaurant. A small restaurant like mine in three years would’ve had 15 turnovers. ... That’s \$75,000 I didn’t have to worry about [because I’ve had no turnover]. There is an actual monetary cost of losing employees.”

–JASON

**Chef-owner of Local and Chimu,  
28 years in industry**

All of these practices come with a price tag. When making decisions regarding employment policies in these areas, the employer should fully weigh the costs of turnover against the cost of implementing high-road practices, and consider the benefits of such practices. Both costs and benefits are outlined below to help employers make informed decisions.

### WHAT DOES TURNOVER REALLY COST THE RESTAURANT?

Turnover is widely recognized as one of the major costs in the restaurant industry. Studies place the cost between \$4,000 and \$14,000 per employee turnover, and the National Restaurant Association has placed the cost at \$7,000, in current dollars.<sup>10</sup> Andy, owner of Busboys and Poets in Washington, DC, put it simply: “Turnover is terrible for restaurants. It’s disruptive. It’s costly.” Many turnover costs are easily quantifiable; others are less tangible, but have a serious impact on the bottom line.

## QUANTIFIABLE COSTS

Quantifiable costs include training time both for trainee and trainer, management time for recruiting and screening, administrative costs to set up and terminate payroll and benefits, cost of uniforms, and increases in unemployment insurance tax liability.

### TRAINING COSTS

- > Employers must pay both trainees and trainers during several costly trial periods to find the right candidate to fill a position.

*“If your business is like a pack mule, losing someone and having to train someone else is like putting another hundred pound pack on the mule’s back. It bogs everything down because everyone is reaching down to pull this person up. ... It has a domino effect on everybody.”*

**–JASON, Russell Street Deli, Detroit**

Training costs are often repeated several times to fill one position. Roseanne, general manager at One If By Land, Two If By Sea, with 38 years industry experience, finds it takes four trials to replace a worker: “We probably try four people before finding the right person. They look great in the interview and they come in and I say, ‘Wow, what happened?’ You’re paying the trainee for the training... someone else is pulled off their job to train, and that person has to makeup their time to do their work, so everyone gets overburdened.” And the training is not completed after the initial training phase. “It almost takes a whole year to train. There are so many things you can’t tell them on the first day.”

### RECRUITING AND SCREENING

- > Management must spend time recruiting and screening new hires, a time intensive process that takes managers away from activities that improve and expand the business.

Chris, general manager of Las Chicas Locas, with 10 years in the industry, notes the time lost replacing employees: “It’s not just training someone, it’s also bringing applicants, interviews, and the selection process. For a small restaurant, where one person does everything, it’s exhausting. ... We have 30% of our employees that have been here since the beginning, and it still takes at least 20% of my time.”

### COST OF EQUIPMENT AND UNIFORMS

- > Uniforms, aprons, safety shoes, equipment, etc., for new employees add significant costs.

### ADMINISTRATIVE COSTS

- > There are several administrative costs involved with losing an employee and hiring a new one, including for example, closing individual payroll and benefits accounts and setting up new ones. This payroll setup may have to be done several times while trying candidates.

**UNEMPLOYMENT INSURANCE.**

- > While premiums vary by state, unemployment insurance is pro-rated by an employee's experience, so premiums increase as restaurant turnover increases, whereas employers who maintain a low turnover can be rewarded with premium discounts.<sup>11</sup>

**TURNOVER CALCULATOR**

THE CENTER FOR ECONOMIC AND POLICY RESEARCH developed a Turnover Calculator to allow businesses to quickly estimate the cost of employee turnover. The calculator is a conservative measure that includes wages, advertising and agency fees, hours spent screening and hiring new recruits, and hours spent on administrative and training tasks, but does not include cost of disruption and other important but difficult to quantify costs such as increases in unemployment insurance contributions, additional entry and exit paperwork, and overtime and other staffing costs to cover a vacant position, nor other unquantifiable costs such as team morale (outlined below). The calculator is a handy tool to examine the basic costs of turnover.

THE CALCULATOR CAN BE FOUND ONLINE AT [www.cepr.net/calculators/turnover\\_calc.html](http://www.cepr.net/calculators/turnover_calc.html)

**NON-QUANTIFIABLE COSTS**

There are also costs that are harder to quantify but can have a greater impact on the restaurant's bottom line. Losing workers can affect team morale and chemistry as well as affect the quality and consistency of food and service. Trust between employer and employees must also be re-established. Lastly, staff turnover can cause regular customers to feel alienated and stop patronizing a restaurant when they no longer see the workers with whom they have an established relationship.

**TEAM MORALE, TRUST, CHEMISTRY, SOCIAL CAPITAL**

- > Losing an employee is more than just losing the skills and guest relationships of that individual; it affects the functionality of the whole team by breaking the bonds of trust and lowering team morale.

Workers in a successful restaurant are a highly coordinated team that support and trust each other, especially in the high-pressure environment of the restaurant's busiest hours ("the rush"). Losing a worker slows everyone's pace. Workers feed off of each other's energy and must manage to communicate and coordinate under stress. The ability for a team to do this well has been termed social capital.<sup>12</sup> When one worker leaves and another arrives, social capital can be destroyed. It takes time for trust and coordination to be reestablished. Therese, Human Resources Director for Craft Restaurants, describes this dynamic: "Restaurants are very team-oriented. ... When there's a new staff member... you're not always comfortable that they can slide right in and help you out ... open up a bottle of wine when you need backup."

<sup>11</sup> Office of Unemployment Insurance, Division of Legislation, U.S. Department of Labor, *Unemployment Compensation Federal-State Partnership*, April, 2011

<sup>12</sup> Shaw, Jason et al. *Turnover, Social Capital Losses, and Performance*. Academy of Management Journal 2005. Vo. 48, No. 4, p. 594-608.

Nicole, Human Resources Director for Chaya, notes the working relationships that develop in a restaurant. “We have people that have been working for 20 years or more. Those guys know each other and how they work better than they know their spouses. You can’t put a price tag on that.”

Ben, a bartender at Busboys and Poets with 12 years industry experience, finds that long-tenured workers tend to be happier, and that “rubs off.” While others have argued that turnover can lead to low morale, low morale can lead to turnover as well. “If there’s lower morale, customer complaints can be higher because it really affects people’s demeanor when they’re unhappy. ... When you work in a place where everyone is miserable, you want nothing more than to leave.”

### **RELATIONSHIPS WITH REGULARS**

> The relationships that workers develop with regular guests contribute greatly to the success and stability of the business. When staff leaves, regular guests often also leave.

Restaurants are not like factories; the human interactions between workers and clients are of utmost importance. Long-term staff will often develop relationships with guests on a first-name basis. Restaurant employers and workers often refer to this dynamic as “like Cheers, where everybody knows your name.” It can unsettle regulars when their “buddy” leaves the restaurant. Furthermore, a new employee will not have the same knowledge of the menu or drinks and thus service suffers. Therese, from Craft, explains how important these factors are:

“If you rely on your employees to be able to understand and articulate your food, wine, and liquors, that comes with time and education. And guests recognize employees that have been there for a while, and the comfort level, when you’re trying to introduce a new product is higher. ... It’s evident, just watch a server who’s been there for five years literally entertain a table into some really wonderful experiences that maybe they wouldn’t be able to do otherwise ... We often have guests that specifically [call and] say ‘is so-and-so working tonight?’ And that could mean the difference of whether or not they come in that night. ... When frequent turnover happens and there is a new face, the ability to build that relationship doesn’t exist.”

### **EMPLOYER-WORKER TRUST**

> It takes time for employers to build a trusting relationship with their workers, which is important as restaurants are by nature particularly vulnerable to theft by employees.

Andy, owner of Busboys and Poets with 20 years industry experience, says, “When you bring in new people, there’s honesty issues. Trust is the most important thing. Trust is everything.” Virginia, owner of Ben’s Chili Bowl with 53 years industry experience, emphasizes the dangers of theft when bringing in someone new. “The employee that you don’t trust is usually the one who is stealing.” By nature, food and drinks are moved throughout a restaurant and almost impossible to monitor. Hence, employees must be trusted not to take home items such as meat or wine.

## MEASURING THE BENEFITS OF TAKING THE 'HIGH ROAD'

For too many restaurant workers, low wages, few benefits, and few promotion opportunities negatively impact happiness, quality of work, and willingness to stay at a particular restaurant. When workers receive higher wages, benefits, and career mobility, their happiness, quality of work and loyalty to the restaurant are all positively affected. As Brandon, a manager of Good Restaurant, explains, “Happy workers give happy service. Happy service makes for happy customers.” Or as Ibrahim, a dishwasher at Cowgirl said, “You know, if you’re happy, you can do the work very quickly. ... It’s hard to work if you’re not happy.”

High-road employers repeatedly described how workers react positively upon finding better working conditions. When workers needs are met, they are freed up to perform at a higher level. High-road employers explained the various ways that, in the right environment, workers have gone above and beyond their job description to make the restaurant successful. They have proven themselves to be dependable, trustworthy, and hard-working, regardless of whether the employer is present. They have shown creativity by putting forward ideas for less waste, greater efficiency, and better marketing. Moreover, they have gone the extra step to provide higher quality food and service.



IBRAHIM AND MICHELLE

### TRUST, DEPENDABILITY, AND WORK ETHIC

> High-road practices lead to a committed, hard-working and dependable staff. Employers “get what they give.”

Jason, chef-owner of Local Restaurant with 30 years industry experience, was able to step away from the restaurant to focus on another business, “and there was never a problem, sales actually went up.” Jason attributes this boon to the support he gives his workers. “They want me to succeed. They don’t hate me. They don’t want me to fail. They don’t want to steal from me. There’s no need for them to do any of that stuff because they know I’m there for them.”

Nicolas, general manager of The Gorbals with 10 years industry experience, sees a direct link between employee theft and exploitative, or disrespectful employment practices. “It seems to always be the workers that feel like they’re owed something that will take from you. They will say something like, ‘I came in and worked a double for you and you didn’t even say thank you.’ That will be the person that goes to the back and says, ‘I should probably get drunk tonight and steal a bottle of booze.’”

Steven, chef-owner of Good, explained the link between what an employer gives and what they get in return from workers. “If you give as little possible, then you will get as little as possible. ... People

will take advantage of you when they can. People will steal from you when they can. You will create a mindset that is unhealthy. If people in their heart believe that you are treating them with respect and treating them fairly in terms of business practice, then you will get better from them.”

### **CREATIVITY AND INNOVATION**

- Success in a competitive industry often depends on innovation.
- Frontline employees have access to information that employers do not.
- Restaurants benefit when workers want to contribute to the restaurant’s success and are given the tools and flexibility to do so.

Paul, co-owner of Zingerman’s, finds that in most restaurants “the people on the front line [have] the data, intelligence, and solutions, but most organizations [are] set up so you keep your mouth shut.” Jason, co-owner of Russell Street Deli, makes clear to staff, “we understand that they are the ones that actually see what’s going on. Their thoughts are important to us. If they come up with something interesting we want to support it.” This strategy has led to a direct increase in sales after following the advice of an employee at a farmers’ market booth on what products to offer. “Basically through the recommendations of this 21-year-old kid we’ve increased our sales by 45%.”

According to Diep, chef-owner of Good Girl Dinette with 30 years experience, kitchen staff is always coming up with new ideas to increase quality and efficiency. “A prep cook might tell me, ‘A certain produce is wilting. We should order every other day instead of every week.’ And it’s little things like that that add up to better food and better business.”

### **GREAT SERVICE**

- Satisfied workers go above and beyond to serve guests in ways that can make the difference between a successful and unsuccessful restaurant.

Jason, chef-owner of Local Restaurant, credits the success of his restaurant to great service from “happy staff.”

“[Local] started three years ago in probably one of the worst climates ever [during the recession]. And we’ve increased sales every year and now we’re up to over \$1 million a year. We’ve done that because I have a happy staff. I have people that make you want to come back and talk to them. My staff knows everybody’s name that comes in here. They’ll come around and high five people that they know. It’s really fun for people to come back.”

Nicolas, general manager of The Gorbals, describes how invested servers can help business by being more detail oriented than their job description requires, “When the servers say to the managers, ‘Hey, I think we can send them a desert or comp their drink. It’s the third time they’ve been in here this week.’ That’s absolutely invaluable. ... That’s one of those intangibles that can’t be quantified by a number but in the long run is going to make the restaurant a lot more money.”

### WORKER ADVERTISING

- > Workers who are invested in the restaurant will make an effort to bring in customers.

Andy, owner of Busboys and Poets, explained that his workers help market the restaurant. “We don’t do any advertising so we depend on word-of-mouth. Word-of-mouth doesn’t only go by customers, [it] also goes by employees. ... It’s important for them to feel that they love working here because they can be proud to tell their friends and attract others.”

At Neyow’s Creole Café, chef-owner Tanya notes that kitchen staff went out to a bar independently and competed to see “how many cards of the restaurant they could give out during the game.”



ANDY

## STAYING AT THE RESTAURANT

### CONTRIBUTIONS OF LONG-TERM WORKERS

- > When restaurant workers are taken care of, they stay longer, providing much-needed stability in a tumultuous industry.
- > Invested, long-term employees act in the interest of the restaurant and take on roles that are typically attributed to management. They often make sure that newer workers understand the standards of the restaurant and inform management of problems.
- > Loyal workers help cultivate loyal, regular customers.

### STABILITY

Roseanne, general manager at One If By Land, Two If By Sea with 38 years industry experience, explains, “You’re always going to have those positions where people come and go. The same revolving door positions with cooks or waiters, the people that are moving on or going to school or whatever. But then you have the workers that become the foundation of the restaurant.” One example was the kitchen manager who stayed at Cowgirl for 18 years, notes Joel, co-owner and general manager: “He was as steady as the sun goes up and comes down every day: a real force, dependable and reliable. ... You could ask the world of somebody like him and he would never disagree. ... If he disagreed with you, you knew that you were making a bad decision.”

## WORKER INVESTMENT

Tabitha, general manager at Zingerman's Roadhouse with 15 years industry experience, describes how long-term workers uphold the integrity of the restaurant.

“If [new workers] are not honest, if they're not doing the right thing, the other workers will call them out. We naturally weed out people who aren't really buying in and who might take advantage of the system. We have a 'Go Direct' policy, which means if I see you doing something that I'm not comfortable with, then it's my direct responsibility to tell you, 'That's not how we do it here at Zingerman's. This is why. This is how I do it.' So a lot of times people who aren't as trustworthy or aren't as committed just quit.”

Peter, general manager of El Fuego, notes that his long-time workers shave off \$300 a week in food deliveries through portion control. “The guys in the back have eyes on it. They're really good judges, 'There's way too much chicken going out today.' They look out.”

## LONG-TERM RELATIONSHIPS WITH REGULAR GUESTS

Virginia, owner and co-founder of the now 53 year-old Ben's Chili Bowl, has employees that have been with the restaurant for 15 to 30 years and emphasizes the importance of their relationships with regular

customers. In fact, at this point, her workers have regulars that span generations. “Return customers have been a big factor for us all these years. It gives you a sense of community. Now we even have third-generation or fourth-generation return customers.”



Long-term staff talked about the relationships that develop over time. Simon, who has worked at El Fuego for five years preparing food at the front, talks about his relationship with customers, all the while waving and smiling at people he recognizes walking by on the street. “When you know exactly what they want, they feel very special. ... If someone is making your food while you're talking about sports, or the weather, or whatever, and then you have your food ready . . .

it makes a difference. These people know me. It makes their routine so much better. They always come back.” Stephen, who has worked at Cowgirl for five years and is now bar manager, tells a similar story:

“First you know their drinks and then you learn their name and then that helps develop a relationship with them. Don't you want to go to a place where people know who you are? The thing that makes people come back is feeling welcome, being recognized, feeling like this is 'your place.' And I like that when people come in and say 'Oh, I have friends in from Italy and I wanted to show them my place.' That's success.”

Maren, co-owner of Seva with 39 years industry experience, says that these relationships help keep the restaurant connected with the needs of the regulars. “We have things on our menu that we can't take off because one of our long-time workers will tell us, 'No, you can't take that off the menu because so-and-so regular would cease to exist.' We wouldn't know that if we had high turnover.”

## MANAGING THE COSTS OF HIGH-ROAD PRACTICES

- > High-road practices often involve a significant short-term price tag. To reap the long-term benefits, employers adjust expenses and strategies other than wages, benefits and training opportunities.
- > Labor costs per worker will be higher than average in any restaurant that provides living wages and benefits, but the productivity of those workers will increase along with their potential to bring in added revenue.
- > While the employers interviewed maintained that their menu prices were reasonable, they expressed the challenges of being undercut by restaurants that offer “cheap” food by exploiting their workers. Employers approached this challenge in various ways, including being meticulous about food and service quality, and educating consumers both directly and indirectly about the choice that they are making to eat sustainably.

As the previous sections discussed, the payoffs of implementing high-road practices are high while the turnover entailed by the low road is costly. Obviously, implementing high-road practices is not without its challenges. Employers generally said that the main challenges were financial. More specifically, employers spoke to the challenges of keeping costs in check and competing against restaurants that are able to offer “cheap” prices because of exploitative workplace conditions. Below we describe some employer strategies to overcome financial challenges. The case studies in later sections provide more detailed examples.

There are many different variables that can be adjusted to protect the wages and benefits of workers. Both Paul, Zingerman’s co-founder, and Therese, Human Resources Director of Craft Restaurants, advised that if possible wages and benefits should be accounted for in the beginning. By making space in the budget for wages and benefits, all of the other variables, including pricing and sales goals, can be adjusted and set from the beginning to support those costs. Paul explains, “We said, ‘This is what we want to do, so let’s set up what we’re going to offer and how we’re going to price, understanding that offering benefits is going to be the price of doing business.’” It is important to note, however, that while Paul and Therese both recommended planning from the beginning, other restaurants, such as Russell St. Deli and El Fuego, have successfully changed the employment practices of the restaurant long after its start.



PAUL

High-road employers sometimes have prices that are somewhat higher than restaurants with “cheap” prices based on an exploitative model. Diep, chef-owner of Good Girl Dinette, described her frustrations with customers conditioned by cheap prices. “How can you say a meal that can get you full for \$10 is



expensive? It might not be cheap, but it's not expensive!" Similarly, Andy, owner of Busboys and Poets, asserts, "It's not [fair] for me to have all these benefits, and have to raise my prices ... and be compared to the place next door that may not have benefits but undercuts me."

The most basic way to justify prices that are "not cheap" is to provide excellent food and service through the work of invested employees. If a customer remarks on the prices for Vietnamese food at Good Girl Dinette, Diep says to them, "Don't worry, it's worth every penny. Talk to me at the end of the meal."

There are also more creative ways to approach this problem. Jason, Chef-Owner of Local, communicates to his clientele that they are stepping into a socially conscious space in indirect ways that avoid being "preachy." By offering a small deal for an environmentally sustainable act, the values of the restaurant are communicated to the guest who then more easily understands that higher prices are justified.

"At Local, we have these bike racks and anybody that rides up with their bike can have a free drink with their breakfast. So that's something that's cool and they can feel like they're part of something. Now this meal that was 'super-expensive' [relative to exploitative, unsustainable restaurants] makes sense to them. There are lots of little things that you can do."

Other employers such as Andy (Busboys and Poets), Ann (Avalon), Shardha (Colors), and Erika (Homegirl Café) have found it important to educate consumers more directly. All of these restaurants have a social vision that is consistent with raising these issues directly. Erika, manager of Homegirl Café, asserts, "As much as our workers need training, so do customers. It's the entire world that needs to experience the transformation of the food we eat and where it grows, how it grows, and who puts it together. So not necessarily coming down on customers saying 'this is why we justify a \$10 meal!', but being able to educate and inform about this way of eating that's local, sustainable, and seasonal."

Every restaurant has unique challenges. Jason, owner of Russell St. Deli in Detroit, could not build the wages and benefits into the deli pricing structure from the start because he took over another restaurant. "We bought into the business and it wasn't our model." Many employers have found it difficult to increase prices, particularly by more than an incremental amount, "Our corned beef sandwich is \$8.25. If I raise my price much higher, it just wouldn't sell." Instead, they have found a way to be profitable by coming up with new menu items that have healthier margins and promoting them. "We've had to come up with new products that maximize profitability. That's why we're coming out with a line of jams. Another example is we know we make \$.30 every time we sell a corned beef sandwich, but we make \$2.12 when we sell a vegan waffle. So we're finding those things that are working well for us and trying to really push them."



**JOVAN** PACKING TEAM LEADER  
AVALON INTERNATIONAL BREADS  
DETROIT



# PROVIDING LIVABLE WAGES

**Livable hourly wages, raises, and profit-sharing arrangements are all various strategies that the employers use to invest workers in the success of the business and decrease turnover.**

As stated earlier, offering workers wages with which they can support themselves and their families can facilitate lower turnover and higher productivity for the restaurant. Employers explained that this practice helps make workers feel invested in the success of the business. The employers put forward several key wage-related practices to consider: the lowest wage paid in the restaurant, raises, and formal and informal arrangements for profit-sharing.

## LIVABLE HOURLY WAGES

Certain high-road employers we interviewed have increased the lowest wage paid in the restaurant beyond the minimum wage required by law for reasons of personal concern for employees but also to make sure that all employees have their needs met in order to perform their job properly. Busboys and Poets owner, Andy, and his staff established a payscale in which the lowest wage paid to non-tipped workers was set at \$9.25/hr with an automatic increase of \$1 after a 90-day probation period (\$2 above Washington, DC minimum wage), and the lowest wage paid to tipped workers was set at \$4 (more than \$1 above Washington, DC's tipped worker minimum wage). Andy says he put himself in the worker's shoes to understand that it was neither in the worker's interest nor his own to pay too low a wage. "If I come in to work and I'm stressed out because I can't pay my rent and my job isn't allowing me to pay my rent, I don't know how much focus I can muster to make the guests happy."

Underpaid workers will often underperform as the job is only held for survival purposes until something better can be found. These workers have little or no interest in the restaurant's long-term success. Michael, chef-owner of Jack Rose, pays non-tipped workers no less than \$9.50/hr. He stated,

"I believe in wages and benefits and taking care of people because, especially in the back of the house, people are constantly looking for a job to get \$.50 more an hour. If you're not paying someone what they're worth, then they don't feel like they're a valued employee. They're just a warm body. . . . You're not going to get quality work out of that person. . . . If I'm getting paid the minimum wage, then I'm going to do the minimum effort."

Roseanne, GM of One if By Land, Two if by Sea, echoed this observation, "You get what you pay for and that means in terms of commitment and dedication too. If it's just another minimum-wage job and they can just laterally move somewhere else, then there's no real commitment to you. And it costs a lot of money to train people. You want to retain them."



Joel, general manager of Cowgirl, explained that, despite the fact that delivery workers are typically paid low wages, he pays his delivery people well because they can potentially help the restaurant significantly and they might not otherwise. “I want to know that I can rely on the delivery person; that they’re going to be here, they’re going to care what they’re doing, they’re going to make as few mistakes possible, they’re going to be courteous and nice, and they’re going to continue to grow the delivery business.”

## RAISES

Raises help retain the workers who are making a restaurant successful by rewarding their loyalty and productivity with increased compensation. Because productivity and dependability are related to a worker’s tenure in a restaurant, high-road employers have been willing to pay to keep good employees. Virginia co-founded Ben’s Chili Bowl in 1958 and since then the restaurant has become famous for its warm, gregarious staff who smile and joke with customers. In 1999, Virginia was inducted into the DC Hall of Fame, and the restaurant won the prestigious Gallo of Sonoma “America’s Classics” Restaurant Award from the James Beard Foundation in 2004. She explained that raises have helped her retain great workers who take care of the restaurant and give great service.

“[Giving raises] keeps a happier environment. It’s a little more costly when they are so happy that they stay for a really long time. ... We have employees that have been there for 30 years, 20 years, 15 years... So that becomes more costly to us but that indicates to me that that’s a happy employee. That makes for happy performance on the job and that gets passed on to the customer. So I think it’s a win-win. ... They’re more dedicated. ... You don’t really have to be there because you have trusted people to carry on the business.”

Roseanne, general manager of One If By Land, Two If By Sea, explained that she has given consistent raises to retain a dishwasher with now over 20 years tenure “because we know he’s very, very loyal. ... He watches out for your stuff. He’ll tell you, ... ‘The chef instituted a new thing and that’s why you have so much breakage. ... The silver is going in the garbage can and it’s this guy, but you didn’t hear from me.’ ... He’ll tell me, ‘This guy you just hired, we don’t need him. We need this other guy to work more.’ And he mediates between the different ethnic factions because they all look at him like grandpa.”

However, while employers emphasize the need to give raises to retain good workers, this poses its own challenge. Many employers say that when employees receive periodic raises, even if performance-based, they develop expectations for raises that can be difficult to maintain when workers stay for the long-term. To overcome this challenge, employers communicate the financial limits of the business to the long-term employee. Steven, of Good, describes how he approaches the situation. “At a certain point I’ve had to tell some guys that the restaurant can’t afford more than a raise of a couple percent per year. I present them with the information and I tell them that it’s not that I don’t value them but this is the situation. ... They trust that I’m being honest with them because I always have been.” In restaurants like Avalon

and Zingerman's that use open book management, a method in which workers are given the financial training, tools, and information to make the restaurant profitable, this task is straight-forward. There can be no distrust or feeling that the worker is being taken advantage of because the finances of the restaurant are known by everybody, particularly the workers with longer tenure.

### PROFIT-SHARING

Profit-sharing aligns the interests of the worker with the interests of the business. If the business is more successful, the workers are more successful. Various restaurants have found this to be an effective way to harness the full productivity and creativity of their workers. Neyow's Creole Café, Avalon International Breads, and Zingerman's all use profit-sharing arrangements with varying degrees of formality.

Tanya, chef-owner of Neyow's, has seen a steady rise in business since opening in 2009. At the end of the year, or on certain months that have been particularly busy, she has looked at the books and decided to share part of the excess profit through bonuses or raises. "I try not to let my labor costs go beyond a certain part of the sales." Wendell, the head cook, remarked that this practice is appreciated by workers and repaid in kind. "We can tell the volume that's picking up. ... As the business grows, Tanya tries to make sure that we get a little bit of that too. ... If Tanya's getting it [profit], we're getting it. So we make sure she keeps getting it."

Avalon uses open-book management, in which all of the workers in the restaurant are not only given access to the profit and loss figures, but they are also actively engaged weekly in increasing the profitability of their individual departments. While there is no set agreement about the share of the profit that will be split amongst employees, everyone can see what the profit is and understand what it means. The co-owner, Ann, explained that while she utilizes open-book management and profit-sharing to get all of the workers to support the success of the company, she chooses not to have a formal policy to maintain flexibility with the finances. "They know that they're going to get bonuses at the end of the year but I've had to save a bigger part of the profit because we're trying to buy a bakehouse now, which is a huge investment. We're basically going to be doubling in size soon. ... It's going to be good for everyone."



Zingerman's was one of the first restaurants in the industry, if not the first, to pioneer open-book management methods. Paul, co-founder of Zingerman's, explained that they generally set a target net profit, usually around 5.2% for all of the businesses, which they find to be "a healthy level of profitability that's going to retire debt and allow you to invest capital." Profit beyond that gets shared with workers.

Employees at Zingerman’s assert that there are “a lot of little things” that workers take initiative to do when they understand and are engaged in helping to promote the business’ financial situation. These “little things” add up to significantly impact profit. For example, Felipe, a server, explained that Zingerman’s food costs were 3% higher than their goal so he took initiative. “I was more strategic when giving samples. Instead of giving the same things to everyone I would cater to what I thought would be good for them and gave less.” Within three months of employees making small adjustments, the restaurant brought its food costs back under target.

**THE CASE STUDIES IN THIS SECTION** highlight the restaurants Avalon, Good Girl Dinette, and Cowgirl, as examples of high-road wage practices. However, please also see Neyow’s, Zingerman’s, and Good for more details on how they have used wages in their strategies to run successful restaurants.

## CASE STUDY AVALON INTERNATIONAL BREADS

- > Above-average wages are provided, with almost all workers earning \$9-15/hr depending on position and responsibility.
- > Open-book management techniques are used in which workers in each department increase overall profit, which is then shared with employees.
- > Health insurance premiums are covered 100% after 2 years of employment and 50% until then.
- > After 1 year, employees receive 9 days paid time off.
- > All job openings are first advertised internally. All management staff but one were promoted from other positions. Management makes intentional efforts to hire and promote a racially diverse management and frontline staff.
- > The ethic and story of the restaurant is an explicit part of marketing: “Eat well. Do good.”
- > Turnover is less than 10% per year and the median tenure is 7 years.
- > Avalon has grown. What started as a shoestring operation in 1997 expanded to 49 employees and over \$2 million per year. In order to maintain ethics through growth, employment practices and processes are being formalized.



Avalon International Breads is a café and bakery in the heart of Detroit. The concept of Avalon is based on a vision to rebuild Detroit, one of the communities that was hardest hit by poverty when companies started outsourcing manufacturing jobs overseas. The word Avalon itself means, “refuge in a place that’s in torment.” In 1997, with guidance from a local Buddhist priest with a background as a successful management consultant, business partners Ann and Jackie opened Avalon based on Right Livelihood Principles—ethical guidelines for running a business based on a triple bottom line of earth, community, and employees. “Commitment to the health and well-being of our employees means fair wages, good benefits

and an environment that encourages growth.” True to their word, Avalon offers employees fair wages, subsidized health insurance, paid time off, profit sharing, and opportunities for advancement. These practices harness the productivity and loyalty of workers and are part of Avalon’s successful business model.

Avalon has grown steadily over the years, from a shoestring operation to now employing 44 full time and 12 part-time employees. The business makes over \$3 million per year in revenue. Soon, the company will acquire a large bakehouse and double its employment. Curtis, the bread production manager, described their growth, saying, “We have a lot more product than ever. We’re known all over which is great. We started with a pickup and a van. Now we have 4 trucks.”

## WAGES

Base wages are high for a bakery/coffee shop in inner-city Detroit. Workers can start as low as \$8.50 but generally receive a raise within their first year. Retail workers are paid \$9-12/hr plus tips; drivers are paid \$10-13/hr; packers \$9-12/hr; and bakers \$10-15/hr. Wages are not associated with seniority but responsibility. The pay scale is semi-formal; there are with job descriptions for each position but no formal payscale. Workers are also engaged in open-book management techniques and profit-sharing.

Ann learned open book management through training offered by Zingerman’s restaurant company (also profiled in this report). The objective in promising profit share is not only to enable a transparent and trusting relationship between employers and workers, but also to harness the full potential of workers’ productivity and creativity. “You give them stats on their food costs, labor costs, where they need to be to make the department work. . . . I even have employees get involved with pricing. They develop the product and they determine the pricing that they can charge.” The information is written on a large marker board and posted on the wall for all to see. The department managers meet together with the owners as well as separately with the workers in their departments once a week to go over the numbers and discuss goals, challenges, and solutions.

Profit-sharing and open book management have been very successful for Avalon. For example, in one year, the sweets department expanded from \$300,000 per year in revenue to \$750,000; workers in that department engaged in their own product development and pricing. Kyresha, a baker in the sweets department for 3 years, explained how she prices. “We look at our packaged products and see who’s charging what for similar products. That way we can price things competitively. It’s very tricky to learn what the market is and how to negotiate to make sure your prices, your inventory, and margins stays the same.” Avalon offers 375 products, which is too many for management to properly price and monitor



JOVAN



continuously. Moreover, Kyresha explained that the workers have more intimate knowledge about costs. “Workers are on the floor, they actually put their hands on the product. They know what goes into it. If they have a key input on pricing, I think it will work out for the best.”

### **BENEFITS**

Benefits have been offered at Avalon from the start. Health insurance premiums are split 50/50 with the worker for the first two years of employment, after which Avalon covers it all. In addition, 9 days paid time off per year are given to employees after their first year of employment. Ann said that they simplified the plan when the operation grew. “We used to give a week vacation after the first year then more after 18 months, then more after two years. But as we grew it was really hard to manage.”

The fact that Avalon offers benefits to workers who stay has helped with employee recruitment and retention. Providing benefits has also

created a more supportive environment and fostered happy workers. Atiba, one of the retail workers, said that he applied because, “Every time I came here there was this great energy. Everybody was happy to be here. So I thought this must be a great place to work.” With average turnover under 10% and typical tenure at Avalon at approximately 7 years, Avalon has been able to increase its menu to 375 different products. Curtis, the bread production manager, explained how his crew was able to build this complex production level. “Everything was small at first. Then customers started asking for more things and the batches got bigger. ... All my sourdough products are 2 hours until I can vent it and then 2 hours after that to bake it. My baguette is 1.5 hour to vent [etc.]... Everything is timing. All my guys, from then until now, have worked their skill level up so that we do it really fast. ... I’ve had the same crew for the last 6 or 7 years. That’s the last time I had a new employee.”

### **INTERNAL PROMOTIONS**

As providing employees opportunity for growth is part of Right Livelihood ethics, all job openings are advertised to employees internally first. Moreover, Ann takes race into account when hiring and promoting in order to maintain a diverse staff at all levels. She recommends that others also “have a diverse workforce. If you go into a lot of places, they don’t have a diverse workforce and no people of color in management.” Training and promoting internally helps to accomplish this goal. She advises to “have patience and to train and don’t expect things be perfect, because they’re not going to be.”

### **MARKETING**

Marketing and outreach are based on telling Avalon’s story and its vision of rebuilding Detroit with Right Livelihood ethics in mind. Aside from their motto “Eat well. Do good,” which is



printed on t-shirts and posted on the website, the story is communicated in many ways. “When you come into the shop, you get it. You see it, you smell it, you taste it. It’s palatable. Because of the fact that it’s not some sterile environment that’s highly intellectual. It’s gritty. It’s hip but not slick. It organically came together like that. ... We did it the opposite of Starbucks: Give us the most impoverished place and let us thrive there and let us market it that way.” The message does not come across as preachy, but rather it invites the public to be part of that story too.

Trevor, a regular, explained why he comes to Avalon so often. “First, they have a sustainable mission to the environment and the community they serve. They specialize in organic foods and coffee. They put stakes in a city in a part of town when it wasn’t popular to do so. They give back to various charities. They pay workers a fair wage. I see a win-win situation. And also it’s a community hub. I see friends and have interesting discussions with people I’ve met from all parts of world.”

### CHALLENGES WITH GROWING ETHICALLY

Growth is a priority for Ann. “We’re talking about growth because Detroit needs jobs.” But she also described challenges maintaining right livelihood principles while growing. Until recently, the ethics of the two partners, Ann and Jackie, were enough to keep Avalon on track. More recently though, Jackie retired from Avalon. Ann brought in other investors with a restaurant background, an industry rife with exploitative practices, to help implement plans to double in size by expanding into a bakehouse. “It’s been a real challenge getting them out of that mindset. I told them from the beginning that this is a business that was founded on Right Livelihood principles and I made them sign an agreement. And now getting them to implement that has been a real challenge.” To deal with this issue, Ann has worked to formalize systems by doing things such as creating a set payscale for different positions and institutionalizing hiring and interview processes.

She has also enlisted the advice of others as Avalon grows by developing an advisory board with executives from large firms that have a variety of different sustainability models. “They might be large models and different models but they do help in looking at what you’re doing and what you’re trying to do. They’re part of the bigger picture.” Her board includes figures such as the main sales and marketing person for Justin’s Peanut Butter and the CEO of Whole Foods. She asks them “hard business questions about growth, market trends, pricing trends, sourcing, ingredients, strategies for brokering, distribution.” She recruited advisory board members as they came into her life as friends of friends or during business interactions. “Will you be someone that will be on my advisory board that I can get advice from?” She recommends other entrepreneurs do the same.



KYRESHA

## CASE STUDY GOOD GIRL DINETTE



- > Lowest non-tipped wage is \$9/hr for a dishwasher, lowest tipped wage is \$8. All cooks start at \$11/hr.
- > Holds down costs by using all parts, pre-portioning, proper storage conditions, and cooking techniques that bring the most out of tougher, less expensive cuts of meat.
- > Delivers incredible food consistently through regular testing and feedback to cooks.



KEEGAN

Chef-owner Diep started working in her family's Vietnamese restaurant at the age of 9. After graduating from college, Diep worked in the non-profit sector for ten years, organizing Southeast Asian communities around HIV/AIDS and women's health issues, before returning to the restaurant industry in 2003. By 2009, Diep opened Good Girl Dinette, an American diner serving contemporary Vietnamese comfort food that pays fair wages and serves food that is local, sustainable, and seasonal. Her employment practices reflect her values developed in her time away from restaurants. "I feel like for someone that has worked in non-profit for so long it doesn't make sense to have a business that was unethical."

All of her floor staff is at the California minimum wage of \$8 per hour plus tips while her lowest paid kitchen staff are two dishwashers, one at \$9 per hour and the other at \$10 per hour. All of her cooks start at \$11 per hour. Her decision to set the floor wage at \$11 per hour for most of her kitchen

staff was based on a combination of considerations, including her personal experience with low wages and what the finances of the restaurant could safely maintain.

"I wanted it above minimum wage and I wanted you to be able to live off it if you're frugal, but I also wanted to make sure the bottom line is healthy. ... When I started my business plan, I calculated the amount of money I'm going to be charging for my food, how much my food is going to cost me, how much my rent is going to be, and then how much I can afford to pay for labor based on that. And when the Dinette does better we can revisit that wage."

Diep asserts that the restaurant has benefited from paying above-average wages through increased worker retention due to reduced stress on staff. Moreover, the fact that she pays above-average wages and never compromises on following the law promotes a standard of integrity, which positively affects the quality of her employees' work. "Everyone knows that integrity is a standard here. If a cook has integrity, that means they will pay attention. ... Your food is going to be better."

Paying fair wages has also encouraged workers to strive to make the restaurant more successful. "I'm looking for people that understand this as a symbiotic relationship. 'If the restaurant does well, I do well.' In order for that to happen you have to be a just employer. If you're going to screw someone over, no one's going to want to go to bat for you."

Kitchen workers at Good Girl Dinette appreciate the higher wages. Jesus, a line cook, contrasted his experience here to several other restaurants that he left because of low wages while working 80 hours a

week. “I worked my ass off 12 hour days. And for you not to give me a raise after a year is just crazy.” “Out of all the employers I’ve had Diep has paid me the most. I really appreciate it because I have a kid on the way in January and this helps me get my life on track. It’s better for me because I have myself, my wife, the kid on the way, and I take care of my little sister too.” Jesus is ready to “establish a career” at Good Girl and has no plans on leaving. “I give whatever I can to help the restaurant grow.”



JULIA

Diep, however, has faced difficulties with paying fair wages and using sustainable ingredients. Some customers expect “cheap food.” She asserts that, despite some complaints, her prices are very reasonable. “How can you say a meal that can get you full for \$10 is expensive? It might not be cheap, but it’s not expensive!” She explained that because many restaurants have highly exploited labor many customers have been conditioned to expect cheap prices. “It’s the ones that spent \$400 on their shoes that say ‘I don’t want to pay \$6.50 for your sandwich.’ They know that there’s cheap ethnic labor to be exploited. It’s Latin-American labor that’s working these really sh\*tty jobs, it’s not the hipsters. If you want to pay that price, then you should work at that restaurant and you can pay \$3.50 for a sandwich and see how you live!”



DIEP

To overcome this challenge, Diep watches food costs meticulously. The kitchen uses every possible piece of every food item, and constantly considers other cost-cutting measures, for example with food storage. “If you don’t store things right then they will wilt faster. A lot of restaurants handle that wrong.” The kitchen is also disciplined about pre-portioning, “so there’s no eyeballing.” And they use techniques to get the most out of tougher, less expensive cuts of meat. “Using brazes and stews maximizes tough cuts of meat. ... These are homey, rustic food preparations that taste really wonderful.”



JESUS

To overcome customer expectations for cheap food, Diep also emphasizes that the food always be incredible. “That better be the best f\*cking potpie you ever f\*cking tasted. ... The stakes are higher.” To accomplish this she consistently coaches the cooks. “I taste food all the time and give feedback. ‘Too much of this, too little of that.’” She also said that not letting herself get overworked helps her give feedback constructively. “I make sure I get sleep so I can give feedback in a human way. I try not to work three doubles in a row.”

Diep looks forward to further establishing Good Girl Dinette as a community space in Highland Park. Moreover, her workers are a part of that vision. “I’d love to have staff that stay 20 years with me and grow.”

## CASE STUDY COWGIRL

- > Paying higher wages has successfully decreased turnover and increased productivity. The lowest non-tipped wage is \$9.50/hr and line cooks receive up to \$17/hr.
- > All back-of-the-house workers receive 5 paid sick or personal days and a week's vacation after their first year then an extra week per year after two year's employment. Further vacation is added on through promotion.
- > Management keeps track of who wants to move positions and works to provide opportunities for training and promotion. Over half of full-time employees have been promoted.
- > To avoid drastic cuts to wages and benefits after the landlord made an exorbitant rent hike, measures were taken such as negotiations with the landlord and meticulous purchasing practices.
- > Turnover costs have remained low with typical worker tenure at 6-7 years and productivity high from such an experienced and invested staff. Cowgirl has remained open since 1989 in a very competitive restaurant neighborhood.



Cowgirl, a Western-themed restaurant open since 1989, is a somewhat idiosyncratic establishment in Manhattan's West Village. Cowgirl workers enjoy paid sick or personal days, vacation, high wages, and policies that promote upward mobility. The results have been very low turnover—typical employee tenure is 6-7 years. Food and service that is consistently excellent has developed a loyal clientele for Cowgirl that has supported the restaurant through the ups and downs. Joel, the general manager and co-founder of Cowgirl, is 56 now and has been working in restaurants and food service “pretty much my adult life.”



JOEL

Joel described the difficulties of turnover. “When I lose someone it hurts. ... Having to fill their shoes is such a long and laborious thing. It's hard to find somebody on the first go around. In fact, it could take two or three times. I think that where there's turnover in the kitchen there is a potential downturn in quality and food. Until someone's really trained and I think it takes six weeks until someone's really ingrained in the group. The food quality may suffer... even though I have a recipes, and even though everyone should be following them.” Implementing high-road practices has helped keep turnover to a minimum.

### WAGES

To keep turnover costs down and productivity up, Cowgirl pays workers above-average wages. Joel explains, “I'd rather pay somebody another dollar or two an hour than lose them. Because replacing them can cost five times the amount of money over the long run if you keep turning people over. I'd rather give somebody a dollar an hour and not lose them and keep them happy and maybe get more productivity out of them. My lowest kitchen wage right now is \$9.50 an hour, \$2.25 above the minimum, because if somebody really feels

like they're taken care of than they work twice as fast around the restaurant. Or, conversely, how many breaks will that person take during the day when they're not being watched or when somebody is not supervising them."

### **CREATING A HEALTHY WORKPLACE**

All workers in the back of the house receive 5 paid sick or personal days and a 1-week vacation per year after their first year of employment and then 2 weeks vacation after the second year. After that, workers can accrue more vacation time on a case-to-case basis when they are promoted. Workers can use the 5 sick or personal days for sick or "mental health" days. Joel encourages kitchen staff to use at least some vacation to "rest and recharge," but at the end of the year he pays any unused paid time off at full hourly rate in the form of a bonus.

Joel explained that paid time off helps reduce turnover by making staff feel valued. "No one is a number here. Everyone has a name." He adds that it is particularly important for back-of-the-house workers because of the workload. "I owe it to the kitchen because they work really hard and so I want them to take two weeks and rest up and then come back ... refreshed and ready to go."

One of the challenges of giving benefits has been administrative. Michelle, floor-supervisor and co-owner, described the extra formalities. "He has a binder for 20 to 30 different people and everybody has to sit down and everybody has to agree that this is what happened this year and this is what you're due. ... There has to be conversation and a give-and-take and Joel doesn't speak Spanish so there's a translator involved, which means two people away from the kitchen."

However, workers appreciate the benefits and repay the restaurant through their hard work and loyalty. Wilmington, a line cook at Cowgirl for 16 years, makes \$17/hr and receives 4 weeks vacation with no intentions of leaving. He told us about the efforts of his team on the line, who have worked together for over a decade, to make the restaurant successful. "The food here is fast, very fast. But we try to make it the fastest we can do it. We try to make the business better. The people come in, get their food fast, and more people come. ... Sometimes when this place is full—it depends on what kind of food they order—[we can put out] maybe 120 plates in an hour [with just] four people."

### **MAINTAINING WAGES AND BENEFITS DESPITE A RENT HIKE CRISIS**

Joel explained that 2 years ago, their landlord increased the rent by 50%, "which basically cut our profit in half. It really hurt." Labor costs, including paid time off, are 38% of revenues, which Joel is "totally comfortable with." Instead of directly cutting labor costs and risking staff turnover, Joel dealt with the crisis in a number of ways. One effort was starting being meticulous about purchasing.

"I [rent a truck and] personally buy \$6-10,000 worth of food a week and save 20%. I'm saving up to \$45,000 a year for as often as I go do it. ... I also got into a program with US food service that allows me to work with much lower margins if I meet minimum volumes. ... I'm getting on programs where I can buy into a lot of meat so I can get a level price for the year."

Another effort is engaging the landlord "to see if our rent can go down or at least hedge against any future increases that would put us out of business [by looking at other locations]."

Joel also made a reasonable reduction in the vacation policy for new kitchen employees while maintaining vacation packages for current employees. Previously, a worker would automatically accrue an extra week's vacation for every year in the kitchen with a maximum of four weeks after four years. Now, two weeks are automatic and workers can reach four years vacation through promotion.

Another way Joel manages to keep the restaurant profitable while investing in his workers is by maintaining some emergency funds to avoid debt. "The way that I sleep at night is knowing that I have a little bit of a cushion and that the bank accounts are positive and I won't have to be going out and looking for banks to borrow money. ... When a restaurant shuts their doors it's because they went through every last line of credit [due to unexpected expenses]." Joel tries to maintain a cushion of a month's worth of expenses in the bank account.

### CAREER LADDERS

Management at Cowgirl makes special efforts to find out if employees are interested in moving up in position. A yearly meeting provides an opportunity for a temperature check, Joel explained. "We have yearly meetings in which we ask [staff] questions like, 'Can you commit to us for another year?', 'are you happy with your position?', 'What's on your mind?' etc." From that point, management strives to provide workers opportunities for training and movement laterally or upwards. Oftentimes, workers will work more than one job to receive training and some hours for a higher position during the time in which there is not enough room in the schedule for a full-time position to be promoted to. Of the 28 full-time staff, 15 have been promoted from other positions in the restaurant, including Michelle who started as management and was promoted to partner-owner.

Training is expensive because the employer must pay the wages of both the trainee and the trainer. "I don't know how restaurants with high turnover do



IBRAHIM



CHRIS AND MICHELLE



WILMINGTON

it.” To limit cost, trainees are paid at a lower wage, for two weeks generally, while they are being trained into the new position.

Joel explained that providing opportunities for training and promotion is important for employee morale. “A lot of people work positions, not because that’s what they want to do, but because that’s what’s available.” Fostering employees’ desired growth in the restaurant has been a key part of retaining employees for such long times.

### **LOW TURNOVER + WORKERS GO THE EXTRA MILE = SUCCESSFUL RESTAURANT**

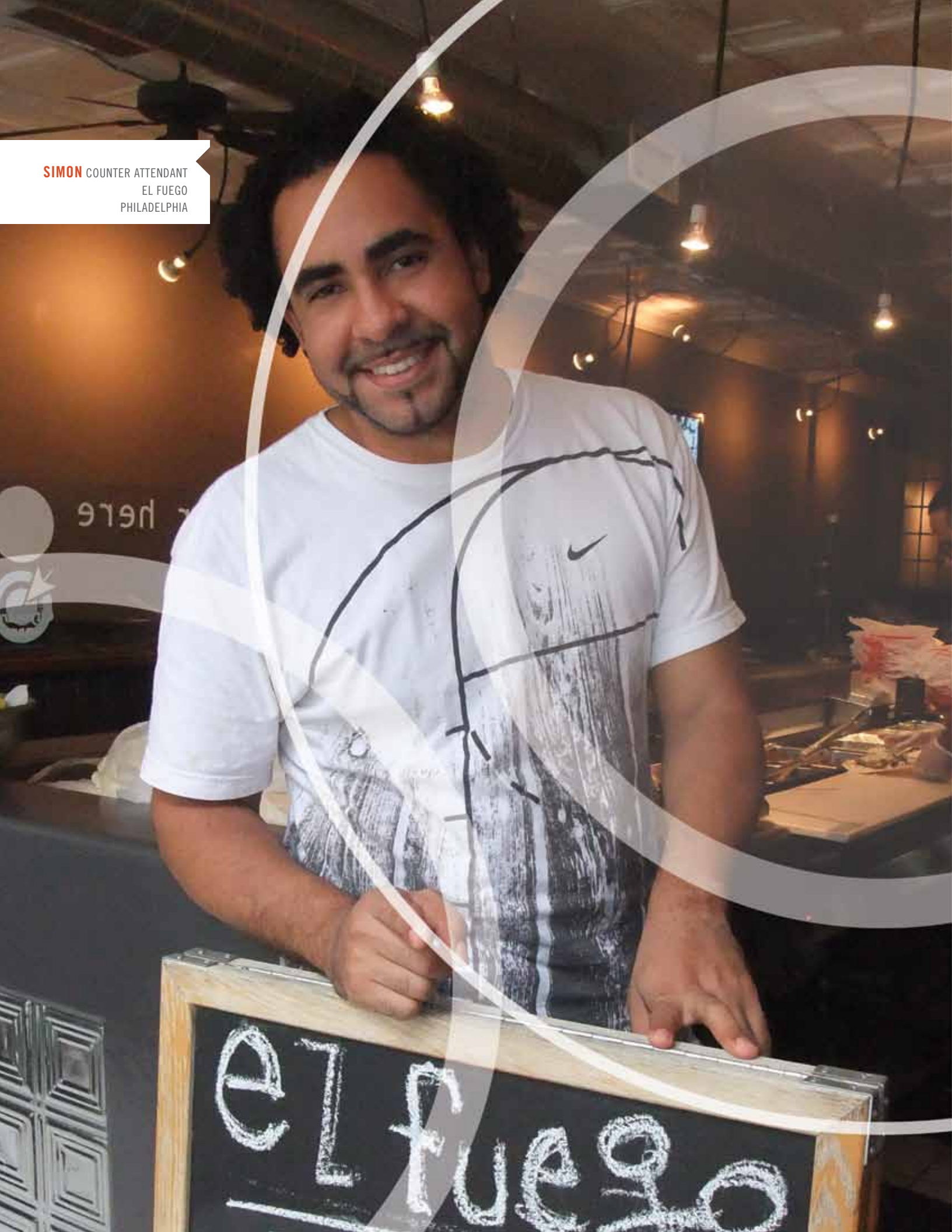
Loyal and invested workers have also brought their creative energy to support Cowgirl. Floor supervisor Michelle explained,

“Employees are constantly coming to me with new ideas: ‘one regular wants you to bring back so-and-so,’ or, ‘why don’t we try a cocktail that they had somewhere else?’ ... [Staff know that] if the regulars get too bored they’re not going to keep coming in. We have these plate glass windows that go around the block. ... So we come up with a different sort of diorama every month and that will then accompany the food and/or the drink specials for the month. ... Right now our windows are Polynesian so we’re doing page beef luau ribs with a Polynesian sauce whatever that is. The regulars always love the new themes and they’re the ones that eat the specials.”

The long tenure of Cowgirl employees has allowed relationships to develop with regulars who have sustained the restaurant over the years. Stephen, bar manager, explains, “Don’t you want to go to a place where people know who you are? When people come in and say ‘I have friends in from Italy and I wanted to show them my place,’ that is really the success of a restaurant.”



**SIMON** COUNTER ATTENDANT  
EL FUEGO  
PHILADELPHIA



# BENEFITS: MAINTAINING A HEALTHY WORKPLACE

**Benefits such as paid sick days, paid time off, or subsidized health insurance help retain workers and attract a staff that is dedicated, dependable, and mature.**

**Employers that offered paid sick days never felt that doing so negatively impacted their bottom-line or that their employees took advantage of the policy.**

**To reap the long-term payoff of offering benefits, despite the short-term cost, employers have treated the benefits package as fixed and adjusted their business goals, strategies and other variable costs to allow them to provide benefits.**

A mature and dependable staff requires benefits. When asked why Zingerman's provides benefits, co-owner Paul answers, "because we want the best workers." Similarly, Andy, owner of Busboys and Poets, asserts that he offered paid sick days to all his employees before there was a Washington, DC law mandating it because "we want to attract the best people and these people are going to want to work in a place where if they're sick, they're not required to come to work to pay their rent."

Roseanne, general manager at One If By Land, Two If By Sea, asserts that providing benefits helps recruit and retain a more mature, dependable staff. "If you have a person that's experienced and good at their job they'll expect benefits. [Less experienced workers] are not as loyal or dependable. [They'll say things like] 'I have friends coming into town; I can't work tonight!'"

Jason, co-owner of Russell St. Deli, puts forward that benefits encourage an employee's sense of investment and allow owners to step back without worrying about the business failing. "You can work for 80 hours a week and go insane after 5 years, or you can pay your people to take care of business so that you don't have to check on every single little aspect ... If they have health insurance, dental plans, and an IRA program then it generally takes care of itself."

Nicole, Human Resources Director of Chaya, emphasizes that giving workers paid time off is particularly important because the restaurant asks people to work at times they would otherwise spend with friends and family. "The times you're busy and need your staff, evenings and weekends, are the times people want to be with their families. ... It's important to offer people a way to take time off and escape now and then without losing income."

## **WHAT TYPE OF LEAVE POLICY?**

It is important to distinguish between different leave policies. A “paid sick days policy” is generally for paid sick days only and unused days cannot be exchanged for money or vacation days. Paid time off policies are generally flexible and can be used as sick days or vacation days and unused days can sometimes be exchanged for money. Some paid time off policies cannot be used for sick days at all, because several days advance notice is required. All of these policies benefit the worker and help reduce turnover. However, advocacy organizations, such as the National Partnership for Women and Families, have argued that the workplace and public health benefits are greatest when there is a specific paid sick days policy in place because workers must first have the option to stay home and many workers will choose to come to work sick if they have to sacrifice vacation time or added income. Hence, a combined policy of paid sick days with additional vacation days is ideal.

Of the case studies in this report, only Busboys and Poets and Good Restaurant have this type of policy. Zingerman’s, Houlihan’s, Avalon, and Cowgirl have paid time off that can be used as vacation or sick days. El Fuego gives partial compensation for days missed due to illness. The combined paid sick days and vacation policy is not necessarily more generous with total days off than a strict paid time off policy, however, it is the strongest strategy to encourage workers to stay home when they are sick.

The respective owners of Busboys and Poets and Good did not feel that offering paid sick days was a significant burden, nor did they feel that employees took advantage of it. Steven, chef-owner of Good, described the usage and burden of his vacation and paid sick days policies, saying that his labor costs “go up slightly when including additional costs of sick day or vacation payout but, when spread out over 52 weeks, are manageable. I would say average sick days used are 3 per year. There are employees who use 1 or 2 and others who use 5. I have never gotten a sense that employees are looking to take advantage or scam me for additional time off simply because they know it’s available.”

## **HEALTH INSURANCE**

Health insurance has been a bigger challenge for employers because of the major cost and the fact that most competitors do not offer it. Zingerman’s and chef Tom Colicchio’s restaurant group Craft, both built paid time off and subsidized health insurance for employees into the business plan from the start. Craft’s Human Resources Director Therese described it, saying “At Craft it was a non-issue for Tom.” She said that the benefits are an expense that get treated like any other cost of doing business, like the rent or taxes, and other items can get adjusted, including business goals to make the budget work with benefits. “When the benefits are part of the plan from the beginning and considered a fixed cost, then you find other things to adjust or accommodate ... When we’re seeing that business is slow, we ask ourselves, ‘What do we have to do to make this work? Let’s seek out more private dining; let’s do wine dinners.’ ... People are too often reactive instead of proactive.”



## ROC-MD



It should be noted that Restaurant Opportunities Centers United has developed a cooperative primary care program specifically for restaurant workers called ROC-MD. This program bypasses the insurance companies and allows restaurant workers to access basic preventative health care at a fraction of the cost of limited insurance plans with similar benefits. Many restaurant workers and restaurant employers covering their workers pay about \$20 per month into a fund that can pay cooperating doctors' reasonable fees. Workers are able to find a medical home: a particular doctor with whom they can develop a relationship and receive counsel even without having to go to the doctor's office. Participating doctors are also able to build up expertise in restaurant worker-specific health concerns. There is no profit taken from the fund. The plan is in no way intended to replace health care reform. Rather, it provides much-needed immediate care for the millions of restaurant workers that are currently uncovered.

**THE CASE STUDIES IN THIS SECTION** highlight excellent benefits at Zingerman's, Busboys and Poets, El Fuego, and Houlihan's. However, please also see Cowgirl, Good, and Avalon to see how they have provided benefits in their successful restaurants.

### CASE STUDY ZINGERMAN'S

- > In addition to fair wages, benefits include subsidized health insurance, paid sick days, paid time off, and matched 401k contributions.
- > Employees receive above-average wages, and raises are given with increases in performance and responsibility. Open book management in conjunction with a profit-sharing "game" is used to give workers the tools, knowledge, and incentives to make the business successful.
- > Providing ample training and opportunity for advancement has been key to making productive workers that will then stay at the restaurant. Growing the company has helped provide opportunities for advancement.
- > Greater diversity at all levels has become an explicit goal in the 2015 vision and a diversity committee has been charged with helping the company achieve their goals.
- > Zingerman's built benefits into its business model from the very start to properly plan for pricing and volume and revenue goals.
- > Zingerman's started as a two-employee deli in 1982 and has grown to an award-winning company with 9 businesses employing 575 workers and over \$40 million per year in revenue.



FELIPE

Zingerman's Roadhouse, part of the Zingerman's Community of Businesses (ZCoB), is a casual fine dining restaurant serving American cuisine. It was opened in 2003 in partnership with James Beard Award-

winning Chef Alex Young. The first Zingerman's business was a delicatessen opened in 1982 by Paul Saginaw and Ari Weinzweig with two employees. Since then, Zingerman's has grown to nine businesses employing over 575 workers and garnering over \$40 million per year in revenue. The company has won a number of accolades, including "the coolest small company in America" on the cover of Inc. magazine. Restaurants in the ZCob maintain exemplary high-road practices. Workers receive above-average wages, profit sharing, paid sick days, paid vacation, and opportunities for advancement. Consequently, workers are highly invested, loyal, and proactive. One of the important keys to Zingerman's success is its highly developed system of open book management (OBM), in which workers not only see the profit and loss figures of the restaurant, but are also actively engaged with meeting weekly cost, revenue and training goals, tracking those goals, and even setting the goals.



TABITHA

Co-founder Paul Saginaw explained how they developed their unique approach to engaging the full creativity and productivity of their workers:

"I wanted a workplace that was going to provide meaningful work and dignity and a sense of community to the people that work with you. We wanted a place where decisions were made not based on who had authority, but who had solutions; who had information relevant to the issue you're trying to deal with. ... But most organizations are set up so you keep your mouth shut. ... Traditionally, employees think that the owners are stupid and don't know anything. And the owners think that the employees are stupid and don't know anything. That's not a great situation for high achievement. So we really wanted to share the responsibilities and share the winnings."

Zingerman's prides itself on exemplary customer service, but as Paul explains, its approach is unique in also viewing the employee as a customer:

"The employee is my customer. ... That's the mindset that a lot of business owners don't understand. They say 'I'm paying you. Why the hell do I have to take care of you?! Just shut up and do the work!' Well it doesn't work that way because you're not an indentured servant. ... So as hard as I want to market to our customers to buy from us, I also need to tell you this is a good place to work and demonstrate that."

More than just a promise of transparency to the employee, OBM is a system that brings out the entrepreneur in front-line workers and harnesses it for the business: Amos, a line cook at Roadhouse for 6 years, likened restaurant management to a sport. Without OBM, "it's as if you're going on the field and not really having any knowledge about what's happening. We could be winning or losing. I might be out of bounds. I don't even know the score. But with open book management, you know what the score is. You know when you're down and by how much. You know how much you have to rally to win."

## BENEFITS

Full-time non-management staff can choose between three plans and cover themselves or their whole family. Subsidized insurance is available during the first year but the employer subsidy increases after the 1 and 2 year marks. Zingerman's pays \$114-\$389 of the premium per month (25%-80% of premium,



AMOS

50% typically) depending on plan, tenure and people covered. Both part and full-time staff are eligible to accrue paid time off. Full-time staff accrues 1 week in their first year, 2 weeks per year between 2 and 4 years, 3 weeks after 4 years, 4 weeks after 7 years, and 5 weeks after 11 years. Zingerman's also gives matching 401(k) contributions up to 2% of a worker's earnings.

Paul explained that offering benefits was never easy but the payoff was worth it in the long run in.

“What do you get from it? You get a stable workforce. You get a workforce that can stay healthy. You get someone that feels good about the company and is out there trying to help the company be successful. The benefits are enormous. So now you figure out how to make it work. I don't know what else to tell you. You try different things: What if we sell this product instead of this product? Can we have 15 people instead of 20 work a little harder, but have these benefits? All the levers are out there. Your strategy and how you manage is going to determine whether you're successful or not.”



PAUL

Paul also explained that while offering health insurance is beneficial in the long run, due to an inadequate healthcare system, employers face the challenge of undercharging diners.

“The reason why other businesses can't [provide health insurance] is because they're not charging the real cost for what it takes to produce and serve. In their case the costs that aren't taken into account are the human cost to their employees. So now workers are sick and they don't have insurance. Employers are keeping the price to their consumers unrealistically low by taking it out of their workers.”

Paul added that because there is no effective public system, Zingerman's does its best to provide for workers but, “we're playing the hand that we we're dealt. ... I think we need a single-payer system.”

Faced with the challenge of needing to accommodate the “real price” of benefits, Paul explained that they have chosen not to inform the customer of those benefits but rather to offer guests amazing service and food that well-merits the price. “They need to know that what they're getting is of value to them. So I have to deliver a high quality product with great service. That's really what they're concerned about. Our prices are driven by the quality ingredients that we put into them, and the fact that we pay our employees fairly. ... But we don't use that as a marketing ploy.”

Benefits lead to excellent service according to James, a server at Roadhouse for eight years: “The workers feel stable and secure, so when you have those base needs met, so much stuff is excised. You're not worried about when your next paycheck is coming, or about paying this doctor's bill. Thus you will interact better with guests.”

## WAGES

Zingerman's not only offers fair wages to employees but also profit sharing beyond an agreed upon operating profit. Jim, Roadhouse business manager, described how they decide on the goal. Raises are given as part of an ongoing review process, based on both performance, and taking on more responsibility and training. “You get raises with more responsibility. It's not so much based on seniority. You're going to get an increase but we want people to be taking on more responsibility. We want you learning and contributing at a higher level.”

Zingerman's has also paid \$114,000 in profit share over the past 5 years. "The idea is that you pay people a fair market wage, and then if you're profitable you share that gain." Each quarter employees rally to beat a target operating profit (earnings before interest, taxes, depreciation and amortization). For the current fiscal year full-time employees receive payouts on a sliding scale from \$80 for full-time for beating the target by \$10,000 to \$200 for beating it by \$25,000 (part-time receives half the amount). This equates to around 40-50% of the profit beyond the target. There has been payout in 7 of the last 12 quarters. Paul explained factors that affect the target profitability.

"Partners [across ZCoB] have a base salary from \$60-180,000 a year taken out before profit. We have a goal of about 5.2% from all the businesses as a healthy profit. You have to have a healthy level of profitability that's going to retire debt and allow you to invest capital in the business. If it gets too low, then you're in trouble. And if it gets too high, then you're screwing somebody."

Jim, Roadhouse business manager, added, "Our intent in setting the targets is to make them aspirational and yet achievable. We want our employees and investors to share common goals and to both 'win.' ... We do an annual financial plan that is shared openly with our employees (only salary details are confidential) and is approved by our investor board of directors."

To maintain profitability while offering high wages, workers are actually engaged in adjusting revenues and costs. The forecasted and actual numbers are kept on large marker boards, which are taken down from the wall for weekly department meetings. Individual workers will "own" lines on the board such as delivery revenue, training opportunities, internal health inspections, labor costs, and food costs. The line owners present their number and lead a discussion on what it means to restaurant goals. Through this process, workers and management develop ideas together and workers understand how to guide their individual actions to achieve overall profitability.

Sarah, a line cook at Zingerman's for three years, gave one example of explained how she helped create revenue and cut cost through the OBM process.

"All of the things that we do here are small things that affect the business. For instance, ... I noticed how massive the coffee cake slices were. ... Knowing the product and knowing the food costs for the restaurant, I could tell that this was a very high food cost for us and too much food for the guest. ...

I did a lot of math and a lot of work to get the proper portion size, what would be a good food cost for us, and what would match the other businesses. I did pricing at other restaurants and in the end, it went from an 80% food cost to a 30% food cost. ... I haven't done the math on how much that's profited the restaurant, but after all the talk about that coffee cake, our servers know it has a proper margin and we now sell about twice as many as we used to."

## INTERNAL MOBILITY

Training, internal promotion, and a push for greater diversity are also integral to Zingerman's strategy to hold turnover costs down while increasing team productivity. While many employers will underinvest in training employees because they expect workers to leave quickly, given the high turnover in the restaurant industry, new employees at Zingerman's will typically receive 70 hours of formal training in the first year



OPEN BOOK MANAGEMENT MEETING

(with a pricetag of \$5600). Paul explained the reasoning behind this. “People ask me, ‘You bring in people and you spend all this time, money, and energy on training them! Are you worried they’re going to leave?’ I say no. My worry is that they’re not going to get this training and they’re going to stay. That’s what cost you money. A trained person staying with you for a long time is of enormous value.”

Maintaining the growth of employees has helped sustain a growing business, and a growing business has helped provide employees opportunities for advancement and growth. While there is intense initial training that occurs for all employees, there is also ongoing training that is tied to raises and promotions. “We want workers learning and contributing at a higher level. The challenge is to offer them opportunities for growth. As businesses open there’s more opportunity for supervisory and management roles. ... You can even become a partner ... There’s a clear path.”

One example of a long-term employee responding to opportunities for advancement is Amos, who emigrated from Uganda as a child and started as a busser six years ago. He has since moved throughout positions in the restaurant. Learning new positions kept his job interesting while he was learning skills that made him an asset to the company. “At first I was just trying to keep it fresh and do whatever struck my fancy. ... Then I realized I was actually building a lot of great experience as busser, server, and supervisor. I chose to go to the back of the house because I want to open my own restaurant someday and I wanted a rounded experience.” Amos is now on a track that will culminate in him opening up a new restaurant as a partner in Zingerman’s.

Another important aspect of Zingerman’s practice around internal mobility is their emphasis on diversity. Their recently-written vision for the company in 2015 (their vision for 2009, written in 1984, was completely fulfilled) reads: “Back in 2010, a few Zingernauts asked the question, ‘Does our company reflect the diversity of people in our local community? Could we be more inclusive?’ ... We knew that formally committing to diversity at Zingerman’s would yield better decisions and leadership, in addition to being the right thing for the people in our community.” In line with this vision, Zingerman’s gives scholarships to workers to attend English classes and managers are encouraged to know Spanish. Moreover, the diversity committee, made up of workers and management across the ZCoB, was created to raise awareness about diversity issues and the benefits of diversity as well as to develop strategies and tools for the various businesses.

### ADVICE

Paul asserts that Zingerman’s keeps no company secrets and that there are plenty of opportunities to learn methods like OBM, such as Jack Stack’s book *The Great Game of Business*. “That’s where we learned all of this from.” Moreover, one of their businesses, Zingtrain, is a consultancy at which anyone can learn the methods and then see them in action at the other businesses. Paul urged other restaurants to use OBM, unless “in some instances businesses feel embarrassed that they’re extracting too much money out of the staff and community. That would be the only reason that I could understand why they wouldn’t let everybody in on the profit and loss numbers. The payoff in terms of worker productivity and loyalty is too big. It’s just crazy.”



JAMES

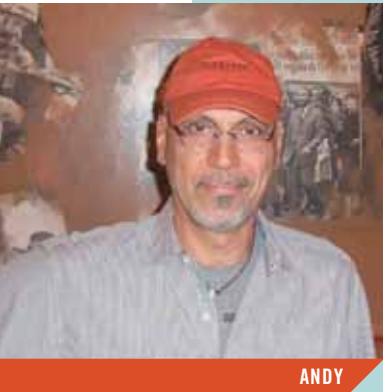
## CASE STUDY BUSBOYS & POETS

- > All employees have access to 7 paid sick days per year on an accrual basis, which has not been abused. Benefits for full-time employees also include subsidized health insurance and matching 401(k) contributions.
- > A pay scale was made for all of the positions in the back of the house with the lowest wage, the dishwasher, at \$9.25/hr and increasing by \$1 after a 90-day promotion period.

- > Restaurant jobs are treated as careers by giving appropriate pay and benefits, and providing opportunities for advancement. The director of operations started as a dishwasher and all of the general managers have been promoted from front-line positions.
- > High-road policies have led to loyal, invested workers and managers that understand the unique concept of the restaurant.
- > Since 2005, Busboys has successfully expanded from a single restaurant to a five-restaurant company.



KEN



ANDY

**“As I started to grow the business, the value of the people I work with became much more significant. I started seeing it in a whole different way. Because when I’m not there, someone else is watching the business. If they’re not happy doing what they do, the business isn’t going to do well.”**

**—Andy Shallal,  
Owner Busboys and Poets**

Andy Shallal opened the highly successful DC restaurant, café, and bookstore, Busboys and Poets (Busboys), in 2006 with 19 years experience as a restaurateur and almost thirty years experience in the industry. He has since opened three other Busboys locations in the capital as well as Eatonville, a casual fine dining restaurant. The concept of Busboys is built on a clear progressive vision. The mission statement reads: “Busboys and Poets is a community where racial and cultural connections are consciously uplifted... a place to take a deliberate pause and feed your mind, body and soul... a space for art, culture and politics to intentionally collide...we believe that by creating such a space we can inspire social change and begin to transform our community and the world.”

Employment practices at Busboys are exceptional. The lowest non-tipped wage in the restaurant after 3 months is \$10.25. Employees receive paid sick days, vacation, subsidized health insurance and 401k contributions. Moreover, they create career ladders by training and promoting from within.

Andy asserts that the employment practices are related to the progressive values of the restaurant. “When I speak about social justice in the world I want to know that I’m doing it at home first.” However, he is also explicit that such high-road practices are also “very practical,” helping the success and expansion of his business. When he first opened a restaurant in 1987, he thought “I could do it all by myself.” However, when the business started to grow and he could only do so much, he realized that he needed to recruit, train and retain good workers.

## CREATING A HEALTHY WORKPLACE

Busboys has offered all employees as much as 7 paid sick days per year on an accrual basis long before DC law mandated paid sick days for non-tipped staff. For full-time employees, Busboys subsidizes 50% of healthcare insurance premiums for any one of three plan options, gives one week vacation after their first year with the possibility of gaining more with tenure, and matches up to 2% of pay for 401(k) contributions.

When asked why Busboys provides these benefits, Andy responded, “For one we want to attract the best people. And these people are going to want to work in a place where if they’re sick they’re not required to come to work to pay their rent.” To arrive at the benefits package Andy formed “an executive committee that meets together periodically. We have some representation from our line staff as well as management. ... So we sort of came up with this through a process of consensus and through a real conscious effort to say “we want to be better, we want to continue to improve.”

Offering paid sick days has not been a burden on Busboys. In the previous year, only 10% of employees accessed the paid sick days for an average use of only 2 days. Ken, the general manager, feels that it has helped the team atmosphere by showing that the restaurant supports its workers. “I think it breeds a better climate of cooperation.”

However, providing benefits is not without challenges. Ericka, the company administrator, has to make sure that those receiving benefits are indeed those eligible. “It’s important to have a system where you can monitor ... to let someone know that if they’re falling below [full-time] they need to get more hours or pick up more shifts.”

The greater challenge, however, has been charging competitive prices. Andy asserted that he has to charge somewhat higher prices than his competitors that can charge “cheap” prices by not offering fair pay or benefits. “I’ve had people come to me and say, ‘This is expensive. \$10 for a burger? Sh\*t!’ I said, ‘well, if I’m paying health care benefits, sick leave, vacation, above minimum wage, and I’m getting a good product from grass fed organic beef, I can’t sell it for five dollars and stay in business.” The first way Andy has addressed this challenge has been by attracting customers through top-notch food and service, rather than cheap prices. However, Andy has also gone so far as to educate consumers as to what they are paying for. “We even put up a chart one time of “where does your dollar go?” so customers could see.”

## WAGES

Busboys has set a pay scale in which the lowest wage in the restaurant, the dishwasher, is set at \$9.25/hr and receives an automatic \$1 raise after the 90-day trial period with performance-based raises after that. Other positions start at a higher pay based on the duties associated with it. Andy explained that these wages, which are higher than average, are necessary for workers to do their job properly. “If I come in to work and I’m stressed out because I can’t pay my rent and my job isn’t allowing me to pay my rent, I don’t know how much focus I can muster to make the guests happy.”





DAVID

Paying fair wages has also helped retain good workers; Busboys has reaped the benefits of teammates who have been working together for so long. After immigrating from Guatemala in 2000, David worked in ten other restaurants in 5 years, before coming to Busboys where he has remained as a line cook for 6 years. He explained his frustration with a lot of the restaurant industry: “I know other restaurants where they overwork the workers and they don’t pay them. They take away from their check. ... They work for the money, let them get the money.” Receiving fair wages and benefits at Busboys, David has not left and neither has his team in the kitchen. He explained the efficiency and quality gains of having a team that has worked together for years: “When you’ve been working with someone so long, you know how the other one works. It makes it so much easier that they know the job and they get it done. You’re more confident that they’re going to do a good job and you don’t constantly have to check and you can get other things done.”

### CAREER LADDERS

Andy has worked to create stronger career ladders and professionalism in the restaurant industry. “I wanted to learn to standardize the industry in a better way so that this is not just a throwaway industry that people fall into to get a job because they can’t get a job elsewhere.” At Busboys this has been done first by offering fair wages, and benefits, but also by investing in employees with ample training and providing opportunities for promotion through internal promotion practices. All positions are first advertised internally before looking outside of the restaurant. All of the general managers at the five restaurants in the company and the director of operations have been promoted from other positions in the restaurants. Ericka, the administrator who actually started as a host, told us that “Our operations manager, our number two in command [after Andy], started as a dishwasher with Andy 20 years ago.”



ERICKA

Internal promotion policies have been particularly important at Busboys because of the unique concept and culture of the restaurant. Ken, the general manager, said, “I just don’t think that going outside and bringing someone in is good because this is such a unique space that it’s really hard for people to grasp. Most people that would come in come from the old restaurant industry.”

Andy also consciously makes sure women are represented in management. “A woman brings a different perspective, like issues of safety that men don’t think about as much. Issues, such as sexual harassment, are also dealt with correctly. That makes it a better workplace for women.”

### ADVICE FOR NEW EMPLOYERS

“I went through a lot of pitfalls. Employees are the last people that you think of when you’re opening a restaurant. Strange enough but you know you need people to work, clearly, but you don’t think about how to take care of them. But part of the plan should be that. For me there was a lot of catching up to do. But I would suggest for a new employer to start with that in mind. They should start with certain standards. I think having that as part of your business plan is very important. I think you have to start with certain basic standards and then with a plan that you’re going to focus on raising the standards.”

## CASE STUDY EL FUEGO

- > All workers currently earn \$9.50/hr or above as a quick serve restaurant. All workers start at \$8.75/hr and receive a \$.50 raise after completing the 3-month trial period.
- > All workers are able to receive paid sick time as half pay for missing a shift or for family or childcare reasons.
- > Turnover costs are low. Workers average 5 years tenure. This retention has also helped customer loyalty.

El Fuego is a quick-serve “burrito joint” that prides itself on local ingredients and great service. Their operating philosophy is, “If I watch your back, you watch mine.” This philosophy covers staff, customers, and the surrounding community. “We all try to look out, inside the restaurant, for each other, but we try to look out for all the other businesses here . . . on the whole block. It really is a family-oriented establishment; something that I find is rare, especially in a big city.”

Peter has been working at El Fuego for seven years, working up from clerk, “ringing up sales,” all the way to general manager. Since then, he has managed to institute significant wage increases, a paid sick days policy, and build the loyalty of both customers and a staff that averages five years tenure. “There are people who love how we stick together. It is a rarity in this kind of business. . . . I actually have had a couple of other business owners come to me, and they say, ‘what do you do to keep the people here?’ I tell them, ‘Honestly, it’s not hard. We treat them like family. If you treat them like family, you get so much more in return.’” For Peter, treating staff like family goes beyond sentimental camaraderie and entails supporting them through fair wages and benefits.

### PAID SICK DAYS

As general manager, Peter encouraged the owner to institute a paid sick day policy. They compromised with a policy that covers half a day’s pay if an employee is unable to work due to illness. “If an employee misses a day of work, we pay them half of that shift. . . . So it’s not like they lose a whole day.” This policy also applies to dependents, “We have a couple of employees that have kids. Sometimes they just can’t help it. I understand if their kid gets sick, they get a little something, at least they aren’t getting zero.”

Peter asserts that the sick day policy works because it shows the restaurant cares about its employees. Ishem, a counter worker at El Fuego for three years, has benefited from the sick day policy and has repaid through his work ethic. “There was a time when I had bronchitis pretty bad, and I couldn’t work. I got half a week’s pay... and that was really cool. I tried to



SIMON

make it up to them. Later on I went the extra mile as part of my work. ... That's what makes this place a really healthy work environment."

Peter explained that even though there is no formal cap on the amount of paid sick days that employees can use, "people don't abuse it. ... To be honest, the employees here are so honest. ... [It doesn't] affect the profit of the business."

## WAGES

Peter took over the role of general manager after a period in which the restaurant was serving high volumes of customers but was badly managed. He saw that many good workers were unhappy and ready to leave, which would have severely affected what was otherwise a successful operation. He also understood that people were unhappy about their pay while the restaurant was obviously doing well. "They can see how busy it is. ... You do the simple math. You are able to pay rent in one shift. You pay your overhead in one week. ... [They ask themselves] 'Why am I going to work so hard when I'm not reaping any of the benefits?'" So he approached the owner to address the situation. He initially suggested a profit-sharing arrangement to motivate employees to stay and make the restaurant successful, however, "it was just too foreign an idea for him." Instead they decided to give Peter the green light to give raises where he saw fit to retain workers. "I told him, 'this is what we need to do to make the business successful.'"

All workers at El Fuego currently earn at least \$9.50/hr and new employees start at \$8.75/hr (\$1.50 above minimum wage) until they pass the three-month trial period, when they receive a 50-cent raise. After that, raises are merit based, but "whether it's fifty cents or a dollar... if the person shows initiative, there's definitely room for a raise."

Ishem, who has worked in the industry for thirteen years as a cook, deliveryman, and server, has been at El Fuego for the last three years. "I make three or four dollars more here," than any other place he has worked. "A lot of the jobs I've had," explains Ishem, "you're just kind of a disposable worker." At El Fuego, "You care about how you treat your customers, how you put out your food... because this is your second home... I work to live my life, but... this is part of my life too. I didn't always see it that way, but it is."

Along with above-average pay and benefits, Peter has also instilled a team work ethic. "I put very high expectations on myself and the staff. I tell people straight up, 'If you come in here, be ready to work.'" With fair wages and benefits, workers have responded well to the



PETER [IN GLASSES] WITH STAFF



demands and expectations. “[They] are willing to work a little harder. It becomes a sense of pride, both for the other people they’re working with, and for the restaurant itself.”

Peter asserts that having such an experienced staff has been invaluable to the restaurant. For example, El Fuego is able to shave off \$300 a week in food deliveries through portion control. “The guys in the back have eyes on it. They’re really good judges, ‘There’s way too much chicken going out today.’ They look out. Then I can talk to the guys up front.” Low turnover has been beneficial because experience is necessary to gauge portions. The front of the house takes at least six months “to get acclimated. ... It just takes so much repetition. Even the way we scoop the food, someone new, they don’t know.”

Workers also reiterated the benefits of maintaining a loyal and invested staff. Silvestre, a cook at El Fuego for two years, said, “A new employee can only work one job. A [seasoned] employee can take care of everything.” Simon, has five years experience at El Fuego, and agrees that the working environment makes everyone work their hardest. “We feel like this is our restaurant ... Everyone knows what they have to do. It’s like a family. ... Everybody is going to take care of you. It always goes smoothly because everybody knows exactly what to do and how to do it.”

The biggest challenge in running the business like a family is that “it’s sometimes hard to decipher between the business and the friendship. Sometimes you have to turn off the friendship and turn on the business.” The effort pays off. “The return you get is ten fold. It makes for better employees; everyone is working hard for each other.”

Fostering a loyal staff has paid off in customer loyalty. Peter explained, “If you’re here for a long time and you know your customer base, you know certain customers needs and wants. If [an employee leaves], then the customer has to do it over again, and some customers don’t want to change. There are customers who come in specifically to see [one of the workers], and they bring their people.” Simon, a worker at El Fuego for five years, also emphasized the importance of continuity. “If someone is making your food while you’re talking about sports, or the weather, or whatever, and then you have [their] food ready [because you already know their order] ... it makes a difference. These people know me. It makes their routine so much better. They always come back.”

## CASE STUDY HOULIHAN'S OF CHICAGO

- After 1 year, full-time employees receive 5 days paid time off, which can be used for sick time or vacation.
- Internal promotion is preferred over recruiting from outside the restaurant to ensure trust and loyalty.



STEPHEN

Houlihan's of Chicago (referred to hereafter as Houlihan's) is a full-service casual restaurant open since 1998 as a privately-owned franchisee. Stephen started working as a server at Houlihan's when it opened, and has since worked his way up to general manager. Under Stephen, the governing philosophy at Houlihan's is the Golden Rule: "Treat your employees the best you can as best as your time allows, your money allows, whatever it is. Treat them the best you can, because it makes for a happier environment, happier people, and more productivity." Stephen offers paid time off to his employees and actively seeks to promote from within, especially for management and bartender positions.

### PAID TIME OFF

All full-time employees receive 5 paid days off after their first year. Employees are considered full time when they average 30 or more hours in the previous year. Paid time off can be used for vacation or for staying home when sick. Chris, a manager, emphasized that sick time is taken seriously. "If an employee's sick we rather they stay home... If they're sick, they'll give us a call, and everyone's just got to pick up the slack." Paid time off has helped retain workers and keep productivity up. Increased retention is an important element of providing a quality experience, and Houlihan's employees now average 10 years experience in the front of the house.



DIONDRA

In the current economic downturn, the restaurant's biggest challenge is generating revenue, leading to "managing costs incredibly effectively." The restaurant has sought to increase revenue streams outside the restaurant, such as catering, but has also redoubled efforts to "make sure that we provide quality experience for people so we can generate that return business."

### CAREER LADDERS

Stephen promotes from within as often as possible because it establishes relationships of trust. "I look at other people in the restaurant first, before I put an ad out. ... As a bartender, a person has access to a lot of cash, or a lot of liquor, a lot of ways to steal. And I think if I can utilize a current employee that's established a relationship already, then I can say, 'okay, [if] I can trust you to not steal from us then I should utilize that.'"

Although the restaurant will on occasion hire servers through ads in services such as Craigslist, hosts are generally the “stepping stone” to server. Kitchen workers are given opportunities in the front of the house when they request it. “I’ve had cooks that wanted to try the front of the house to have that experience, for different reasons... and they go through the same training as anybody else would go through.”

Stephen asserts that although there is not “a lot of mobility between the back of the house and front of the house [in the industry,] it is the right thing to do.” Moreover, this helps by “having some well-versed food knowledge on the floor, table-side.”

A culture of opportunity means, “if somebody gave me an opportunity at some point, I think I should do that as well.” Workers who are given an opportunity for growth respond “very well,” and this culture of promotion builds loyalty. “Speaking from experience”, Stephen says, “there’s nothing I wouldn’t do for this restaurant after nearly 15 years in it.”

Stephen’s experience has taught him that to run a restaurant successfully, “treat your employees well” and give staff the room to work with some “self-governance, because I think it’s an empowering tool. I think that they feel more like part of the restaurant.” Diona Hodges, a server who has worked at Houlihan’s for five years, likes that, “they’re all about empowerment, here. The management takes a step back and really wants you to make decisions for yourself, because you’re the face, they aren’t... For instance, if a regular came down and had a problem with their food, instead of going to the manager, like another restaurant, you try to fix the problems yourself. Nine times out of ten, I don’t need [the managers].”

With these policies in place, Stephen has fostered a restaurant in which experience, loyalty, and a measure of “self-governance” mean that employees are “going to give their best effort.”



ERIC



JULIO

**APOLINAR** LINE COOK  
GOOD RESTAURANT  
NEW YORK CITY

**STEVEN** CHEF-OWNER  
GOOD RESTAURANT  
NEW YORK CITY

**JIMMY** KITCHEN MANAGER  
GOOD RESTAURANT  
NEW YORK CITY



# CREATING CAREER LADDERS FOR ADVANCEMENT

**Workers are more dedicated when they receive opportunities for training and promotion.**

**Rather than depend on unreliable interviews with unknown candidates for new positions, employers choose to train and promote trusted employees. Current employees already understand the dynamics of the restaurant and fit in well with the team chemistry.**

**Internal promotion also serves to desegregate the restaurant industry, allowing workers of color and women to move up to livable wage, front-of-house positions.**

Many high-road employers emphasize the need for creating career ladders in their restaurants to encourage workers to stay for the long-term. Creating career ladders entails training opportunities and a policy of internal promotions in which job openings are first advertised to employees within the restaurant, and the process for applying for these openings is transparent, formalized, and consistent. High-road employers hire from within because current workers fit in better and it allows them to retain workers that are serious about the industry, and because these employers do not want to bring in someone who could potentially steal or ruin team chemistry when they have a current worker that is already trusted.

Michael, chef-owner of Jack Rose, explains that promoting from within helps retain workers that are serious about the industry. “People that aren’t just doing a summer job... are always looking for opportunity and growth. ... If you do see [opportunity] then it gives you an idea that you could grow and move and get a better or different job.”

Natan, co-owner of The Gorbals, prefers to promote someone that he knows from within partly because there is a danger of ruining team chemistry by hiring from outside. “From a business point of view you should be able to just stick an employee in the line and take over. But it’s not like that. One person can ruin the whole staff. That’s why it’s so preferential to hire from within [and] avoid the surprises when you hire a new employee.”

Omar, a bartender at Good who emigrated from Mexico as a 10 year-old, exemplifies the dedication that many employers observe in workers when they are given opportunities for advancement. He started



## INDEPENDENT RESTAURANTS AND TRAINING CHALLENGES

Many employers consider it an obvious choice to promote from within. Andy, owner of Busboys and Poets says it is “just common sense.” However, some independent restaurant owners, already being pulled in many different directions, find it challenging to provide the training programs necessary to allow existing workers to move positions.

Independent restaurants, who do not belong to a large corporation, have specific challenges because they do not have the size to accommodate a human resources department to facilitate training programs. Because of this, the Restaurant Opportunities Centers United (ROC United) has set up training programs to work with restaurants that might not easily have the internal capacity. ROC-United can work with individual restaurants to design customized training programs, formalized internal promotions processes, and an employee handbook in multiple languages. ROC can also provide the training for workers to move up the ladder.

as a busser and worked his way up. He took initiative to request the promotion but he was also given ample support and training to be able to succeed in a higher-level position. He is currently excelling as bartender, and has received positive reviews in voluntary customer feedback cards. Omar asserts, “[Chef-owner] Steven gave me the chance so I don’t want to mess it up. I want to give a good impression that I earned my position. That’s why I do my best every time.”

Pacific Dining Car, an iconic 24-hour Los Angeles fine dining restaurant open since 1921, exhibits exemplary policies for career ladders. General manager Nick described the system that fosters success in their workers:

“We give them an opportunity to move into a position and we give them training, usually about two weeks. . . . We see how they fit and we tell them, ‘Don’t worry, you’re not going to be penalized.’ . . . I can see the potential, I say, ‘you need to train with me to be a waiter.’ . . . I’ve trained six of the people there that have moved up, two are busboys, four are waiters. If they want to learn English and improve themselves, the restaurant will also pay for that.”

Jason, co-owner of Russell St. Deli, emphasizes training and internal promotion because of the restaurant’s commitment to hire from the local community. Because of the dire economic situation in Detroit, the restaurant hires workers for the lowest-level positions and trains them to move up the ranks. “Ninety percent of our hires, at least in the back of the house, come in as dishwashers. . . . Training is so important to us. We try our best to pull from . . . the socioeconomic and racial backgrounds of Detroit, which means 85% black and 50% under the poverty line. So we’re doing our best to try to pull people up. I’ll ask where they’ve worked, and they’ll say, ‘I’ve worked at Comerica Park, or Taco Bell.’ We bring them into the lowest skill positions, train them, and move them up from there.”

Because higher-level positions are filled from within, Steven, chef-owner of Good, encourages a careful selection process for lower-level positions that are not often given as much consideration to find someone with the potential to move up the career ladder. Instead of simply calling a staffing agency for a dishwasher like many restaurants do,

“It’s important to sit down with anyone we’re serious about hiring and say, ‘not only do we expect you to do your job, but this is who we are. You may expect to come in here to be a dishwasher and make your money, but we’re looking for

someone who... will learn something new and make more money. And we want to know that you're that kind of person... I want to know that when the day comes, I can turn to you."

While he has not had the luxury of carefully selecting every employee hired, he has found this process helpful. "You get someone that's thinking while they're working. You've got a set of eyes and a brain working and not just a robot there to wash dishes."

Case studies of Good and Neyow's are presented in this section to show the specific strategies that they used to provide their workers with career ladders. More details can be found regarding their specific strategies for overcoming challenges, and how they have benefited from them. Please also see the Avalon case study for another good example of internal promotion policy.

## CASE STUDY NEYOW'S CREOLE CAFÉ

- Employees are provided regular performance-based raises and bonuses as business revenues increase as an incentive to make the business better. Most bonuses and raises go to kitchen employees who do not directly see increased compensation through tips when business increases.
- Labor costs are fixed as a percentage of total revenue.
- Workers are cross-trained across different floor and kitchen positions as they are given more responsibility. Workers also have the opportunity to move between front and back-of-the-house positions.
- All job openings are advertised to employees inside the restaurant first. Six out of eight full-time employees have been promoted.
- Turnover costs have been low. Only one worker has quit.
- Business has steadily increased over the two years of being open and 80% of their guests regularly return. The owner has also been able to decrease her own working hours significantly by building a skilled and trustworthy staff.

Tanya's restaurant of over a decade was closed by Hurricane Katrina in 2005. In 2009, she reopened with a new name and location. Neyow's Creole Café, with its quirky but charming dog-themed décor, has seen a steady rise in business over the last two years due to great service, great food and workers who are highly invested in the restaurant. The restaurant has experienced very low turnover; only one worker left for another restaurant.

## CAREER LADDERS AND OCCUPATIONAL SEGREGATION

It is also important to consider the relationship between internal promotion practices and racial segregation between the higher-paid and lower-paid positions in restaurants. Research has shown that non-management kitchen staff in the "back of the house," as well as bussers, runners, and bar backs are disproportionately people of color, while better-paid servers and bartenders in the "front of the house" are disproportionately white, particularly in fine dining restaurants. This segregation cannot simply be attributed to differential levels of education or language ability.<sup>13</sup> A 2009 study of the New York fine dining restaurant industry found that white test applicants to fine dining server positions were almost twice as likely to receive a job offer than test applicants of color, despite the fact that the test applicants of color were given slightly better qualifications and made to match the white applicant in every aspect but race/ethnicity.<sup>14</sup> Workers of color benefit from internal promotion practice by providing them opportunities to move out of the industry's lowest-wage jobs.

<sup>13</sup> Restaurant Opportunities Center of New York, The Great Service Divide. 2009. Available at: [www.rocunited.org/our-reports/](http://www.rocunited.org/our-reports/)  
<sup>14</sup> Ibid.



ARLINGTON

Tanya emphasizes cross-training between positions and promotes workers internally. Moreover, she has given steady performance-based raises and bonuses when revenues have increased so that the workers are rewarded and remain invested in the success of the company. These employment practices have been central to Tanya's goal of building a skilled and dedicated staff that can take over her role in the kitchen and allow her to invest more time in expanding the business.

Tanya explained that she works hard to keep her employees because turnover is so costly. "It's hard to find somebody who will click with everyone and just fall right in. I went through four or five different people to find one good person I can use. That's why when I find somebody that fits in and is able to do the job, I try to hold on to them. ... When it comes time for promotions and raises I try to stay on top of that so I don't lose them."

### **INTERNAL PROMOTIONS AND TRAINING**

Tanya prefers to promote from within rather than hire from outside the restaurant. Six out of eight full-time employees have been promoted. She does this because she wants to reward and retain those who have already shown loyalty. "If they have no opportunity to move up, if they can't make more money, then they're going to start looking elsewhere." Moreover, hiring and training is costly even if the worker has experience "because each restaurant is different."



RYAN

Putting such an emphasis on hiring from within, however, means that workers need to be cross-trained across positions to prepare them for the move. Head cook Wendell, said that Tanya "wants to make sure every employee knows everything." Tanya increases responsibility with time and more training. "As I increase and everything goes well, then I give them a little more." Arlington, who has been promoted from line cook to sous chef remarked that he appreciates this consistent training. "They'll work with you on a day-to-day basis and give you short quizzes to make sure you learned. They stay on you instead of telling you what to do once and sending you off. You're not being set up for failure like at a lot of places." Arlington left several restaurants at which, unlike at Neyow's, he was not given proper training and opportunity for advancement.

Jared is another worker who has thrived with access to a career ladder at Neyow's and has repaid it with hard work and dedication. He started out as a dishwasher, and after three months he moved to the cold side of the line, preparing salads and appetizers. Three weeks later he was moved to work frying food. Two months after that he became a full-fledged line cook. After a year, a server position opened up and he applied for the position. He now works half of his shifts as a server and the other half as a line cook. When asked how these opportunities have impacted his work he said, "I love coming to work every day. I come here an hour before anyone else so we can get set up."

Like many owner-operators, Tanya has put in long hours to get her restaurant up and running. However, because of her strategy of consistent training and promotion, she has been able to cut her hours down significantly, from almost 80 hours a week to around 60. Now she believes that her staff is almost ready for her to leave the kitchen altogether, saying with a smile, “I think I’m almost there. I’m just a bit of a control freak.”

## WAGES

At the end of the year, Tanya assesses the profitability and gives raises and Christmas bonuses accordingly. By sharing the gains of the restaurant she provides incentives for her workers to make the business better. “I’m not going to make a whole pile of money and not leave any for my workers.” She explained that because floor staff receives more tips when business increases she distributes raises and bonuses towards the back of the house always based on a combination of “sales and their performance.” Christmas bonuses are between \$100-200, but she will also give smaller bonuses after busy weekends or months.

Wendell, who has worked with Tanya for two years at Neyow’s and eight years in her previous restaurant, appreciates that the rewards of the restaurant’s success are shared with the workers. Aside from the bonuses, he has also received raises. Two years ago he started as a fry cook at \$10 per hour. He was given a raise to \$12 per hour after his probationary period, and now makes \$15 per hour as head cook. He explained that incentives such as bonuses and raises when revenues increase help to motivate everyone in the restaurant to work harder. “We can tell the volume that’s picking up. I see the books. We all see the numbers. As the business grows, Tanya tries to make sure that we get a little bit of that too. ... That’s what most places don’t do. It’s frustrating [when business is growing and no profits are shared with workers]. Then you ask “why am I working so hard?” Wendell summed up the work ethic in the restaurant. “If Tanya’s getting it [profit], we’re getting it. So we make sure she keeps getting it.”

Tanya also explained that while she is generous with raises and bonuses, she keeps the labor costs constant as a percentage of total revenue. When revenue expands as business picks up, she makes a decision between rewarding high performers in the restaurant with raises or bringing in someone new, depending on the needs and capacity.

The result of everyone’s hard work has been a loyal and expanding customer base. Regulars make up 80% of the restaurant’s business. Alvin, a police officer of 22 years, has been coming at least once a week since they opened. He said he keeps coming back because, “They have great food. ... The people are really nice. I really enjoy myself here.”



TANYA AND WENDELL

## CASE STUDY GOOD



APOLINAR, STEVEN, AND JIMMY

**“Happy worker  
provides happy service.  
Happy service makes  
for happy customer.  
Happy customer makes  
for repeat customer.  
Repeat customer makes  
for good business.”  
– Brandon, manager**

- > Good has a strong internal training and promotion policy. Over 75% of employees have been promoted. Because of these policies, management invests time into selecting employees for lower-level positions who may be promoted later.
- > Employees receive 5 paid sick days and have not abused them, typically using 3. Employees also receive 1 week’s vacation after the first year of employment and 2 weeks per year after two years.
- > Workers receive fair wages and regular opportunities for performance-based raises.
- > Employee loyalty is very high, with typical tenure at 4 years in the front of the house and 8 years in the back. Good has remained profitable for over a decade in a competitive neighborhood.

Good Restaurant is an upscale neighborhood restaurant opened in 1999 in the heart of Greenwich Village by chef-owner Steven. Steven employs 23 workers total, including part-time employees and has remained profitable for over a decade in one of the most competitive restaurant neighborhoods in the country. Workers at Good receive opportunities for upward mobility, paid sick days, and fair wages. Over 75% of employees at Good have been promoted from another position in the restaurant. High-road policies have helped Steven retain employees. The typical front of the house worker has remained with Good for four years and the typical worker in the kitchen for eight years.

Steven attributes the way he runs his business to the positive experiences he had in the industry: “I think a lot of people fall into restaurants like this not having come from the type of restaurants that I came from. So for them, they say, ‘whoa, this is a shining star environment.’ Whereas for me, this is just how it’s done.”

### INTERNAL PROMOTION

Because Steven rigorously promotes from within, he devotes ample attention to hiring employees in lower-level positions, as those are the workers who may eventually work their way up into other positions in the restaurant. “We generally hire from bottom up, meaning most of my new hires are dishwashers,” Steven says. Instead of simply calling a staffing agency for a dishwasher, as is often done, Steven invests time in interviewing and selecting lower-level positions as often as possible.

“It’s important to sit down with anyone we’re serious about hiring and say, ‘not only do we expect you to do your job, but this is who we are. You may expect to come in

here to be a dishwasher and make your money, but we're looking for someone who, maybe in a year or six months, will learn something new and make more money. And we want to know that ... when the day comes, I can turn to you."

Steven asserts that providing a career ladder and hiring people that want to advance affects quality directly. "You get someone that's thinking while they're working. You've got a set of eyes and a brain working and not just a robot there to wash dishes." Moreover, an environment that fosters promotion gives new motivation and creates a more cohesive team. "The new hire looks at all the people around him knowing that they started where he is. So that gives him a goal. And all the people that are there can embrace the people that just got hired at the low end because they know what that was."

Omar, a bartender at Good, immigrated to New York from Mexico at the age of 10. Four years ago he started working at Good as a busser before he was promoted to runner. "I [took] a chance, and decided to ask Steven to let me learn bartending. He thought about it, then gave me the opportunity and trained me. My first week I was nervous but I did it. I was afraid about what people would say about my English, but I improved." Omar prides himself on the positive reviews from customers, and his attitude is related to being promoted. "Steven gave me the chance so I don't want to mess it up. I want to give a good impression that I earned my position. That's why I do my best every time."

The fact that Steven has been able to foster an invested and tight-knit staff also helps the hiring process. According to Brandon, the manager, after a one-week trial period, management polls the tenured staff to get an accurate and informed assessment of the trainee: "We ask, 'what are the top two things that you liked about this person and the top two things that you don't like?' Everybody has a sense of what's expected of them in the restaurant and when someone doesn't fall into line then they know and they tell us." Management does not have to shadow the trainee, so they can be evaluated in a "more natural and not so anxious way." Brandon, also explained that because long-term workers understand expectations and are invested in the success of the restaurant, management does not even have to check the time clock for tardiness. "That information comes to us organically. Our staff checks for us. It makes it easier when that's not on your plate."

### PAID SICK DAYS

Steven offers all employees 5 paid sick days per year as well as 1 week vacation after the first year of employment and 2 weeks vacation per year after the



EJ

second year. He finds the policy of paid sick leave plainly ethical and healthy for both workers and guests. “If I’m saying ‘don’t come to work sick because I don’t want you to infect other workers and the guests’, then how dare I not pay you for doing what I ask you to do?”

Of the 5 paid sick days that are offered, workers typically use 3. “There are employees who use 1 or 2 and others who use 5. I have never gotten a sense that employees are looking to take advantage or scam me for additional time off simply because they know it’s available.” To get shifts covered for sick workers, Steven has never had to resort to obliging someone to come in. “I don’t like making people work sick any more than I like to make them work a double. I don’t think I’ve ever forced anyone to come in. My approach has always been ‘Are you up for doing this? Tell me how you feel.’ And that’s worked.”



APOLINAR

### WAGES

Fair wages and regular performance-based raises are part of Steven’s strategy to retain employees by creating a positive work environment. “I can’t make people want to come in to work, but I can provide them at least the most positive atmosphere I can: meaning they’re making the money they think they should make, they’re working in a clean, positive and respectful atmosphere, and they’re working with others that are clean positive and respectful.”



BRANDON

The goal of giving regular, performance-based raises is to retain good workers. In Good, many of Steven’s employees have 5-10 years tenure, a testament to the loyalty of his employees. However, while he is very satisfied with the results in employee tenure, he has also had to keep expenses in check while maintaining happy employees. “I do aim to keep labor costs somewhere around 33%-35%. Lower would certainly be nicer, but that just isn’t a viable option based on our menu, dining room service hours & delivery service. This number does go up slightly when including additional costs of sick day or vacation payout but, when spread out over 52 weeks, it’s manageable.” When the amount of business leveled out after a few years, honesty and transparency paid off.

“I have cooks that are making \$50-60,000 where they would make \$30-40,000 elsewhere. ... At a certain point I’ve had to tell some guys that the restaurant can’t afford more than a raise of a couple percent per year. I present them with the information and I tell them that it’s not that I don’t value them but this is the situation... they trust that I’m being honest with them because I always have been. ... No one’s ever left because of being paid too low a wage or not getting a raise.”

Jimmy, the kitchen manager who Steven describes as his “right hand man during the day”, has been working at Good for ten years. Steven considers him “as dependable as they come”. However, in the two years of his restaurant career preceding Good, Jimmy went through 7 restaurants in only 2 years. He left them mostly because he was unsatisfied with the pay. “Most of the time it was the money. It wasn’t paying the right amount for the right job, so you have to find different work.” He explained that this period was hard on him and his family. “It’s hard to spend time with them when your schedule is always changing.” After ten years at Good, Jimmy is done moving now that he has found the right job.

Another long-term worker, EJ, a server at Good for five years, explained her contributions as a worker with so much experience at the restaurant. “I know everything about the way this restaurant works. I know everything about the menu... And it’s good for a guest to know that I have a lot of knowledge... I can walk by a table and know exactly where they’re at in their meal... I can pick up a cocktail glass and say ‘would you like another...’ and I know what it is because I’ve already seen their table, even if it’s not mine.”

### **ADVICE FOR EMPLOYERS**

Steven cautions new employers not to underinvest in their employees.

“Ultimately you will always get what you give. If you give as little possible, then you will probably get as little as possible. That doesn’t mean you won’t get anything, you might even be able to create a business. But people will take advantage of you when they can, people will steal from you when they can. You will create a mindset that is unhealthy. If people in their heart believe that you are treating them with respect and treating them fairly in terms of business practice, then you will get better from them.”

The investment in employees at Good has created a tight-knit staff of highly dedicated workers that have fostered long-term relationships with a loyal clientele of regulars from the neighborhood.

Steven also advises employers not to get into the restaurant business for the wrong reasons. “This business, more than many others, is fraught with trouble because it’s filled with people that get into it for the most ridiculous reasons—because it looks fun from the outside. ... Restaurants are businesses, they need to operate around certain principles that any kind of business does.”

**KEEGAN** SERVER  
GOOD GIRL DINETTE  
LOS ANGELES



## CONCLUSION

There are plenty of reasons to engage in high-road practices. While paying workers fair wages, providing them a healthy workplace through benefits, and fostering career ladders does not come without a price tag, the employers in this report found that investing in their workers paid dividends in the long run. By avoiding the steep turnover costs that most restaurants face and tapping into the productivity and creativity of employees, restaurants have been able to capture customer loyalty and succeed in a competitive industry. When weighing decisions regarding employment practices, employers should make sure to factor in both the quantifiable costs of employee turnover (training new employees, loss of productivity, management time spent recruiting and screening and other tangible costs), and the non-quantifiable costs (breaking team chemistry, losing relationships with regulars, missing the extra step that invested employees will take to make a restaurant succeed).

### > SUPPORT FOR HIGH-ROAD EMPLOYERS

Besides the myriad of long-term advantages described in this report, there is an additional reason to engage in high-road practices: ROC-United has many ways to help employers overcome the short-term challenges in taking the high road and the help is free. Employer support includes a legal hotline and legal referrals on how to be in compliance with employment, equal opportunity, immigration, and health and safety laws. ROC-United can also give technical guidance in developing employee manuals, including templates and translated materials, that help employers avoid costly litigation (see *Reducing Employer Liability: The Employee Handbook*). Employers can also access ROC-United's low-cost health care cooperative that bypasses the insurance companies and allows restaurant workers to access basic preventative health care at a fraction of the cost of limited insurance plans with similar benefits (see ROC-MD). Every local ROC office also can tailor free training classes for restaurants and supply trained workers for hiring in both the front and back of the house. Lastly, employers can join their local Industry Roundtable to gain insight and support from a community of employers like the ones described in this report.



## REDUCING EMPLOYER LIABILITY: THE EMPLOYEE HANDBOOK

It is beneficial for both employers and workers for the restaurant to have formal, well-understood rules and regulations codified in an employee manual, including health and safety standards, sexual harassment, promotions, and raise policies, and employee pay and benefits. Andy, owner of Busboys and Poets, was very clear: “It’s not enough for it to be written and signed off by the employee. There needs to be training on it so that it’s actually understood or else you’re not getting the full benefit of having a well-structured workplace.”

While it makes for a more transparent workplace for the employee in which expectations are clear, this practice also helps protect employers from litigation costs. Nicole, Human Resources Director for Chaya, explained that despite the trouble of working through sometimes “byzantine employment laws” to create an employee manual, it is important because “it only takes one lawsuit to realize that even when you win it takes so much time and energy and money and goodwill that you’re better off doing it right the first time.”

## > CONSCIOUS CONSUMERS

One further reason to take the high road is that consumers are growing more conscious. Many consumers have already begun to ask questions such as, “Was the beef grass-fed? Did the produce come from a local farm? Are there pesticides used?” Just a decade ago it was unheard of for diners to ask these questions at a restaurant. This change is due to the efforts of organizations and advocates. The next step is for consumers to become conscious of worker issues in restaurants. They are now starting to ask, “What is the lowest wage for employees in the kitchen and on the floor? Do workers here receive paid sick days? Is there an internal promotion policy here, and, if so, how is it implemented?” In fact, ROC-United has created an annual National Diners’ Guide, publishing the wage, paid sick days, and internal mobility practices of restaurants nationwide, because consumers have consistently asked, “What restaurants should we eat at?” As stated throughout this report, there are many tangible steps and sources of support to improve a restaurant’s standing in this Guide.

# APPENDIX

## CASE STUDY INTERVIEW GUIDE

### OWNER AND MANAGER QUESTIONS

#### BACKGROUND

- What is your name and position in the restaurant?
- How long have you worked here?
- How long have you worked in the restaurant industry?
- How did you start in the restaurant industry? In what positions have you worked?
- When did this restaurant open?
- What is the concept of this restaurant?

#### HIGH-ROAD PRACTICES

- What are the wages, benefits, and employment practices that your restaurant offers its employees that are considered above the industry norm?
- How are these different from the wages/benefits/practices in other restaurants you've worked at or other restaurants you've observed?
- How are wages, benefits, practices decided?
- What are the benefits of offering these wages/benefits/employment practices?
- What are the challenges to offering these wages/benefits/employment practices?
- How did you overcome the challenges?
- Is there anything that could be done to make it easier for restaurant employers to offer high-road wages/benefits/practices?
- Is there an explicit approach that this restaurant takes that is related to these high-road practices?
- Are there any plans for future changes in employment practices?

### WORKER QUESTIONS

#### BACKGROUND

- What is your name and your primary position?
- How long have you been working in your current primary position in this restaurant?
- How long have you worked in this restaurant?
- How long have you worked in the restaurant industry in general?

## IMPACT OF HIGH-ROAD PRACTICES

Can you contrast this work environment with another that you've worked in?

What is different as far as wages, benefits and employment practices?

How have the employment practices at the current restaurant had an impact on your work and the business?

What has been the impact for you personally?

What are the ways in which you contribute to the success of the restaurant?

What does a long-time employee contribute beyond what a less experienced worker contributes? (use yourself as an example if appropriate)

What recommendations do you have to restaurant employers?

## QUESTIONS FOR REGULAR GUEST

What is your name? Occupation? Age?

How long have you been coming to this restaurant? How often do you come?

Why have you come back so often?

## FOCUS GROUP GUIDE

Can we start by going around the table stating your name and your position and restaurant for the recording? And how long have you worked in this restaurant and how long have you worked in the restaurant industry?

What is the range of what you consider to be high-road employment practices in the restaurant industry? What are the impacts on the business of implementing these practices?

How does employee turnover affect a restaurant? How much does turnover cost and based on what elements?

What are ways that workers contribute to the success of the restaurant above and beyond their job description? And under what circumstances do they do so?

What are the challenges of implementing high-road practices? Are there measures that a restaurant can take to overcome those challenges?

What has to happen in the restaurant industry for employers, workers, and diners to prosper together?

# PARTICIPATING RESTAURANT EMPLOYERS

POSITION	YRS EXPERIENCE	RESTAURANT	OPENED	CITY	SEGMENT
Owner	30	Busboys and Poets	2005	Washington, DC	Upscale Family Style
Chef-owner	20	Jack Rose	2011	Washington, DC	Fine Dining
Owner	53	Ben's Chili Bowl	1958	Washington, DC	Quick Serve
Manager	20	Crema	2006	New York	Casual Fine Dining
Human Resources Director	20	Craft	2001	New York	Fine Dining
General Manager	10	Las Chicas Locas	2008	New York	Casual Fine Dining
General Manager	10	COLORS	2006	New York	Upscale Family Style
General Manager/ Co-owner	31	Cowgirl	1989	New York	Family Style
General Manager	38	One If By Land, Two If By Sea	1972	New York	Fine Dining
Chef-owner	31	Good	2000	New York	Casual Fine Dining
Chef-owner	30	Good Girl Dinette	2009	Los Angeles	Family Style
Manager	3.5	Homegirl Café	2004	Los Angeles	Family Style
Chef-owner	28	Local, Chimu	2011	Los Angeles	Family Style
General Manager	39	Pacific Dining Car	1921	Los Angeles	Fine Dining
Owner	3.5	Gorbals	2010	Los Angeles	Fine Dining
Human Resources Director	8	Chaya Restaurant Group	1620	LA, San Francisco, Japan	Fine Dining
Owner	14	Avalon International Breads	1998	Detroit	Bakery And Café
Owner	39	Seva	1973	Ann Arbor	Family Style
Kitchen Manager	12	Le Petit Zinc	2009	Detroit	Upscale Family Style
Owner	18	Russell St. Deli	1989	Detroit	Family Style
Owner	36	Zingerman's	1982	Ann Arbor	Upscale Family Style
Owner	15	Le Roux Supper Club	—	New Orleans	Events And Catering
Chef-owner	20	Neyow's Creole Café	2009	New Orleans	Family Style
Owner	2	Freshii's (one store in Chicago)	2010	Chicago	Quick Serve/ Franchise
General Manager	13	Houlihan's of Chicago	1998	Chicago	Family Style/ Franchise
General Manager	7	El Fuego	2003	Philadelphia	Quick Serve
General Manager	10	Crescendo Jazz and Blues Lounge	2010	Miami	Upscale Family Style
Owner	5	Kabobji	2008	Miami	Family Style







## **The Restaurant Opportunities Centers United**

**would like to thank the advisory board for feedback and guidance on this project.**

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