Behind the Kitchen Door:
The Hidden Reality of Philadelphia’s Thriving Restaurant Industry

By: the Restaurant Opportunities Center of Philadelphia, the Restaurant Opportunities Centers United, and the Philadelphia Restaurant Industry Coalition

Primary Research Support Provided By:
Stephen Herzenberg, The Keystone Research Center

October 10, 2012

Funding Provided By:
The Sam Fels Fund
The Allen Hilles Fund
Public Welfare Foundation
The Ford Foundation
The Moriah Foundation
The Rockefeller Family Fund
Behind the Kitchen Door: 
The Hidden Reality of Philadelphia’s Thriving Restaurant Industry

By: the Restaurant Opportunities Center of Philadelphia, the Restaurant Opportunities Centers United, and the Philadelphia Restaurant Industry Coalition

Primary Research Support Provided By: 
Stephen Herzenberg, The Keystone Research Center

October 10, 2012

Funding Provided By: 
The Sam Fels Fund
The Allen Hilles Fund
Public Welfare Foundation
The Ford Foundation
The Moriah Foundation
The Rockefeller Family Fund
Behind the Kitchen Door: The Hidden Reality of Philadelphia’s Thriving Restaurant Industry

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXECUTIVE SUMMARY</td>
<td>1</td>
</tr>
<tr>
<td>I: INTRODUCTION AND METHODOLOGY</td>
<td>7</td>
</tr>
<tr>
<td>II: OVERVIEW OF PHILADELPHIA’S RESTAURANT INDUSTRY</td>
<td>11</td>
</tr>
<tr>
<td>III: WORKERS’ PERSPECTIVES</td>
<td>17</td>
</tr>
<tr>
<td>IV: EMPLOYERS’ PERSPECTIVES</td>
<td>31</td>
</tr>
<tr>
<td>V: SEGREGATION AND DISCRIMINATION</td>
<td>39</td>
</tr>
<tr>
<td>VI: THE SOCIAL COST OF LOW-WAGE JOBS</td>
<td>55</td>
</tr>
<tr>
<td>VII: CONCLUSIONS AND POLICY RECOMMENDATIONS</td>
<td>63</td>
</tr>
<tr>
<td>APPENDIX</td>
<td>66</td>
</tr>
</tbody>
</table>
Executive Summary

Behind the Kitchen Door: The Hidden Reality of Philadelphia's Thriving Restaurant Industry is a project of the Philadelphia Restaurant Industry Coalition—a broad gathering of academics, progressive organizations, restaurant workers and restaurant employers. This report represents the most comprehensive research analysis ever conducted on Philadelphia’s restaurant industry.

This research shows that some employers run successful restaurants by setting fair wages, benefits, and working conditions, thereby fostering employee satisfaction, lowering turnover costs, and increasing worker productivity. However, the research also shows that Philadelphia restaurant jobs are far more frequently bad jobs, characterized by low wages, little or no benefits, and abusive working conditions. Because the restaurant industry is an important and growing source of locally based jobs, efforts must be taken to ensure that job quality in this sector allows for the long-term prosperity of Philadelphia’s restaurant workers, employers, and consumers.

The report focuses on data from 580 worker surveys, 30 in-depth interviews with workers, and 30 in-depth interviews with employers. The data was collected over a thirteen-month period. This primary research is supplemented with analysis of industry and government data and reviews of existing academic literature.

A Resilient and Growing Industry

Philadelphia is home to a resilient and growing restaurant industry. The industry includes more than 113,000 workers and 12,000 establishments, which contribute to the region’s tourism, hospitality, and entertainment sectors. Philadelphia restaurant workers comprise nearly 7% of total local private sector employment. In 2007 (the most recent data available from the Economic Census), Philadelphia restaurants garnered $2.3 billion in revenue, accounting for an estimated $138 million in sales tax for the state and $46 million for the city.

Perhaps the industry’s most important contribution to the region’s economy is the thousands of job opportunities and career options it provides. The industry continued its growth through the Great Recession and has outpaced that of the city’s overall economy (see Figure 1).
Many Bad Jobs, A Few Good Ones

There are two roads to profitability in the restaurant industry—the ‘high road’ and the ‘low road.’ Restaurant employers who take the high road are the source of the best jobs in the industry—those that provide fair wages, benefits, safe working conditions, and opportunities for advancement. Taking the low road to profitability, however, creates low-wage jobs with few benefits while exposing workers to dangerous and often unlawful workplace conditions. Our research indicates that restaurant employers in Philadelphia are too often taking the low road, creating a predominantly low-wage industry in which violating laws that protect workers is commonplace.

While there are a few good jobs in the restaurant industry, there are far more bad jobs, characterized by very low wages, few benefits, and limited opportunities for upward mobility or increased income. Our survey research found that almost two out of three Philadelphia restaurant workers (62.1%) are paid an hourly wage that would not support a family of three above the poverty level in Philadelphia, as defined by the Department of Labor’s Lower Living Standard Income Level.4

Philadelphia restaurant workers are worse off than they were a decade ago. Restaurant wages have actually decreased over the past decade while overall private sector wages have increased. Average annual real wages in Philadelphia restaurants decreased by 11% between 2001 and 2011, while earnings for the total private sector increased by 8%.5 Workers in our study also reported overtime and minimum wage violations, a lack of health and safety training, and the failure to implement other health and safety measures in their workplaces. Of all the workers surveyed in our study, 57.9% reported experiencing overtime wage violations and 40% reported working “off the clock” without being paid.

Moreover, very few restaurant workers receive benefits. Fewer than one in thirteen are able to earn paid sick days (7.2%) or receive even some contribution to healthcare insurance (5.7%).

Occupational Segregation and Discrimination

Historical discrimination and residential segregation are compounded by current structural inequity and discrimination in the industry. Workers of color are largely concentrated in the industry’s “bad jobs”—in lower-paying positions and in lower-paying segments of the industry—while white workers disproportionately hold the few “good jobs.” Our research reveals that there is a significant wage gap between white workers and workers of color. Whereas white workers’ median wage is $11.29, the median wage for workers of color is $9.00. The wage gap is even greater when comparing women’s median wages: $11.47 for white women and $8.00 for women of color. Much of this disparity is due to occupational segregation. White workers are employed in better-paid positions than workers of color, who constitute 79.6% of back-of-the-house and quick serve positions, where wages are abjectly low.

FIGURE 2  RESTAURANT POLICY AND THE CYCLE OF CONTAGION

Restaurant workers have low wages and almost no access to paid sick days. In this context, two out of three decided to work sick, mainly because they could not afford to stay home or they were afraid of being fired or penalized. One out of three workers that worked sick noted that they spread their illness to coworkers, who then found themselves facing the same decision to work sick or lose needed income.

WORKERS LACKING PAID SICK DAYS

Of workers that worked sick, what were the reasons?

- I could not afford to take the day off without pay: 71.7%
- I was concerned I would be fired or penalized: 46.4%
- I couldn’t find anyone to replace me and I didn’t want to overburden coworkers: 7.1%

WORKED SICK

Of workers that worked sick, what were the consequences?

- My illness lasted longer: 51.7%
- I coughed or sneezed while handling food: 42.3%
- I got other workers sick: 33.4%
- My work productivity was affected: 28.7%
The Social Costs of Low-Wage Jobs

Our research also revealed the hidden costs to customers and taxpayers of pervasive low-road practices in the restaurant industry.

ENDANGERING PUBLIC HEALTH

As illustrated in Figure 2, employment conditions in the restaurant industry place workers in a position in which they feel compelled to work while sick and place consumers and coworkers at risk of contagion. Given the low wages described earlier and the fact that 12 in 13 workers do not have access to paid sick days, it is not surprising that nearly two-thirds of Philadelphia restaurant workers (64.6%) have worked while sick. Nearly three out of four (71.7%) of those that worked while sick said that they could not afford to take the day off without pay, and almost half (46.4%) said that they were afraid of being fired or penalized for staying home. When restaurant workers are compelled to work sick, consumers are also placed at risk. Over two out of five workers that worked while sick (42.3%) said that they have coughed or sneezed while handling food. Moreover, restaurant workers who work while sick get other restaurant workers sick, who then are faced with the same decision of working sick or losing needed income. A third of workers who worked sick (33.4%) reported believing that they have gotten other workers sick.

Furthermore, nearly all (94.3%) surveyed workers were not offered health insurance coverage by their employer, and half of our survey respondents reported having no coverage at all (49.6%). Workers reported that some of the consequences of preparing and handling food when sick were slower recovery and spreading illness to other workers and customers. Creating an environment that constrains workers and fails to provide them with basic health conditions poses a health and economic risk both to workers and consumers.

PASSING COSTS TO TAXPAYERS AND UNDERCUTTING GOOD EMPLOYERS

Restaurants taking the low road to profitability create negative consequences for all the industry’s stakeholders. Low wages and the lack of benefits such as health insurance and paid sick leave compel taxpayers to subsidize the restaurant industry. According to our survey, nearly 12% of restaurant workers have gone to the emergency room without being able to pay for their treatment. Even more shocking, according to the American Community Survey, one out of every five employees cannot always afford to buy food and must rely on food stamps. A similar percentage (19%) of Philadelphians in the restaurant industry rely on public health insurance. Because low-road employers are able to pass these costs off to the public, they can then unfairly compete with high-road employers by passing these hidden costs to the public. Some employers that were interviewed expressed concern that law-breaking employers unfairly undercut law-abiding employers.

The High Road Is Possible

Interviews with employers as well as survey data revealed that there are some restaurant employers that run a successful restaurant business while paying fair wages, providing workplace benefits, ensuring adequate levels of staffing, providing necessary training, and facilitating career advancement opportunities. Employers taking the high road found that fostering employee satisfaction decreases turnover costs (from training, recruiting, hiring, and low productivity during the initial phase) and increases worker productivity. Happy workers stay at the restaurant, develop relationships with regular guests, and help the restaurant run with consistent profitability.
Our Recommendations
Because of its importance to Philadelphia, all stakeholders must take action to reform the city’s restaurant industry. Policymakers, employers, consumers, and workers will all find important recommendations from the Philadelphia Restaurant Industry Coalition that follow the research that was laid out in this report.

POLICYMAKERS SHOULD:

1. Support legislation that ensures workers can earn paid sick days so that they may stay home and take care of their own illness or that of a family member without losing needed income.
2. Raise and index the subminimum wage for tipped workers and the overall minimum wage.
3. Support job-training programs that provide high-quality and accessible training in special skills needed to advance within the industry, particularly for underrepresented groups such as people of color, women, and immigrants.
4. Strengthen and enforce employment laws in the restaurant industry and penalize violators at a level that will deter other employers from violating laws in the first place.
5. Ensure that restaurant workers and their families have affordable access to healthcare.
6. Protect workers from violations of federal, state and local anti-discrimination and equal employment opportunity laws.
7. Combat discrimination by assisting advocates engaged in anti-discrimination campaigns, ensuring workers understand their rights under anti-discrimination laws and make enforcement a priority, and promoting ongoing sexual harassment training with all employees, including managers.
8. Enact legislation that would help workers cope with erratic scheduling such as laws requiring employers to compensate workers that are called in and sent home immediately.
10. Consider initiatives and incentives that will assist and encourage employers to pay livable wages and go above and beyond the law.
11. Initiate and support further study and dialogue on occupational segregation and other areas in which more study is needed. Discrimination is a complex and intricate issue, and it deserves ongoing attention from workers, employers, and policymakers alike. More detailed information is needed regarding the public cost of discrimination and the true economic profitability of responsible business practices in the restaurant industry.

EMPLOYERS SHOULD:

1. Adopt systematic and fair hiring and promotion practices, including formal and transparent protocols for current workers to find out about open positions, and performance evaluations to encourage workers to improve performance and obtain advancement.
2. Adopt and clearly communicate company policies and procedures, including anti-discrimination and harassment policies, to protect the well being of all workers.
3. Provide earned sick days as an affordable policy that would allow employees to accumulate hours to care for themselves and their families when sick, while decreasing turnover costs for employers.
4. Enhance job quality and employee retention by increasing wages and developing scheduling practices that meet both employer and worker needs.
5. Use ROC-Philadelphia as a resource to learn techniques that successful restaurant employers use to implement livable wages, benefits, scheduling control, and career ladders (rocunited.org/philly).

CONSUMERS SHOULD:

1. Support responsible restaurant owners who are providing fair wages, benefits, and opportunities for workers to advance (rocunited.org/dinersguide).
2. Speak to employers every time you eat out and let them know you care about livable wages, benefits, and opportunities for women and people of color to advance in the restaurant industry.
3. Where workers have filed legal charges against restaurant employers who are violating the law, call the company to let them know that you will not support such illegal practices.

WORKERS SHOULD:

1. Become involved in the Philadelphia restaurant worker movement. Go to rocunited.org/philly/ to find out more.
### PHILADELPHIA RESTAURANT WORKERS BY THE NUMBERS

#### WAGES EARNED % OF WORKERS

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>% of Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Than Minimum Wage</td>
<td>&lt; $7.25</td>
<td>7.7%</td>
</tr>
<tr>
<td>Below Poverty Wage (DOL LLSIL)</td>
<td>$7.25 - $10.63</td>
<td>54.4%</td>
</tr>
<tr>
<td>Low Wage</td>
<td>$10.64 - $25.30</td>
<td>33.4%</td>
</tr>
<tr>
<td>Livable Wage</td>
<td>$25.31 and higher</td>
<td>4.6%</td>
</tr>
</tbody>
</table>

#### JOB BENEFITS AND HEALTH REPORTED % OF WORKERS

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>% of Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer does not provide health insurance</td>
<td></td>
<td>94.3%</td>
</tr>
<tr>
<td>Do not have any health insurance coverage</td>
<td></td>
<td>49.6%</td>
</tr>
<tr>
<td>Went to emergency room without being able to pay</td>
<td></td>
<td>11.8%</td>
</tr>
<tr>
<td>Do not get paid sick days</td>
<td></td>
<td>92.8%</td>
</tr>
<tr>
<td>Do not get paid vacation days</td>
<td></td>
<td>86.9%</td>
</tr>
<tr>
<td>Have worked when sick</td>
<td></td>
<td>64.6%</td>
</tr>
</tbody>
</table>

#### RAISES AND PROMOTIONS REPORTED % OF WORKERS

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>% of Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do not receive regular raises</td>
<td></td>
<td>83.7%</td>
</tr>
<tr>
<td>Did not move up in position from last job to current job</td>
<td></td>
<td>71.9%</td>
</tr>
<tr>
<td>Did not receive on-going training needed to be promoted from employer</td>
<td></td>
<td>68.5%</td>
</tr>
</tbody>
</table>

#### EMPLOYMENT LAW VIOLATIONS REPORTED % OF WORKERS

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>% of Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experienced overtime wage violations</td>
<td></td>
<td>57.9%</td>
</tr>
<tr>
<td>Experienced minimum wage violations</td>
<td></td>
<td>7.7%</td>
</tr>
<tr>
<td>Worked off the clock without pay</td>
<td></td>
<td>40%</td>
</tr>
<tr>
<td>Management took share of tips</td>
<td></td>
<td>10.1%</td>
</tr>
<tr>
<td>Worked more than 8 hours straight without a paid break</td>
<td></td>
<td>38.3%</td>
</tr>
</tbody>
</table>

#### HEALTH AND SAFETY VIOLATIONS REPORTED % OF WORKERS

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>% of Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unreasonably hot in the kitchen</td>
<td></td>
<td>37.4%</td>
</tr>
<tr>
<td>Fire hazards in the restaurant</td>
<td></td>
<td>27%</td>
</tr>
<tr>
<td>Missing mats on the floor to prevent slipping</td>
<td></td>
<td>21.9%</td>
</tr>
<tr>
<td>Missing guards on cutting machines</td>
<td></td>
<td>15%</td>
</tr>
<tr>
<td>Done something that put own safety at risk</td>
<td></td>
<td>28.7%</td>
</tr>
<tr>
<td>Did not receive instruction or training about workplace safety</td>
<td></td>
<td>36.6%</td>
</tr>
</tbody>
</table>

#### WORKPLACE INJURIES REPORTED % OF WORKERS

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>% of Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burned while on the job</td>
<td></td>
<td>44.5%</td>
</tr>
<tr>
<td>Cut while on the job</td>
<td></td>
<td>51.5%</td>
</tr>
<tr>
<td>Slipped and injured while on the job</td>
<td></td>
<td>18.7%</td>
</tr>
<tr>
<td>Came into contact with toxic chemicals on the job</td>
<td></td>
<td>54.6%</td>
</tr>
<tr>
<td>Chronic pain caused or worsened by the job</td>
<td></td>
<td>26.4%</td>
</tr>
</tbody>
</table>

#### WORKPLACE PRACTICES REPORTED % OF WORKERS

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>% of Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worked when the restaurant was understaffed</td>
<td></td>
<td>84.1%</td>
</tr>
<tr>
<td>Performed several jobs at once</td>
<td></td>
<td>82.1%</td>
</tr>
<tr>
<td>Experienced verbal abuse from supervisors</td>
<td></td>
<td>30.3%</td>
</tr>
<tr>
<td>Performed a job not trained for</td>
<td></td>
<td>47%</td>
</tr>
<tr>
<td>Done something that has put own health and safety at risk</td>
<td></td>
<td>31.2%</td>
</tr>
<tr>
<td>Done something due to time pressure that might have harmed the health and safety of customers</td>
<td></td>
<td>26.4%</td>
</tr>
</tbody>
</table>

Source: Philadelphia Restaurant Industry Coalition survey data

3. Estimation uses the 6% sales tax for the state and 2% sales tax for the city.
The Philadelphia restaurant industry has enormous potential, both as an employer and as an engine of city economic growth. Over the past two decades, the food and beverage service sector has expanded, and despite the recent economic downturn, it continues to outpace other industries (see Chapter II). Unlike many jobs in the manufacturing and technology sectors, restaurant jobs cannot be outsourced. Therefore, they are anticipated to occupy an increasing share of the nation’s economy in the near future.

The city’s restaurants are a particularly important source of jobs for people of color and immigrants (see Chapter II). Some Philadelphia restaurant workers earn livable wages and receive health care benefits. The industry also offers opportunities for entrepreneurial workers to fulfill their dream of opening their own restaurants. However, many jobs in the industry provide poverty-level wages, with no health insurance, no sick or vacation days, few advancement opportunities, and exposure to unhealthy, unsafe, and at times illegal workplace conditions.

The rich research methodologies that informed this report—interviews, a survey of workers, review of existing literature, and analysis of government and industry data—reveal that there are two roads to profitability in the Philadelphia restaurant industry: the “high road” and the “low road.” Restaurant employers who take the high road are the source of the best jobs in the industry—jobs that offer career advancement, wages that support a family, and a healthy workplace. Taking the low road to profitability, on the other hand, creates low-wage jobs with few benefits and long hours. It can harm workers, but also high-road restaurant employers, consumers, and taxpayers. Low road practices can also create negative public health implications.

Our research reveals that the majority of employers in the Philadelphia restaurant industry, similar to employers in other parts of the country, take the low road to profitability. Our worker surveys and interviews illustrate the impact that this has on people’s lives.

Our primary research—interviews with employers as well as workers and our worker survey—coupled with government and industry statistics provide the first comprehensive look at working conditions in Philadelphia’s restaurant industry. The result is a unique overview of the characteristics of workers in the industry, their wages, benefits, and working environment. This study also assesses the impact of workers’ demographic characteristics—race, gender, and immigration status—on the jobs workers hold and their career opportunities. This allows us to profile occupational segregation in today’s Philadelphia restaurant industry, and the resulting disparities in wages and working conditions for different racial groups.
HOW TO READ THIS REPORT

The report has six chapters that include rich quantitative and qualitative data.

Chapter II, Overview of the Industry, analyzes government data on Philadelphia’s restaurant industry and documents the growth of the industry in recent years by comparison with other large industries in the city. It also shows the low wages prevalent among workers in this sector, and the decline in wages, adjusted for inflation, in the last decade.

Chapter III, Workers’ Perspectives, presents data on multiple aspects of workers’ conditions—from their earnings, benefits and opportunities for advancement to their experiences of employment law violations and health and safety violations. This chapter sheds light on workers’ everyday struggles, including the adverse workplace conditions that drive workers to leave a job to find a better one, increasing turnover within the industry.

Chapter IV, Employers’ Perspectives, discusses issues similar to those in Chapter III but from the point of view of employers. Employers talked about their struggles with turnover costs. Many asserted that employee satisfaction is critical to lowering costly turnover, increasing worker productivity, and running a successful restaurant. However, our interviews with employers also highlight pressures and preconceptions that drive them to take the low road to profitability, often against the principles of good business practice they espouse, as well as strategies some higher-road restaurants employ to overcome these pressures.

Chapter V, Segregation and Discrimination, deals with issues that directly impact certain groups within the industry, including people of color, women, and immigrants. For example, by dissecting the industry’s main occupational categories, we find that white workers have a disproportionate share of the best paying jobs. In contrast, workers of color disproportionately occupy the lowest paying jobs. The consequent disparities in wages, benefits, and working conditions are explored for the various groups, and issues of gender discrimination, sexual harassment, and immigration status are examined.

Chapter VI, The Social Cost of Low Wage Jobs, discusses the costs of low-road practices that are borne by stakeholders other than workers and employers. For example, there are negative public health implications that arise from the pervasive combination of low wages and lack of paid sick days. This combination compels workers to choose between losing needed income and working while sick. Taxpayers also pay by covering health care costs that are not covered by restaurant employers. Finally, poverty-wage jobs impose costs on the community—such as crime and segregation—as well as increase costs for social programs when poorly paid restaurant workers access them.

Chapter VII, Conclusions and Policy Recommendations, draws conclusions based on the entire study and offers policy recommendations to legislators, employers, and community advocates.
INTERVIEW METHODOLOGY
In order to obtain a holistic picture of the daily lives of individual restaurant workers and to gain detailed information about the nature of working conditions, in-depth open-ended, one-on-one interviews were conducted with 33 workers. An interview guide was used to structure the interviews to ensure that all interviews covered the same general topics. Interviewers were trained how to use the guide to conduct semi-structured, open-ended interviews. The interviews were recorded, transcribed and analyzed using Dedoose software.

SURVEY METHODOLOGY
The survey was administered from February 2011 to March 2012 by staff, members, and volunteers from the Restaurant Opportunities Center of Philadelphia (ROC-Philadelphia), a community-based organization with significant contacts among restaurant workers and access to workplaces in the industry. A total of 580 surveys were conducted face-to-face with workers in the city of Philadelphia outside of their workplace, after work shifts were completed, or during breaks. Our sample consisted entirely of workers currently employed in the restaurant industry. We sought to capture a wide range of experiences in each of the three main segments of the industry—fine dining, casual dining, and quick serve. (See appendix for detailed methodology.)

The City of Philadelphia Demonstrates Unique Potential to Advance Restaurant Worker Issues

In November 2011, ROC-Philadelphia worked with Councilman-at-Large James Kenney and the City Council of Philadelphia to pass one of the nation’s first Gratuity Protection Bills, which explicitly prohibits employers from taking deductions, including credit card transaction fees, out of gratuities left for employees by customers. The bill states: “Every gratuity shall be the sole property of the employee or employees to whom it was paid, given, or left for, and shall be paid over in full to such employee or employees. No employer may deduct any amount from wages due to an employee on account of a gratuity, or require an employee to credit the amount, or any part thereof, of a gratuity against and as a part of the wages due to the employee from the employer.” Employers who violate the law should face penalties, including recompensing their workers for the tip that was taken, paying a fine, and the responsibility for court and attorneys’ fees. The legislation, if enforced properly, will raise wages for an estimated 26,000 restaurant tipped workers in the Philadelphia area. Legislators in other areas of the country have expressed an interest to the Restaurant Opportunities Centers United in replicating this legislation at the local, state, and federal level. This groundbreaking legislation demonstrates Philadelphia’s ability to be a leader in progressive legislation that betters the lives of restaurant workers.
ABOUT THIS STUDY

This study was conceived and designed by the Philadelphia Restaurant Industry Coalition—a broad gathering of academics, economic development groups, policy analysis groups, unions, worker advocates, and employers. It represents one of the most comprehensive research analyses of the restaurant industry in Philadelphia’s history.

Data was collected from 580 worker surveys, in-depth interviews and focus groups with 33 restaurant workers, and 30 interviews with restaurant industry employers in the city, collected over a one-year period. The results of this primary research are supplemented by analysis of secondary industry data and a review of existing academic literature. We maintained a strict tabulation of survey collection to government data demographics in terms of race, age, and gender, and also weighted the sample to account for the national standard division of “back-of-the-house” and “front-of-the-house” staff in “full-service” establishments and “limited-services” (quick serve) eating places, to ensure proper representation of these positions in the Philadelphia restaurant industry.

This project was inspired by the need for examination and analysis of the overall health of an industry increasingly important to the Philadelphia economy and critical to the lives of thousands of restaurant workers and employers. The restaurant industry is an important and growing source of locally based jobs and provides considerable opportunity for development of successful businesses. It is therefore essential to provide information about the industry from the perspectives of both workers and employers to all stakeholders to ensure the industry’s sustainable growth.

Front of the House and Back of the House refer to restaurant industry terms for the placement and function of workers in a restaurant setting. Front of the house generally refers to those interacting with customers in the front of the restaurant including wait staff, bussers and runners. Back of the house workers generally refers to kitchen staff including chefs, cooks, food preparation staff, dishwashers, and cleaners.

High road and low road are industry terms referring to opposing business strategies for achieving productivity and profitability. In this report, the former is used to denote employer practices that involve investing in workers by paying livable wages, providing comprehensive benefits, opportunities for career advancement, and safe workplace conditions as means to maximize productivity. The results are often reduced turnover as well as better quality food and service. The latter refers to strategies that involve chronic understaffing, failing to provide benefits, pushing workers to cut corners, and violating labor, employment and health and safety standards. Low-road practices are not simply illegal practices—they are employment practices, such as providing low wages and little or no access to benefits, that are not sustainable for workers and their families, and that have a long-term negative impact on both consumers and employers.

1 Many thanks to Dr. Manny Ness of Brooklyn College for assistance developing the questionnaire.
2 The survey sample included workers already employed in the industry, not trainees or workers from other industries who wished to work in the industry. All workers surveyed were employed at the time the survey was conducted.
Overview of Philadelphia’s Restaurant Industry

The Growth of an Industry
Philadelphia’s restaurant industry has shown consistent and robust job growth, becoming one of the city’s major industries. In Philadelphia, the growth of the restaurant industry is a significant source of local pride. In addition, local residents understand that the expansion of the restaurant industry is important to the success of the local economy. Between 1998 and 2010, the number of food service and drinking establishments in Philadelphia County increased by 39%, from 2,891 to 3,876.1

The restaurant industry is also an important segment of the tourism and hospitality sectors, attracting visitors to the city and increasing how much they spend on their trips. In 2007 (the most recent data available from the Economic Census), Philadelphia restaurants generated $2.3 billion in revenue,2 accounting for an estimated $138 million in sales tax for the state and $46 million for the city.3

<table>
<thead>
<tr>
<th>INDUSTRY</th>
<th>EMPLOYMENT</th>
<th>% OF EMPLOYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail trade</td>
<td>187,000</td>
<td>11.3%</td>
</tr>
<tr>
<td>Professional, scientific, and technical services</td>
<td>151,700</td>
<td>9.1%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>131,100</td>
<td>7.9%</td>
</tr>
<tr>
<td>Educational services</td>
<td>115,300</td>
<td>6.9%</td>
</tr>
<tr>
<td>Food services and drinking places</td>
<td>113,800</td>
<td>6.9%</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>107,200</td>
<td>6.5%</td>
</tr>
<tr>
<td>Administrative, support, waste management, remediation services</td>
<td>102,100</td>
<td>6.2%</td>
</tr>
<tr>
<td>Ambulatory health care services</td>
<td>92,100</td>
<td>5.5%</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>82,200</td>
<td>5.0%</td>
</tr>
<tr>
<td>Mining, logging and construction</td>
<td>65,300</td>
<td>3.7%</td>
</tr>
<tr>
<td>Total Private Sector Employment</td>
<td>1,659,800</td>
<td>100%</td>
</tr>
</tbody>
</table>


In 2011 the restaurant industry was the fifth largest private sector employer in Philadelphia.
As shown throughout this report, wages and working conditions vary starkly between position and industry segment.

SEGMENT
The North American Industry Classification System (NAICS) categorizes the restaurant industry (“Food Services and Drinking Places”) into four segments: full-service restaurants have table service where the consumer orders from a menu at a table; limited-service restaurants have no table service; special food services, such as catering; and drinking places, which serve drinks but not food. The restaurant categories used in this report are similar to the NAICS categories, with the addition of a distinction within full-service between “fine dining” and “casual restaurants.” Distinguishing these two categories proves critical to our analysis because job quality, employer practices, and patterns of ethnic and racial employment and occupational segregation differ across the two segments.

1 Fine dining includes full-service restaurants commonly referred to as “upscale” restaurants. The typical dining tab per person is above $30. It is most common for fine dining restaurants to have a unique concept (the name, menu, and decor of a restaurant). However, a single individual or company may own many fine dining restaurants with unique concepts. For example, Stephen Starr owns 28 restaurants with unique concepts, most of which are in the city of Philadelphia. 
2 Casual restaurants, also described as “casual dining” or “family style” restaurants, are moderately priced full-service restaurants. They include franchise or chain restaurants, such as Olive Garden or Applebee’s, as well as independently-owned establishments.
3 Quick Serve, limited service restaurants, serve food without table service. Examples include “fast food” restaurants like McDonald’s, or “fast casual” restaurants, like Chipotle, that may have higher prices and cater to different clientele. 
4 Bars and other are only a small part of the restaurant industry and include catering and bars that do not serve food. As shown in Chapter I, only 7.3% of surveys were collected from this category and we exclude the segment when comparing industry segments.

POSITION
Jobs in the restaurant industry generally fall into one of three basic categories, each corresponding to different levels of compensation, potential for mobility, access to training, workplace conditions, and other indicators of job quality:

1 Managers and supervisors, including chefs.
2 Front of the house positions, including all staff that have direct contact with customers, such as servers, bartenders, hosts, and bussers.
3 Back of the house positions, or those that do not regularly involve direct contact with customers, but are essential to a restaurant’s functions, such as dishwashers and cooks. Many quick serve employees work a combined back of the house and front of the house position. Quick serve jobs are categorized as back of the house in this study because wages and working conditions in them are similar to those in back of the house jobs.
How Many Jobs?

The restaurant industry is one of the five largest private sector employers in Philadelphia. In 2011, according to the Bureau of Labor Statistics, the Philadelphia restaurant industry employed 113,800 workers, 6.9% of all private sector employees. As shown in Table 2.1, the only industries that employ more workers are retail trade; professional, scientific, and technical services; manufacturing, and educational services. Despite Philadelphia’s past history as a manufacturing hub, manufacturing now employs only 1% more Philadelphians than the restaurant industry.

Since 1990, the Philadelphia restaurant industry share of private sector employment has risen from 5% to 6.9% (see Figure 2.1).

While industry employment dipped in the first year of the Great Recession (2008), it has since grown even more quickly than in the previous economic expansion. Unlike in many other industries, there are more businesses in the Philadelphia restaurant industry now than before the recession (see Figure 2.2).

What are the Characteristics of the Workforce?

Most jobs in the restaurant industry do not require formal education, with the exception of chefs and sommeliers (wine stewards). There is no formalized training or universally accepted certification for most restaurant jobs; instead most employees obtain job skills during on-site training. Back of the house workers, often working in hot, cramped spaces, must be able to fill orders in a timely fashion in a high-pressure environment. Front of the house staff and other employees who interact with customers need strong interpersonal skills, time and task management skills, and a working knowledge of food preparation and presentation.

Census data shows that the Philadelphia restaurant industry is generally younger than the overall workforce, with a higher proportion of foreign-born workers, and a more quickly growing population of Latinos and Asians. Over the last decade, the Philadelphia restaurant workforce has experienced an increase in immigrants, women, and workers with higher levels of education (see Table 2.2). Some key statistics include:

GENDER

Women now make up more than half the industry workforce, increasing from 44% to nearly 51% since 2000.

AGE

Philadelphia restaurant workers are younger on average than the overall labor force of the city, but the share of older workers in the industry has grown over the past decade. In 2010, the average age of restaurant employees was 32 compared to 39.5 in the overall work-
### Table 2.2: Demographic Profile of Philadelphia's Restaurant Workers vs. All Workers

<table>
<thead>
<tr>
<th></th>
<th>Restaurant Workers</th>
<th>All Philadelphia Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
<td>2008-2010</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>56.0</td>
<td>49.1</td>
</tr>
<tr>
<td>Female</td>
<td>44.0</td>
<td>50.9</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16-24</td>
<td>34.1</td>
<td>37.9</td>
</tr>
<tr>
<td>25-44</td>
<td>47.6</td>
<td>43.0</td>
</tr>
<tr>
<td>45-64</td>
<td>15.3</td>
<td>18.1</td>
</tr>
<tr>
<td>65 and older</td>
<td>3.0</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Race/Ethnicity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>47.9</td>
<td>40.2</td>
</tr>
<tr>
<td>Black</td>
<td>35.6</td>
<td>29.5</td>
</tr>
<tr>
<td>Asian</td>
<td>8.7</td>
<td>12.9</td>
</tr>
<tr>
<td>Latino</td>
<td>7.4</td>
<td>17.4</td>
</tr>
<tr>
<td>Other</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Nativity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizen by birth</td>
<td>80.6</td>
<td>74.1</td>
</tr>
<tr>
<td>Foreign born</td>
<td>19.4</td>
<td>25.9</td>
</tr>
<tr>
<td><strong>Place of Birth</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S.</td>
<td>80.6</td>
<td>74.1</td>
</tr>
<tr>
<td>Latin America</td>
<td>6.2</td>
<td>10.7</td>
</tr>
<tr>
<td>Europe</td>
<td>3.7</td>
<td>2.1</td>
</tr>
<tr>
<td>Asia</td>
<td>8.2</td>
<td>11.6</td>
</tr>
<tr>
<td>Africa</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Other</td>
<td>0.0</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Years in the U.S.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Born in the U.S.</td>
<td>80.6</td>
<td>74.1</td>
</tr>
<tr>
<td>0-5 years</td>
<td>4.9</td>
<td>6.2</td>
</tr>
<tr>
<td>6-10 years</td>
<td>4.6</td>
<td>4.9</td>
</tr>
<tr>
<td>11-15 years</td>
<td>3.2</td>
<td>4.2</td>
</tr>
<tr>
<td>16-20 years</td>
<td>4.1</td>
<td>4.0</td>
</tr>
<tr>
<td>21 or more</td>
<td>2.6</td>
<td>6.6</td>
</tr>
<tr>
<td><strong>Ability to Speak English</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Speaks only English</td>
<td>76.7</td>
<td>66.8</td>
</tr>
<tr>
<td>Speaks very well</td>
<td>11.8</td>
<td>15.0</td>
</tr>
<tr>
<td>Speaks well</td>
<td>6.7</td>
<td>6.0</td>
</tr>
<tr>
<td>Speaks, but not well</td>
<td>3.9</td>
<td>10.0</td>
</tr>
<tr>
<td>Does not speak English</td>
<td>1.0</td>
<td>2.2</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than high school degree</td>
<td>22.3</td>
<td>17.4</td>
</tr>
<tr>
<td>High school degree</td>
<td>48.2</td>
<td>46.1</td>
</tr>
<tr>
<td>Some college</td>
<td>20.0</td>
<td>25.1</td>
</tr>
<tr>
<td>Bachelors degree and higher</td>
<td>8.5</td>
<td>10.0</td>
</tr>
</tbody>
</table>

Source: United States Census Bureau (2000) and American Community Survey (2008-2010) extracted from the Integrated Public Use Microdata Series (IPUMS), Minnesota Population Center, University of Minnesota.6
force. Nearly 38% of restaurant industry workers are between the ages of 16 and 24, more than double the percentage of all Philadelphia residents in the same age category. The 16-24 year old share of the workforce has grown from 34% in 2000. The share of workers between the ages of 45 and 64 has also grown, from 15% to 18%. The industry has simultaneously become younger and greyer.

**RACE**

Approximately 60% of the restaurant labor force in 2010 was comprised of Blacks, Asians, and Latinos. Throughout the last decade, the proportion of different races and ethnicities shifted, leading to an increasing overrepresentation of Asians and Hispanics in the restaurant industry but an underrepresentation of Blacks (whose restaurant industry employment share is more than eight percentage points below their proportion in the total workforce of the city) and of Whites.

**FOREIGN-BORN**

In Philadelphia in 2010, there were 8.2% more immigrant workers employed in the restaurant industry than in all industries in the city. The Philadelphia restaurant industry foreign-born worker share rose from 19.4% in 2000 to 25.9% in 2010.

**EDUCATION**

Over the last decade, the education levels of restaurant workers increased. The proportion of workers with some college and with a bachelor or higher degree has grown, while the proportion of workers with high school or less has fallen. Workers without a high school diploma decreased from 22.3% in 2000 to 17.4% in 2010.

**What do the Jobs Pay?**

While Philadelphia restaurant industry employment has grown in the past decade, wages have declined. According to the Bureau of Labor Statistics, in 2011, average restaurant industry annual wages decreased from $20,705 in 2001 to $18,488 in 2011 (see Figure 2.3). Meanwhile, overall private sector average annual wages increased from $51,768 in 2001 to $55,822 in 2011.

As seen in Table 2.3, in Philadelphia, the median hourly wage for food preparation and serving related occupations is $10.32 per hour, which is only 54% of the median wage for all Philadelphia area workers ($18.93). Moreover, nearly two-thirds of the workers in the restaurant industry are employed in positions that earn an hourly median wage below $10.63, the 2012 poverty wage needed to reach a low standard of living for a family of three in the metropolitan Philadelphia area if a person works full-time, full-year (2,080 hours; see Chapter III for definition).
Economic dynamism or dangerously low standards for Philadelphia jobs?

The data presented in this chapter demonstrate the robust growth of the restaurant industry in Philadelphia and its centrality to the city’s economic life and recovery from the Great Recession. However, they also call attention to the fact that the growth of the restaurant industry has meant that more Philadelphia jobs do not support a family.

The patterns observed in the Philadelphia restaurant industry are part of an unsettling broader dynamic in the U.S. labor market. According to a National Employment Law Project analysis, the Great Recession has restructured the labor market. While job loss was skewed towards higher wage occupations, job recovery thus far has been skewed toward traditionally low-wage jobs in the retail and restaurant industries. This bottom-heavy distribution of job opportunities “challenges workers’ ability to support their families, but also the broader goal of restoring robust consumer demand.”9, 10

The restaurant industry provides both an opportunity and a threat to the economy. On the one hand, this industry can provide jobs to millions. On the other hand, as restaurant work becomes an ever-larger part of the economy, continued stagnation or decline of wages in the restaurant industry will prolong economic recovery and risk the future of the middle class.

3 Estimation uses the 6% sales tax for the state and 2% sales tax for the city.
Workers’ Perspectives

The information summarized in this chapter is the result of nearly 600 surveys and 33 in-depth interviews with restaurant workers in Philadelphia, conducted over a one-year period. By speaking directly with Philadelphia’s restaurant workers, we gained valuable insight into the daily experiences of working in the city’s eateries. The survey also provides a deeper quantitative look than available through government data on workers’ jobs and experiences. The following are some of our key findings:

LOW WAGES AND MEAGER BENEFITS
• Consistent with Bureau of Labor Statistics data, most restaurant workers responding to our survey (62.1%) reported earning poverty wages (below even a lower-living-standard wage—the wage required for a full-time, full-year worker to reach a lower living standard for a family of three).
• An overwhelming majority of restaurant workers do not receive workplace benefits such as employer-provided health coverage (94.3%). Nearly all workers do not receive paid sick days (92.8%), and 86.9% do not receive paid vacation days.
• Workers who are paid low wages are less likely (by 14.4%) to have health insurance than those who earn poverty level wages.

WAGE LAW VIOLATIONS
• About one in fourteen (7.3%) restaurant workers we surveyed have unlawfully been paid less than the legally mandated minimum wage of $7.25.
• Nearly six in ten workers (57.9%) that worked over 40 hours a week in the past 12 months reported being paid less than the legally mandated overtime rate, in violation of state and federal laws.
• Nearly a third (31.1%) of Philadelphia restaurant workers complained to their employer about poor workplace conditions, and 16.2% of those who asserted their rights reported that their complaints were met with verbal abuse and threats of retaliation.

PROMOTIONS AND TRAINING
• Most restaurant workers we spoke with (83.7%) do not receive regular raises, 71.9% have not received any promotions, and 68.5% do not receive ongoing job training.

HEALTH AND SAFETY HAZARDS
• Restaurant workers reported that health and safety hazards are pervasive at their workplace. In addition, many of the workers we spoke with reported on-the-job injuries.
Introduction
As demonstrated throughout this chapter, the majority of jobs in the Philadelphia restaurant industry are low-road jobs, defined by low wages, few benefits, and dangerous and often unlawful workplace conditions. However, our survey research shows that the low road is not the only path available in this industry. One out of six workers (16.4%) earn at least $15.95 per hour (which is 150% of the poverty line for a family of three), indicating that some restaurant employers pursue a higher road to profitability.

This chapter describes some of the major issues confronted by restaurant workers. This study was partly motivated by the dearth of quantitative and qualitative data documenting the experiences of restaurant workers in Philadelphia. The survey instrument explores the availability of benefits, working conditions, hiring and promotion practices, workplace discrimination, the existence of job-specific training opportunities, and the nature of working conditions in the industry. Stratified sampling methods were chosen to provide an accurate picture of all restaurant workers in Philadelphia (see Chapter I for methodological details).

Earnings
Consistent with the government data presented in Chapter II, our survey research found that restaurant workers earn abjectly low wages. The median wage of restaurant workers surveyed was $9.61. As seen in Table 3.1, one in thirteen Philadelphia restaurant workers (7.7%) do not earn the legal minimum wage of $7.25, which is well below the Department of Labor’s 2012 poverty rate for the Philadelphia metropolitan area of $10.63 per hour for a family of three.\(^1\) Approximately two out of three workers (62.1%) are paid a wage that falls

<table>
<thead>
<tr>
<th>TABLE 3.1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WAGES EARNED BY RESTAURANT WORKERS</strong></td>
</tr>
<tr>
<td><strong>PERCENT OF WORKERS</strong></td>
</tr>
<tr>
<td>Less Than Minimum Wage (&lt; $7.25)</td>
</tr>
<tr>
<td>Poverty Wage ($7.25 – $10.63)</td>
</tr>
<tr>
<td>Low Wage ($10.64 – $15.94)</td>
</tr>
<tr>
<td>Over 150% of Poverty ($15.95 – $25.30)</td>
</tr>
<tr>
<td>Livable Wage (≥ $25.31)</td>
</tr>
</tbody>
</table>

Source: Philadelphia Industry Coalition survey data
into the poverty wage category. Moreover, Pennsylvania’s tip penalty provision (see Do You Know the Law? section in this chapter) allows employers to legally pay tipped workers as little as $2.83. Only one in six workers makes more than 150% of the poverty line wage, but less than one in 20 (4.6%) is paid a livable wage. (See Definition of Wage Groups on the previous page for definitions of each wage category.)

Indicative of a low wage industry, our research found that one in five workers (19.7%) resort to working more than one job. Beyond low wages, one in seven workers also reported that wages were paid late or inconsistently.

Interviews with workers revealed frustration around living with low wages and undependable tips. A cashier working for three years in a quick serve restaurant told us: “The minimum wage rate should be raised at least to eight dollars. I don’t think they look at the cost of living when they [set the minimum wage].”

Low earnings and low purchasing power affect how and where restaurant workers live. The generally accepted standard on housing affordability is that rent should be no more than 30% of income. Using this threshold, at the median wage of $9.61, a restaurant worker working 40 hours per week (the median weekly hours worked) can afford no more than $500 in rent and utilities per month. According to the National Low Income Housing Coalition (NLIHC), the fair market rent for a two-bedroom unit in Philadelphia is $1,075. For a typical restaurant workers to afford that rent, they would have to work 86 hours per week, if working several jobs without overtime, or 71 hours per week if being paid for overtime. Survey data showed that restaurant workers are paying on average $400 per month in rent,

Victor Gonzalez
Mexican, 30
10 years’ in the industry, dishwasher and barback

Victor Gonzalez grew up in Puebla, Mexico. In his town, the typical diet relied heavily on corn, beans and fruits. As a result, it was common for children to drop out of school and work in the fields in order to sustain their families. In hopes of better providing for his family, Victor left Puebla in 2004. After a long and perilous border crossing, he arrived in Philadelphia. However, making money to send back to his family proved much harder than anticipated. “It was very difficult to find work and earn money,” Victor lamented. “My first job in Philadelphia was as a dishwasher, making $3.50 an hour, working 12 hours a day, 6 days a week.” Like most immigrant workers, Victor did not receive overtime or breaks. Victor eventually transitioned into a barback position, but continued to struggle. Carrying heavy loads day after day with no breaks took a toll on his body. He was eventually diagnosed with a hernia, but continued to work with it and to suffer for 4 years because he could not afford the surgery.

In addition to the physical toll work took on Victor’s body, he suffered from additional hardships as a result of physical abuse on the job. In one instance unprovoked physical abuse by a co-worker caused him to lose his job. “A food runner, a white guy, kicked me... in my shin... he does it every time... to the Latinos. I went to the room to change and he came and pushed me... it broke the wall... [the chef] said I’m sorry, both fired.”

Victor explained to us that his experiences were not uncommon in the industry. “Over the years, I have seen many accidents and injuries... it is a shame that we do not have any protection or health care. I see immigrants and Americans working hard all around and suffering accidents. It is not fair that we do not have access to health care and that wages are so low. This is the reason that I joined the Restaurant Opportunities Center of Philadelphia, to fight for the rights of both immigrant and American workers.”
which indicates that they may be commuting to central districts from low-income areas with more affordable rent, or they are sharing housing costs by living with more people. Philadelphia restaurant workers surveyed had a median number of three total residents in their home. However, this statistic varies by income level. While half (51.5%) of restaurant workers earning below the poverty wage live in a house with four or more total residents, only a quarter (26.5%) of restaurant workers earning 150% of the poverty wage do so. One in six workers (16.5%) earning a poverty wage live in a house with six or more total residents.

Income is also correlated with access to healthy food in workers’ neighborhoods. Of the workers above 150% of the poverty line, 81.8% reported that they were satisfied with their options for purchasing fresh and healthy foods in the neighborhoods where they live. Workers earning below the poverty line had a lower satisfaction rate at 54.3%. Further straining restaurant employees’ low incomes, nearly half (45.8%) of restaurant workers surveyed were supporting at least one or more children or other dependents with their income.

Benefits

There is no way for me to get health insurance right now. Because basically I cannot afford it with the salary that I am getting paid. Not for the type of insurance that I would need.
—Female, 25 years’ in the industry, counter attendant.

In addition to receiving low wages, the majority of restaurant workers surveyed reported that they do not receive basic workplace benefits. The data in Figure 3.1 reveals that nearly all workers surveyed do not have health insurance through their employers (94.3%), and almost half reported not having any type of health insurance coverage at all (49.6%). Similarly, Philadelphia restaurant workers pervasively lack paid sick days (92.8%) and paid vacation (86.9%). With such a ubiquitous lack of paid sick days, it is not surprising that nearly two-thirds of workers surveyed reported that they had worked when sick (see Chapter VI for a full discussion on the public health risks associated with the lack of paid sick days and the social costs of health care barriers).

Restaurant workers report few workplace benefits

Two recent peer-reviewed studies from researchers at the Centers for Disease Control and Prevention found quantitative evidence of the relationship between workers’ access to paid sick days and their health and well-being. The first study, “Paid Sick Leave and Nonfatal Occupational Injuries,” found that workers with paid sick days are 28% less likely to be injured at work. The second study, “The Lack of Paid Sick Leave as a Barrier to Cancer Screening and Medical Care-Seeking: Results from the National Health Interview Survey,” examines the connection between access to paid sick days and preventive health care, particularly cancer screenings. The studies find that workers with paid sick days are more likely to have mammograms, Pap tests and endoscopies (such as colonoscopies), and to see a doctor or health care provider at least once a year.
One interviewee—a white female server with 12 years’ of restaurant experience—illustrated workers’ predicament when they are denied paid sick days and have no health insurance, yet are required to provide formal proof for missing work: “This other co-worker of mine … hurt her back and she called out [sick]. She [said], ‘I hurt my back, I can’t come in to work.’ They [reply], ‘Oh can you bring your doctor’s note?’ She [answers], ‘You know I don’t have insurance, I work for you, you absolutely know that I don’t have insurance.’ They [respond], ‘Yeah, well so, so you’re calling out of work and you don’t have a doctor’s note… that’s going to be a write up’.”

Philadelphia workers’ responses underscore why the city should require employer provision of paid sick days (see Chapter VII, Policy Recommendations). A female server in a fine dining restaurant, with six years’ of experience told us: “paid sick days would help…. People working in the restaurant are humans and they get sick and they have off days. The management at restaurants get paid sick days because they’re on salary. They’re making their paycheck no matter what [but] restaurant workers don’t…. It’s really discouraging sometimes.”

**Opportunities for Advancement**

*I added up … my raises, only, out of four years with [the restaurant], my raise was exactly 54 cents. Four years.*

—Black male prep cook, 16 years’ of experience, casual restaurant

Survey and interview data showed a dearth of career ladders and advancement opportunities in the restaurant industry. Poor working conditions are not just temporary situations for young workers. Nearly one out of four workers (23.3%) in our survey had worked in the restaurant industry for over six years, and over half (53.9%) had worked in the industry for over three years. One third (32.2%) had worked in the same restaurant for over three years.

Workers reported that there are few opportunities to advance in pay and responsibility. As seen in Figure 3.2, the large majority of employees in our survey sample (83.7%) reported that they had not received a raise in the last year. Nearly the same proportion (71.9%) said they had not moved up from their previous job. More than two-thirds of workers (68.5%) do not receive the necessary on-the-job training to be promoted.

A majority of workers pointed to the informal nature of raises and promotions, stating that there is no transparent or official advancement policy. One bartender with 11½ years’ industry experience said, “If there’s a system, I haven’t heard of it. I wasn’t given any type of handbook or anything.”
Restaurant industry laws are particularly hard to understand because of the tip penalty. Seven states with thriving restaurant industries, such as California, have abolished the tip penalty. Read below to see if you know the law in Philadelphia’s restaurants.

The Tip Penalty
The Fair Labor Standards Act (FLSA) permits an employer to pay a tipped employee less by subtracting a tip penalty from the minimum wage (sometimes referred to as a “tip credit”). In Pennsylvania the maximum tip penalty is $4.42 (the federal minimum wage of $7.25 minus the Pennsylvania tipped subminimum wage of $2.83). The employer cannot claim tips not actually received by the employee, and must ensure the employee makes at least $7.25/hour (including tips) in a workweek. Employers must keep employee time and pay records to prove that the tip penalty was legal.8

The Tip Pool
Tipped employees are those who regularly receive more than $30 a month in tips. Tipped employees must retain all tips unless there is a tip pooling or sharing arrangement among employees who regularly receive tips, such as servers, bussers and bartenders. A valid tip pool may not include employees who do not regularly receive tips, such as managers and cooks. In Philadelphia, employers may not keep any of an employee’s tips.9

Required Notice
An employer must provide the following information verbally or in writing before he/she is allowed to use the tip penalty.
1) The amount of cash wage the employer is paying, which must be at least $2.83/hr.
2) The amount claimed by the employer as a tip penalty, which cannot exceed $4.42/hr.
3) Tips received by an employee are to be kept by that employee, except in the case of tip pools.10

An employer who fails to provide this information to a tipped employee cannot legally take the tip penalty and must pay the tipped employee at least $7.25 per hour in wages AND allow the tipped employee to keep all tips received. An employer cannot ask an employee to voluntarily waive their right to the minimum wage.

Illegal Deductions
Deductions for customer walkouts, breakage, required uniforms, or cash register shortages that reduce the employee’s wages below the minimum wage are illegal. If a tipped employee is already paid the minimum tipped federal or state wage, no such deductions can be made without reducing the employee below the minimum wage and are therefore illegal (even if the employee makes more than $4.42/hour in tips).11

Overtime
An employer pays overtime at a rate of 1.5 times the employee’s wage for all hours worked over 40 hours in a workweek. When an employer is taking the tip penalty, the overtime rate is the employee’s wage before subtracting any tip penalty multiplied by 1.5, minus the tip penalty.

In Pennsylvania, it would be:

\[
\text{Overtime Rate} = \frac{\text{Minimum Wage}}{1.5} - \text{Tip Penalty}
\]

\[
\$7.25 \times 1.5 - \$4.42 = \$6.46
\]

It is a violation of the overtime requirement for an employer to subtract the tip credit first and then multiply the reduced rate by 1.5 (i.e. $2.83 \times 1.5 = $4.245 is illegal).12

Uniforms
Employers must cover the entire cost of uniforms including the purchase price and any necessary maintenance if that cost puts an employee below the minimum wage. This includes all workers that receive the tipped subminimum wage, $2.83. In terms of the type of dress that is considered a “uniform”, the following general rules apply:

a) If an employer requires a general type of street clothing to be worn and permits variations in details of dress, the clothing is not considered a “uniform.”

b) But, if the employer requires specific clothing, for example if he/she specifies a tuxedo, shirt, or jacket in a certain style, color, or quality, the clothing is considered a “uniform.”13
workers we interviewed were frustrated by the fact that they almost never receive raises. A line cook in a casual restaurant with 16 years’ experience told us: “I’ve been working for this employer for almost four years and have not got [sic] a raise.”

Many workers also expressed frustration that there was no training, or that the training that existed was only for specific positions. Back of the house workers, in particular, objected that training for front of the house positions was not available to them even when offered to others in the restaurant.

Scheduling Issues
Of the restaurant workers surveyed, almost half (47.7%) do not have a regular schedule, with a third (32.9%) saying that their schedule changed weekly. One in twenty workers (4.3%) reported that their schedule changed on a daily basis. Moreover, over half (57.3%) of restaurant workers reported that their manager does not ask for their input when making or changing schedules, and another third (34.7%) said that their manager only sometimes seeks input. For restaurant workers that are also parents or supporting dependents, an irregular schedule makes access to dependable child care a lot more difficult to arrange.

In interviews, workers often reported scheduling issues related to inconsistency or management giving insufficient notice for schedule changes. One barista with five years’ industry experience complained that she was delayed several times from completing the interview for this report because she could not find out her schedule with enough notice. Some workers also talked about frustrations with scheduling conflicts with outside commitments despite ample notice given to management. While some workers told us that managers scheduled them for too many hours, other workers complained that they did not receive enough hours.

Wage Theft

I worked two training shifts where I didn’t get paid… but I have seen other girls come in where they are trying out for two months, and then never get [paid].

—Asian female server, eight years’ of experience, casual restaurant

Our research found that wage theft is rampant in Philadelphia’s restaurant industry. Wage theft occurs when employers break wage and hour employment laws that are put in place to protect workers’ wages, such as the minimum wage and overtime laws (see Do You Know the Law? for a description of wage and hour laws). As seen in Figure 3.3, of those that have worked over 40 hours a week in the past 12 months, almost two-thirds (57.9%) reported not having been paid the legally mandated overtime rate. Two out of five workers (40%) worked off the clock and almost as many (38.3%) have worked more than eight hours without a paid break.

**FIGURE 3.3**

<table>
<thead>
<tr>
<th>Restaurant workers are exposed to overtime law violations and working off the clock.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Not paid overtime wage in past year:</strong></td>
</tr>
<tr>
<td>57.9%</td>
</tr>
<tr>
<td><strong>Worked off-the-clock without pay in past year:</strong></td>
</tr>
<tr>
<td>40.0%</td>
</tr>
</tbody>
</table>

*Of workers that worked over 40 hours in 1+ week.

Source: Philadelphia Restaurant Industry Coalition survey data
A white male busser working at a casual restaurant with one-and-a-half years of experience told us that even something as basic as legally mandated breaks is often denied: “Every few hours you were supposed to have a break, by law, but [management] would totally speak out against it, and if it was busy—then no. You could not take a break. And they would get furious.”

As seen in Figure 3.4, one in ten tipped workers (10.1%) report that managers unlawfully took a share of their daily tips. Moreover, a significant number of workers in our survey reported being paid less than minimum wage, in violation of both federal and state wage and hour laws.7

Restaurant workers are often vulnerable to exploitation because they do not know their rights or because they are afraid to speak up. While wage and hour laws are nuanced and opaque (see “Do you Know the Law?” section in this chapter), many workers are not aware of even the basic minimum and subminimum wage. Less than two-fifths (38.5%) of the survey sample was aware of the correct legal minimum wage of $7.25 and even fewer reported the correct tipped minimum wage of $2.83 (32.9%). Posting information about the minimum wage in restaurants is legally mandated, but frequently not done. Enforcement in an industry as broad and diverse as the restaurant industry, with thousands of establishments to monitor, is challenging.

Finally, many workers reported they had witnessed or experienced some form of retaliation for speaking up about working conditions or wage theft. More than two-thirds of workers (68.9%) said they had never spoken up about working conditions to management. Of those who did speak up, one in six (16.7%) reported that they had been threatened, penalized, or fired for doing so. The National Labor Relations Act explicitly forbids retaliation by employers against employees who organize with other workers to improve workplace conditions.

Pennsylvania’s weak wage theft laws

Pennsylvania’s wage theft laws currently impose low penalties on employers who steal workers’ pay, amounting to a slap on the wrist—hardly a deterrent for a serial labor law violator. Currently, an employer who violates the Pennsylvania Wage Payment and Collection Law is subject to a penalty of either $500 or 25% of wages due, whichever is greater. Many other states have instituted higher penalties to deter wage theft. New York has a double penalty in place (a penalty of 100% of wages owed) and 10 states, including Maryland and Arizona, have triple penalties in place.14 Without sufficient penalties, employers have an incentive to violate the law because the future risk they take does not outweigh the present wages they steal. Furthermore, higher penalties not only discourage bad behavior, but reward workers for pursuing lengthy legal remedies to recover their unpaid wages.

In some states and localities, criminal penalties have been an effective tool in deterring wage theft, particularly against employers who may avoid penalty by claiming insolvency or otherwise be judgment-proof. Although Pennsylvania’s laws allow for criminal penalties, local District Attorneys rarely, if ever, pursue criminal charges.15

A white male busser working at a casual restaurant with one-and-a-half years of experience told us that even something as basic as legally mandated breaks is often denied: “Every few hours you were supposed to have a break, by law, but [management] would totally speak out against it, and if it was busy—then no. You could not take a break. And they would get furious.”

As seen in Figure 3.4, one in ten tipped workers (10.1%) report that managers unlawfully took a share of their daily tips. Moreover, a significant number of workers in our survey reported being paid less than minimum wage, in violation of both federal and state wage and hour laws.7

Restaurant workers are often vulnerable to exploitation because they do not know their rights or because they are afraid to speak up. While wage and hour laws are nuanced and opaque (see “Do you Know the Law?” section in this chapter), many workers are not aware of even the basic minimum and subminimum wage. Less than two-fifths (38.5%) of the survey sample was aware of the correct legal minimum wage of $7.25 and even fewer reported the correct tipped minimum wage of $2.83 (32.9%). Posting information about the minimum wage in restaurants is legally mandated, but frequently not done. Enforcement in an industry as broad and diverse as the restaurant industry, with thousands of establishments to monitor, is challenging.

Finally, many workers reported they had witnessed or experienced some form of retaliation for speaking up about working conditions or wage theft. More than two-thirds of workers (68.9%) said they had never spoken up about working conditions to management. Of those who did speak up, one in six (16.7%) reported that they had been threatened, penalized, or fired for doing so. The National Labor Relations Act explicitly forbids retaliation by employers against employees who organize with other workers to improve workplace conditions. A barback (bartender assistant) working in a fine dining restaurant, with 10 years’ of experience, told us: “At [the restaurant], the guy who trained me, who was working overtime and not getting paid for it, was making a couple dollars an hour less than me, it turned out. And then they threatened to cut my pay when I talked to him about that.”
Health and Safety in Philadelphia’s Restaurants

Our survey data also revealed that restaurants are often rife with health and safety hazards. Moreover, employers commonly do not employ or enforce regulations designed to ensure the health and safety of workers, in violation of the federal Occupational Safety and Health Act (OSHA). As shown in Figure 3.5, restaurant working conditions in Philadelphia put the health and safety of workers at risk. Almost one in three workers (31.2%) reported that they had performed a task in the past 12 months that had endangered their own safety. Despite the prevalence of health and safety hazards in restaurant workplaces, over a third (36.6%) of workers that we surveyed told us they did not receive any health and safety training from their employers.

A cook in a casual restaurant with 13 years’ industry experience gave a striking example of the adverse conditions inside restaurant work areas. She sarcastically described her workday in the kitchen on a very hot day: “Monday was a really fun day because our hood fan wasn’t working and it was 150 degrees in the kitchen. I know that because a crayon liquefied in my hand. We didn’t shut down until the fire department shut us down from the smoke detector going off.”

Employer disregard for health and safety regulations has tangible consequences. Figure 3.6 shows that on-the-job injuries are prevalent in Philadelphia’s restaurants. Approximately half of the workers surveyed (51.5%) suffered work-related cuts on at least one occasion. A similar number received burns on the job (44.5%) or had come into contact with toxic chemicals (54.6%). Nearly a fifth (18.7%) reported that

![Figure 3.5](image1)

**HEALTH & SAFETY**

Worker reported...

<table>
<thead>
<tr>
<th>Hazard</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Received no workplace safety training:</td>
<td>36.6%</td>
</tr>
<tr>
<td>Dangerously hot in the kitchen:</td>
<td>37.4%</td>
</tr>
<tr>
<td>Fire hazards:</td>
<td>27.0%</td>
</tr>
<tr>
<td>No anti-slip mats:</td>
<td>21.9%</td>
</tr>
<tr>
<td>Missing guards on cutting machines:</td>
<td>28.7%</td>
</tr>
<tr>
<td>Lift/move more than 50 lbs. w/out help:</td>
<td>38.9%</td>
</tr>
<tr>
<td>Lift/move more than 20 lbs. repeatedly w/out help:</td>
<td>60.3%</td>
</tr>
<tr>
<td>Use poorly maintained or wrong tools/utensils:</td>
<td>74.5%</td>
</tr>
<tr>
<td>Use same motion repeatedly for over an hour/day:</td>
<td>22.7%</td>
</tr>
<tr>
<td>Done something to put own safety at risk:</td>
<td>31.2%</td>
</tr>
</tbody>
</table>

*Source: Philadelphia Restaurant Industry Coalition survey data*

![Figure 3.6](image2)

**WORKPLACE INJURIES**

Burned:

<table>
<thead>
<tr>
<th>Injuries</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burned:</td>
<td>44.5%</td>
</tr>
<tr>
<td>Cut:</td>
<td>51.5%</td>
</tr>
<tr>
<td>Slipped and injured:</td>
<td>18.7%</td>
</tr>
<tr>
<td>Come into contact with toxic chemicals:</td>
<td>26.4%</td>
</tr>
<tr>
<td>Chronic pain caused or worsened by job:</td>
<td>26.4%</td>
</tr>
</tbody>
</table>

*Source: Philadelphia Restaurant Industry Coalition survey data*

A significant percentage of restaurant workers are exposed to unhealthy and unsafe working conditions.

A significant percentage of restaurant workers suffer from injuries while on the job.
they had slipped and injured themselves while at work.

Despite the prevalence of injury, 59.8% of workers surveyed reported that they did not know how to collect workers’ compensation if they got injured on the job to pay medical bills or to compensate for time missed at work.

As seen in Figure 3.7, over half of the workers (51%) reported that they were currently feeling discomfort in at least one part of their body. Of those that felt discomfort, the feet had the most common incidence of pain (42.8% and 42%), followed by the lower back (35.7%), the middle back (23.2%), the knees (17% and 14.9%), and the neck (14.7%). Front of the house workers, many of whom walk almost continuously for their entire shift, reported higher discomfort rates in their feet and knees than back of the house workers—roughly 12% and 6% higher respectively.

One of our interviewees—a server at a casual restaurant with 12 years’ of experience—told us about his back injury: “I lifted this table, and then pulled to the... side, so for about a week I was walking [with a limp], because I had hurt my back. I didn’t have any health insurance, and so I just worked injured for a week. [Laughs]. It was like having Quasimodo [the hunch back of Notre Dame] go up to a table [with a] crooked back... and ask if you’d like a drink.”

As seen in Figure 3.8, workers in Philadelphia restaurants experience both high-level stress and time pressure at work. These conditions produce risks for both workers and consumers. Under-
staffing, defined as not scheduling enough staff to run the restaurant safely without excessive strain and stress on workers, is a common industry practice. 84.1% of surveyed workers reported understaffing. A similar share (82.1%) said they have performed several jobs at once. Nearly half (47%) responded that they have been required to perform jobs for which they had not been trained. Not surprisingly, given such circumstances, almost one out of every three workers (31.2%) reported doing something that put their own safety at risk.

These low-road workplace practices not only affect workers, but can also have serious consequences for consumers. More than a quarter of workers (26.4%) reported doing something that might have put the health and safety of the customer at risk as a result of time pressure.

Employers could prevent most of the restaurant industry’s comparatively high and expensive turnover by providing better wages and working conditions.

<table>
<thead>
<tr>
<th>Table 3.2</th>
<th>WHAT WAS THE PRIMARY REASON YOU LEFT YOUR LAST RESTAURANT JOB? % OF WORKERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>OF THOSE WHO HAVE WORKED IN TWO RESTAURANTS OR MORE</td>
<td></td>
</tr>
<tr>
<td>Turnover due to employee dissatisfaction:</td>
<td>53.6%</td>
</tr>
<tr>
<td>Unsatisfied with the pay and benefits</td>
<td>32.7%</td>
</tr>
<tr>
<td>Unable to move up in position or because found a promotion opportunity in another restaurant</td>
<td>7.4%</td>
</tr>
<tr>
<td>Negative environment at the restaurant including verbal or physical abuse, sexual harassment, and a general unprofessional or unorganized environment</td>
<td>13.5%</td>
</tr>
<tr>
<td>Laid off because of economic, performance, or other reasons</td>
<td>16.8%</td>
</tr>
<tr>
<td>Other reasons:</td>
<td>29.6%</td>
</tr>
<tr>
<td>Safety reasons or crime</td>
<td>0.6%</td>
</tr>
<tr>
<td>Worker moved</td>
<td>26.1%</td>
</tr>
<tr>
<td>School started (write-in)</td>
<td>1.2%</td>
</tr>
<tr>
<td>Other</td>
<td>1.7%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Philadelphia Restaurant Industry Coalition survey data

Employee turnover and the search for good jobs

Annual employee turnover in the restaurant industry is very high. The National Restaurant Association reports employee turnover in restaurants to be 75%, which is over 50% higher than the overall private sector. This turnover is extremely costly to restaurants. Cost per employee lost has been estimated at $4,000-$14,000 in current dollars. Our research indicates that the majority of this turnover is driven by unsatisfactory wages and workplace conditions.

Workers who had worked at more than one restaurant were asked what their primary reason was for leaving their last restaurant. Table 3.2 shows that the majority of workers (53.6%) reported that they left due to dissatisfaction with working conditions, which is preventable by employers. The most common reason for leaving was unsatisfactory pay and benefits (32.7%).

Statistical analysis using our survey results also showed that, after controlling for other factors (e.g., race, nationality, age), workers at restaurants with better working conditions are less likely to quit to go to
another restaurant. The average time survey respondents had been working in their current restaurant was 3.3 years (the median was 2 years). Those paid below a poverty wage (see above for definition) averaged 9 months less than those making above. Restaurant stay was also associated with how many hours the worker was receiving at work. For every additional 10 hours of work per week, the worker was more likely to have stayed at the restaurant by almost 6 months. Those experiencing tip theft had stayed at their restaurant for 6 months less on average, and those who frequently perform duties that put their own safety at risk averaged a shorter stay by almost 9 months.

One casual restaurant server with 12 years’ industry experience was clear about the relationship between low wages and apathy about the success of the restaurant: “A lot of people don’t give a sh*t because they’ll have 8 hour shifts and walk away with 20 bucks [because customers left few tips and the employer pays a low wage for tipped workers]. There’s no way they care about [the restaurant] at that point.”

Restaurant employee turnover costs employers substantially (see Chapter IV: Employers’ Perspectives). As our research indicates, adverse wages and working conditions hurt workers and push them to leave restaurant jobs in search of better employers and opportunities. Because of these factors, current industry conditions in which bad jobs are the standard not the exception, hurts both workers and employers. The next chapter will discuss the perspectives of employers, including those on their struggles around employee turnover.

Health and Safety and Workers’ Compensation Laws

The federal Occupational Safety and Health Act (OSHA) imposes standards for health and safety in the workplace, requiring employers to provide protection for workers in hazardous environments and to keep records of all workplace injuries and accidents. OSHA covers toxic chemical use—the statute requires gloves, for example, for dishwashers and kitchen cleaners who use very heavy toxic chemicals—and regulates the temperature of work environments, including kitchens. While there is no mandatory requirement that employees be provided with specific health and safety training, such training is necessary to ensure compliance with OSHA and workers’ compensation law.

In Pennsylvania, employers must secure workers’ compensation insurance for every employee. The compensation insurance coverage is mandatory and it ensures “medical and wage-loss benefits to employees who are injured during the course of their job.” The Pennsylvania Department of Labor and Industry lays the responsibility on the employee to report the injury to the employee’s supervisor. “Notice [by the employee] must be given no later than 120 days after the injury for compensation to be allowed.” Moreover, “failure to notify the employer can result in the delay or denial of benefits.” Once employers are informed of the injury they are responsible for providing their workers a written notice of their rights and duties. The employer is then obliged to report the injury to the Bureau of Workers’ Compensation by filing a First Report of Injury.
Victoria Bruton  
African American, 40
22 years’ in the industry, server

A 40 year old single mother, Victoria Bruton worked in Philadelphia’s restaurant industry for 22 years’ as a food server. She began serving food at the age of 18, fresh out of high school and the single mother of a toddler. Victoria turned to the restaurant industry in order to guarantee that she and her daughter had a roof over their heads. She was paid $2.16 an hour plus tips, which fluctuated so widely that she could no longer survive living off tips and had no choice but to move in with her parents.

“We lived with my parents because it was impossible for me to support myself and my child while making approximately $200 to $350 a week. For years I struggled with making ends meet; my child grew and so did her needs, and I had to make many sacrifices in order to keep us fed and clothed. We were eligible for food stamps, Medicare and subsidized day care. Vacations, a car and our own home were luxuries that we could not afford, nor was maintaining a savings account.”

As her child grew older and became more independent, Victoria was able to train and eventually obtain restaurant jobs where she made more money in tips. However, throughout her 22-year career in the restaurant industry, her hourly wage never exceeded $2.83. Even while working in fine dining where the “average entrée price was $20... my wage remained about the same, topping out at $2.83,” Victoria lamented.

Victoria is currently a banquet server and student at a community college where she is getting her certificate in creative writing. As a banquet server, Victoria is able to go to school and pursue her passions—writing, traveling, and gardening. Reflecting upon her 22 year career in the industry, she announced “I finally acquired a position in my field that pays me a decent wage,” but only after having endured what she described as “a long, unpleasant journey.”

2 Ibid.
6 According to the Fair Labor Standards Act (FLSA), “overtime pay at a rate not less than one and one-half times the regular rate of pay is required after 40 hours of work in a workweek.” United State Department of Labor, “Wage and Hour Division: Compliance Assistance, Fair Labor Standards Act.” Available at: http://www.dol.gov/whd/lsil/.
10 Ibid.
cdn=1.
15 Based on correspondence with Michael Hollander, Staff Attorney, Community Legal Services in Philadelphia, September 17, 2012.
17 Ibid.
20 A weighted generalised linear model of the survey data was taken with tenure in the worker’s current restaurant as the dependent variable. The independent variables were national origin (immigrant or U.S. born), race (person of color or White), interaction between race and national origin, presence of poverty wages, tip theft (has management taken tips), safety (has the worker put his/her own safety at risk), hours working per week, and age. The following is table of coefficients and corresponding p-values.

| Coefficient | Std. Error | t value | p (>|t|) |
|-------------|------------|---------|----------|
| (Intercept) | 3.018      | -3.469  | 0.001    |
| Immigrant  | 2.389      | 2.69    | 0.007    |
| Person of Color | 1.274 | 3.33    | 0.001    |
| (Immigrant*Person of Color) interaction | -3.218 | -3.194  | 0.001    |
| Poverty Wage | -0.75 | 3.194   | 0.001    |
| Tip Stealing | -0.615 | 1.937   | 0.053    |
| Hours per week | 0.048 | 2.868   | 0.004    |
| Has Put Safety at Risk | -0.71 | 2.583   | 0.01     |
| Age | 0.15 | 6.249   | 0        |
Employers’ Perspectives

Through in-depth interviews, 30 Philadelphia restaurant employers described the challenges they face. Employers generally asserted that employee turnover and productivity are major factors in a restaurant’s success or failure. Many employers asserted that setting fair wages, benefits, and opportunities for advancement are essential for creating the employee satisfaction that results in a successful business. However, many also stated that these conditions are not standard in the industry, and four openly stated that they break wage and hour laws. Some restaurant owners complained that employers who violate the law unfairly compete with law-abiding employers. Finally, a few interviewed employers demonstrated that the high road to profitability is possible, reaping the rewards of satisfied, productive workers that remain with the restaurant.

The perspectives summarized in this chapter can serve to guide further study of the industry, and, perhaps most importantly, lay the groundwork for initiatives developed in partnership with workers and employers alike.

EMPLOYER INTERVIEWS GENERALLY FOUND THE FOLLOWING:

- Productivity and Turnover: Worker productivity and low employee turnover are both important to profitability. Successful strategies for increasing productivity and decreasing turnover include showing respect to workers, paying fair wages, giving benefits, and promoting from within.
- Business Flexibility: Market volatility brought about by factors beyond employers’ control, such as economic downturns and consumers’ changing tastes, require significant flexibility on the part of restaurant employers.
- Low road: While employers recognized the importance of employee satisfaction for productivity and decreased turnover, they also reported that abuse and wage theft are prevalent practices in the restaurant industry.
- Health insurance: Many employers stated that they would like to offer health insurance to their workers, particularly in order to decrease turnover. However, many maintain that costs are prohibitive.
- Taking the high road: A few employers we interviewed have taken the high road to profitability. These employers demonstrate that it is possible to achieve profitability by paying fair wages, providing workplace benefits, a safe working environment, and opportunities for advancement.

Introduction and Methodology

In order to obtain a better understanding of factors that drive workplace practices, the Philadelphia Restaurant Industry Coalition conducted thirty in-depth interviews with restaurant employers from February through August 2012. Researchers requested interviews from owners and managers of restaurants that reflect the different industry segments—fine dining, casual restaurants, and quick serve.
Using a structured guide, interviewers asked employers about industry trends, business strategies, workplace practices, and the role of immigrants in the restaurant industry. Table 4.1 shows the profile of employers that we interviewed. Two out of three employers interviewed had over a decade of industry experience. The employer perspectives that were shared with us were based on 391 cumulative years of restaurant industry experience.

In the following section, the voices of restaurant employers are laid out and the challenges they face described. Employers often felt that employee turnover and productivity are pivotal factors in the restaurant business. Many employers asserted that setting fair wages, benefits, and opportunities for advancement are essential for creating the employee satisfaction that results in a successful business. Nonetheless, many employers also stated that these high-road conditions are not standard in the industry, and four were forthright that they themselves break wage and hour laws. Some restaurant owners complained that employers who violate the law unfairly compete with law-abiding employers. Lastly, a select few employers showed that the high road to profitability is possible. These high-road employers benefit by setting employment practices that create satisfied, productive workers that remain with the restaurant.

**External Factors Affecting Workplace Practices**

To better understand the dynamics that affect both employers and workers in the Philadelphia restaurant industry, it is important to consider the salient external pressures on restaurants. The employers we interviewed referred to several factors that impact their business practices, including customer demand for sustainable and healthy food, stiff competition, and the Great Recession.

Employers asserted that the Great Recession has resulted in consumers being more value-conscious in Philadelphia. The majority of the employers we interviewed believe that consumers subsequently began frequenting casual or quick serve restaurants more than fine dining establishments. A quick serve manager with 4½ years’ industry experience stated, “I’ve seen fine dining struggle more than quick service.”

We also found that restaurant employers reacted in a number of ways to weather the crisis, including lowering prices and creating deals to accommodate budgets, as well as downgrading the formality of restaurants to create a more casual setting. One casual restaurant manager with 4½ years’ industry experience explained the importance of perception of menu and price: “Yelp will kill you if [consumers] don’t have a good perceived value of the menu.” A casual restaurant manager with 23 years’ industry experience stated his restaurant company had responded to the market shift by opening a casual restaurant. “Definitely since 2000 when we opened here, there has been a shift in where people eat, going from formal to casual…. We actually opened up as a more casual restaurant just at the right time.”

Employers reported concerns with the Great Recession, but they also responded with diverse business strategies to weather the storm. These responses from interviewed employers are consistent with the findings of Chapter II, which show continued growth in the restaurant industry despite the recession.

Restaurant employers are also catering to consumer demand for healthier, more environmentally

---

**TABLE 4.1 CHARACTERISTICS OF INTERVIEWED EMPLOYERS**

<table>
<thead>
<tr>
<th>DEMOGRAPHIC PROFILE OF EMPLOYERS’ SURVEYED</th>
<th>NO.</th>
<th>% OF EMPLOYERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry Segment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fine Dining</td>
<td>4</td>
<td>13%</td>
</tr>
<tr>
<td>Casual Restaurants</td>
<td>15</td>
<td>50%</td>
</tr>
<tr>
<td>Fast Food/ Quick Serve</td>
<td>9</td>
<td>30%</td>
</tr>
<tr>
<td>Bars</td>
<td>2</td>
<td>7%</td>
</tr>
<tr>
<td>Position</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner</td>
<td>6</td>
<td>20%</td>
</tr>
<tr>
<td>Manager / General Manager</td>
<td>24</td>
<td>80%</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>20</td>
<td>67%</td>
</tr>
<tr>
<td>Female</td>
<td>9</td>
<td>30%</td>
</tr>
<tr>
<td>Non-identifying</td>
<td>1</td>
<td>3%</td>
</tr>
<tr>
<td>Length of Time in Industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 1 year</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>1-3 years</td>
<td>3</td>
<td>10%</td>
</tr>
<tr>
<td>3-6 years</td>
<td>2</td>
<td>7%</td>
</tr>
<tr>
<td>6-10 years</td>
<td>5</td>
<td>17%</td>
</tr>
<tr>
<td>More than 10 years</td>
<td>20</td>
<td>67%</td>
</tr>
</tbody>
</table>

Source: Philadelphia Restaurant Industry Coalition interview data
friendly, or locally sourced food. A quick serve restaurant owner with 2½’ years’ industry experience asserted, “We’ve gone to more grass-roots, locally sourced—all those hit terms. I think that’s definitely not so much the trend as just the way the food industry has evolved.”

Employers also remarked that the labor pool has generally increased in age, with a greater number of applicants. One manager with 8 years’ of experience observed that the labor pool had “gotten wider and older.” Another manager with 24 years’ of experience remarked that “there’s a lot more career servers and they are thinking of healthcare and they are thinking about the sustainability of the restaurant whereas before it was a lot of young wait staff that didn’t have those concerns.”

**Strategies for Profit**
To deal with the external pressures outlined above, employers generally agreed that one of the most important elements is human capital; reducing employee turnover and increasing employee productivity are critical ingredients to creating long-term profitability.

**MINIMIZING TURNOVER**

*Turnover is hugely reliant on how you treat your staff. I’ve heard terrible things about the way people are treated. I’ve been a part of that. I’ve been sexually harassed, which is rampant in this industry. If you’re not showing that you respect [staff] and try to cultivate an atmosphere of mutual respect, then they are going to go. Like Danny Meyer [a famous restaurateur] said, ‘You have to treat your staff like they are volunteers, because they can always go right down the street to a different restaurant and make the same amount of money.*

—Manager, Casual Restaurant, 24 years’ experience

In interviews, employers reported that they valued quality staff and deplored employee turnover. Consistent personable service is key to establishing a loyal customer base, which is in turn a cornerstone of consistent restaurant profit. One casual restaurant manager with 24 years’ experience told us, “People want to see the same faces when they come in; its vital. If there is a new person who doesn’t have that knowledge, they are not going to be as comfortable as they would be with a seasoned server. Knowledge makes workers faster too.” One quick serve manager with 10 years’ industry experience asserted that there is not only added benefit to keeping good employees, but there is also a cost to losing them. She stated that turnover “is very negative because you train somebody to do something and then you lose them, and then go train another person. It just decreases profitability.” Similarly, a quick serve general manager with 12 years’ industry experience stated, “Turnover is crucial and there’s a lot of reasons for that, but our outlook is that the less people that I have to hire and train, the less money I spend doing it.”

Employers recognized the importance of keeping employees happy in order to decrease employee turnover. Some of their strategies to retain workers include training, promoting from within, paying decent wages, and providing other perks ranging from workplace benefits to staff meals and drinks. A quick serve general manager with 12 years’ industry experience added that paying his employees good wages and giving an occasional raise is one strategy he employs to keep turnover low, “I would rather give somebody an extra quarter an hour than have to find a new employee or just have a disgruntled employee, like a quarter an hour is not going to kill my profit. It will probably increase my profit because that person is going to have higher output and a better attitude.”

In addition, many employers cited the overall importance of creating a positive work environment, a sense of family, and stable scheduling. One casual dining restaurant manager with 24 years’
industry experience told us that they keep turnover low “by keeping everyone happy and giving everyone a voice. That means at the end of their shift, asking them, ‘How did everything go today? Is there anything that we need to change?’ Open door and open dialogue.”

A bar manager said that it was as simple as providing her employees with schedules a month in advance, accommodating their requests, and fostering mutual respect for one another.

A quick serve owner with 2½ years’ experience put it simply: “Don’t be an idiot. Just think, ‘Where would I want to work?’”

WORKER PRODUCTIVITY

You got to treat your employees well. If you don’t treat them well then you’re gonna lose business, bottom line…. You can have the best stuff in the world, but if you treat your employees—and then vicariously your customers—like crap and you don’t care about them, you got nothing.

—General Manager, Quick Serve, 12 years’ experience

Interviewed employers unanimously reported that worker productivity is critical to running an effective and profitable business. Many believe that investing in workers—in terms of wages, working conditions, training, and opportunities for advancement—is the most effective way to keep workers productive.

A manager of a casual restaurant with 8 years’ industry experience argued that the best way to inspire workers to be productive was to promote from within the restaurant. He told us, “the owners are good at making you work for your money… with the hope of moving up. They promote from within so it gives you a reason to work harder.”

One bar owner and manager with 11 years’ industry experience emphasized that worker and customer satisfaction are directly related to workers’ wages: “I try to make sure that there is a sufficient amount of money allocated to staff every shift so that they feel grateful and they feel like coming back… there should be a certain minimum wage that should definitely be a living wage.”

Contradictions in Theory and Practice

“Litigation is a big issue for the restaurant industry. It’s one that the National Restaurant Association has worked on for years and always will.”

—John Gay, senior vice president of government affairs and public policy for the National Restaurant Association

Turnover imposes both direct and indirect costs on businesses. Direct costs include the time and money required to find, hire, and train replacement workers. Indirect costs include decreases in productivity and quality of service caused by understaffing during the time it takes to find replacement workers, and by the inexperience of new workers. A widely cited rubric places the cost to a company of losing an employee at 25% of the employee’s annual income at the company. Moreover, research suggests that dissatisfaction with compensation is a major cause of restaurant employee turnover.
nection between a restaurant’s success and maintaining employee satisfaction, there was also recognition that employers often pursue the low road in striving for profitability, choosing to push workers hard for little pay. A casual dining general manager with 20 years’ industry experience told us in a straightforward manner, “I think a lot of people want to pay people as little money as possible and then get as much as they can out of them, and then they don’t understand why people steal from them or why people stop showing up to work.”

Employers that we interviewed expressed two views on low-road employers. Many said that low-road practices are not in the long-term interest of an employer because they entail high turnover costs. Unscrupulous employers “don’t remain open very long,” according to one casual restaurant manager with 8 years’ industry experience. On the other hand, some employers expressed anger at low road employers because they undercut law-abiding employers. One manager with 38 years’ industry experience expressed his anger with unfair competition from low-road employers. “If [employers] are not paying minimum wage… or paying under the table, that’s just cheating because they are not paying the government… but it becomes competition in the sense that if people are cheating then its unfair competition for you. It’s an unfair advantage, so you are trying to play by the rules, but people are breaking the rules.”

**EARNED SICK DAYS**

*An Affordable Benefit with a High Return*

In a recent report by Rosemary Batt of Cornell University, several restaurant employers around the country report that the benefits to a company of allowing workers to earn paid sick days outweigh the cost. These employers note that direct costs are modest, both because the cost is marginal when workers stay home sick and because workers generally do not abuse paid sick days policies. For every annual paid sick day taken by a full-time, year-round worker, the cost to the employer is just 4% of his or her pay. Extensive survey research in San Francisco, where all employers are required to allow workers to earn paid sick days, found that workers typically use only 3 paid sick days even though they have access to at least 5 or 9 paid sick days, depending on the size of the business. Hence, a conservative estimate for the cost of providing 5 paid sick days would place the cost at 1.2% of pay. For the typical Philadelphia restaurant worker with a wage of $10.32 working full-time and year-round, allowing workers to earn five paid sick days would cost just 12 cents per hour.

With such moderate costs, an earned sick days policy can easily pay for itself in decreased turnover costs and increased worker productivity. Using a conservative estimate of the 2008 turnover ratio of approximately 70%, and turnover costs of just 20% of annual income (for figures see Turnover Costs in the Restaurant Industry), the cost of allowing workers to earn five paid sick days would be more than recouped if just 1 in every 11 employees who would otherwise quit are instead encouraged to stay as a result of being able to recover when sick or to take care of a sick child. Restaurant employers stand to profit from giving employees the ability to earn sick days because turnover is such a major cost.

The restaurant also benefits from quicker recoveries and fewer illnesses spread among coworkers. Survey research found that when workers are compelled to work sick, it is often the case that their illness is prolonged, their performance is impeded, and they spread illness to other workers. Further, more than half (56%) of human resources executives say that “presenteeism,” when sick workers go to work instead of staying home, is a problem because workers coming in sick risk infecting others and may lower productivity. Another study found that presenteeism costs $160 billion annually in lost productivity and may cost employers more than absenteeism due to illness.
WAGES AND OVERTIME

Employers that violate the law don’t stay open; they’re looking for shortcuts. They’re trying to get around the system to save money, and if they’re trying to do that, then they are also trying to save money on ingredients, so they are not investing.

—Manager, 8 years in the industry, Casual Restaurant

Several of the Philadelphia restaurant owners that we interviewed recognized the prevalence of low wages in the industry, as documented in Chapter III. One fine dining manager with over 25 years’ industry experience was openly bewildered by the prevalent conditions in the restaurant industry. He asserted that managers need to treat employees as equals and that one way to do that is through paying them fairly: “I just think that not paying your staff what they’re supposed to get paid is just disrespectful. There’s no reason in the entire world why [employers] can’t pay workers.”

Most employers reported that their own restaurants were in compliance with employment laws, but that wage theft is widespread in the restaurant industry. One casual dining restaurant manager with 24 years’ industry experience told us about the prevalence of shift pay in the industry: “Shift pay is a way that people get away with not paying overtime, it’s a horrible injustice. You tell someone that they have to work from 3 pm to 11 pm but then if someone goes on vacation, you tell them to do 10 am to 11 pm and they have the same shift pay, but that’s two shifts. All the kitchens [in Philadelphia] do that.”

Many employers empathized with workers based on their own experiences in the industry. One quick serve owner told us how his experience in the industry informs his management practices: “I've worked for a local restaurateur in the catering department of their restaurant, and it was public knowledge that they had settled in court for the treatment of their back of the house and immigrant [workers]. The company was not paying them overtime and all sorts of stuff…. And I never got ripped off for overtime, but I was ripped off for my last check there. I never got paid for my last shift.”

On the other hand, one fine dining manager with 18 years’ experience took the opposite approach: his years of mistreatment in the restaurant industry led him to believe that it was acceptable to mistreat employees. He grumbled, “People are not willing to put the time in anymore. I worked eighty hours a week for two years and got paid for forty, and I didn’t complain once, and it got me to where I am now, but people are not willing to do that anymore.”

Four employers told us they were violating wage and overtime laws themselves. A casual dining manager with 20 years’ experience stated, “Our company doesn’t pay people for training. So as much as I need to, we rush people into training and don’t pay them for it… such is the way.” When asked about violation of overtime laws, one fine dining owner with 18 years’ of experience blankly told us that “those laws don’t apply when you work in a kitchen… you can’t call it a violation. It’s not like you go in and work a nine to five. You might have to work an extra two hours, you might have to work two hours less, but it is still based around getting the job done.”

“On the high road, companies compete not by paying the lowest wages but by offering the highest quality and value and innovation.”

—John J. Sweeney, Former President AFL-CIO and President of the AFL-CIO Working for America Institute’s Board of Directors17
HEALTH INSURANCE
While acknowledging the importance of providing employee benefits, restaurant employers overwhelm-
ingly reported that they were unable to provide health insurance benefits to their employees. Many
employers cited prohibitive costs as the most significant obstacle to offering this benefit. When asked
if they would be interested in providing health insurance to their employees if it were more affordable,
almost every employer we interviewed responded positively. One manager told us, “healthcare has been
a major problem [and is] why we lose a lot of people in our industry as a full time career [sic]. I think
people would stay if they had… a decent plan for healthcare. That is one thing that would root the
industry more.” A general manager of a casual fine dining restaurant with 24 years’ industry experience
expressed her desire to offer health insurance. “I want to get as many people insured as possible, especially
in the back of the house because it’s a dangerous environment they are working in.”

TRAINING AND PROMOTION
As seen above, employers reported that training is an investment that results in employee mobility and
longevity in the workforce. The benefits of making such an investment include a well-trained staff, low
turnover rates, and lower overall costs in the long run. Despite the theoretical support that many employers
indicated for investing in worker training, employers also recognized that industry practice falls short of
theory. One casual dining manager noted, “Good training is essential. I’ve always said that every minute I
spend training saves me multiple hours in problems…. It is really not focused on enough in this industry.”

Conclusion: The High Road is Possible
“We pay on average $1.50 to $2 over [minimum] for our employees…
If the person shows initiative, there’s definitely room for a raise."
—General Manager, 7 years in the industry, Quick Serve

Despite the prevalence and abundance of low-road employers, interviews with employers indicated that
there are at least a few restaurants taking the high road to profitability. A fine dining general manager
with 25 years’ industry experience described why he feels so strongly about continuing to train and pro-
mote from within: “Our executive chef, he came in as a bus boy and I came in as a server. So everybody
knows that there is… a family here.” This general manager attributes the restaurant’s almost non-existent
turnover to the practice of promoting from within “The bartender has been here 25 years, the sous chef’s
been here 18 years. We have people that have been here for 18, 20, 12, 14… everybody sticks around.”

Examples of employee benefits could also be found among those interviewed. A casual restaurant
manager with 3 years’ industry experience told us “long standing employees do get benefits. I would like
to see it more. It’s tough when the [industry] standard is not to have anything.” The manager of a casual
restaurant with 24 years’ experience was extremely proud of providing health insurance to the “front of
the house and back of the house. We subsidize 70%, which is pretty generous.”

Employer interviews shed light on many areas for improvement that would benefit both employers
and consumers. The fact that low road employers unfairly compete with law-abiding employers complic-
ates the relationship between employee satisfaction, employee productivity, and restaurant profitability.
Further study in this area is also needed that could expand upon the consequences of employers pursu-
ing the high road and on the implications of the proliferation of low-wage jobs for the economy as a
whole. Further empirical investigations could provide insights towards solutions to these problems and
could help the restaurant industry realize its full potential as a source of revenue and of much-needed
employment in Philadelphia.
Pete Ellis grew up working in Long Island delis. His passion for food service grew through the years and he eventually worked his way up from counter server to owner of El Fuego restaurant. El Fuego is a quick serve burrito joint that uses local ingredients and sustainable workplace practices to maximize employee and customer satisfaction. It has become a model of success and an exemplar of the “high road” practices advocated in this report. Pete also owns Next Door Cafe, situated right next door to El Fuego.

Pete leads a busy life. In addition to owning and operating El Fuego and Next Door Cafe, Pete has a wife of 3 years and an 11 month old daughter. Outside of work, he spends his time with family and friends and biking around Philadelphia.

Pete told us that he has worked hard to ensure that El Fuego has maintained the charm of its original vision. “We wanted to be a place where you come and it’s very comfortable... it’s the kind of place that’s real.” El Fuego’s commitment to local ingredients also preceded the local food craze in Philadelphia. The restaurant has utilized local food sources since opening its doors in 2002. Pete recalled, “the vision was to keep it local... we’ve had the same vendor since we opened.”

Throughout his time at El Fuego, Pete has continued to take the high-road by implementing sustainable workplace policies. For example, his workers all start off making well above the minimum wage and receive wage increases over time. Additionally, he offers his employees paid sick days, a policy that he says has not been abused and has kept employee turnover at an average of 3-5 years, a strikingly low rate for an industry which averages turnover rates of about one year. “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... they’re more than just a paycheck.”

Sustainable workplace policies have been good for Pete’s businesses. “If you put yourself out there for your employees, what you get back is immeasurable.” Fostering a loyal staff has also paid off in customer loyalty. “There are some customers who come in specifically to see some of the workers... it makes a difference... they always come back.”

Pete’s advice to other business owners on running a sustainable and profitable business does not stem from years of business management classes or from complex financial analysis. His advice echoes the lessons we are taught since childhood but often forget somewhere along the way. “Number 1,” he says, “don’t be selfish.”

“Number 2, treat people the way you want to be treated.... What you get in return is so much better than the almighty dollar.”

---

7 Eight hours divided by 2080 work hours per year (52 weeks times 40 hours per week).
9 Analysis of national data has shown that workers with access to paid sick days use an average of 2.2 days in small firms and 3.3 days in large firms. Institute for Women’s Policy Research, Analysis of data from the 2008 National Health Interview Survey, 2010.
11 Using the 2010 figure is conservative because turnover rates will likely increase as the economy recovers from the Great Recession and labor markets become more competitive.
12 Cost of paying three sick days for the typical worker must equal the difference in turnover likelihood times the cost of turnover divided by the likelihood of turnover. This does not count workers who are fired unnecessarily when they have to take an unpaid sick day, which would constitute an additional cost saving.
13 ROC-Miami, Backed Into a Corner, (August 2012).
Segregation and Discrimination

Our research demonstrates that occupational segregation and discrimination—both disparate treatment (intentional discrimination) and disparate impact (indirect discrimination)—is prevalent in the Philadelphia restaurant industry. Historical discrimination against native-born African Americans is coupled with discrimination against new immigrants. As a result, those with livable-wage jobs in the industry are disproportionately white, and those with low-wage jobs are disproportionately immigrants and people of color. Discrimination based on race means that some groups of workers have disproportionate access to “good” jobs while the overwhelming majority is stuck in “bad” jobs. While the public at large is generally most familiar with intentional discrimination, disparate impact discrimination—which occurs when seemingly neutral policies have a disproportionate impact on a particular group—is more widespread.

Our interviews with both workers and employers show that the experiences of restaurant workers across the industry are not uniform. Our data reveal that this disparity is not simply a result of working at different types of restaurants or of different employers’ workplace practices. There is a stark division between wages and working conditions for workers with front of the house positions and those who work in back of the house positions. Additionally, factors such as gender, race, ethnicity, national origin, housing costs, and immigration status have a significant impact on the nature and quality of the experiences of restaurant workers.

Our research indicates that segregation and discrimination appear in three main areas:

**SEGREGATION BY OCCUPATIONAL SEGMENT AND POSITION**
- Jobs in the restaurant industry are divided between those in the fine dining, casual, and quick serve segments of the restaurant industry. Earnings, benefits, and workplace conditions differ considerably for these different segments.
- White and U.S.-born workers are employed primarily in front of the house positions, while the vast majority of immigrant restaurant workers are found in the back of the house.
- White workers are disproportionately employed in fine dining, and Black workers are disproportionately employed in quick serve. As a result, the impact of poor working conditions in the back of the house and low wages in quick serve restaurants falls disproportionately on workers of color.

**DISCRIMINATION IN HIRING, PROMOTIONS, AND TRAINING PRACTICES**
- Race, gender, and national origin are associated with wages in the restaurant industry.
- Occupational segregation is tied to hiring practices, lack of promotions, and absence of formalized training practices. Women and people of color are denied promotions to higher level positions and face barriers in being hired into higher-level segments, and training systems do not exist to allow workers to advance within the industry.
- Promotions and raises for immigrant workers are exceedingly rare. Language skills often determine opportunities for immigrant workers to work in the front of the house.
TARGETED ABUSE BASED ON RACE, GENDER, NATIONAL ORIGIN, AND SEXUAL ORIENTATION

- Many workers reported experiencing verbal abuse based on race, gender, national origin, language, or sexual orientation. Denigrating remarks based on race are a daily occurrence.
- Sexual harassment remains widespread, from owners, co-workers, and customers. Restaurant workers report that they must accept harassment to keep their jobs or favorable shifts.
- Many workers reported being disciplined more often or more severely based on their race, gender, or sexual orientation.
- Immigrant workers are more likely to experience workplace violations, work without breaks, and are less likely to be paid for overtime than other workers. Immigrant workers are also less likely to complain to management for abuse, and often times feel their only recourse is to quit.

Introduction

The restaurant industry is a multi-cultural, multi-racial environment that mirrors the rich diversity of the various ethnic groups of the city. However, to look at the diversity of the industry as a whole would be misleading. Our research found significant occupational segregation in the restaurant industry based on position and industry. This segregation results in significant disparities between groups along divisions of race, gender, and national origin (immigrant or U.S.-born). Because earnings and employment conditions vary between front of the house (FOH) and back of the house (BOH) positions, as well as between fine dining, casual restaurants, and quick serve, segregation by race, gender, and national origin into these categories results in significant disparities for workers of color, women, and immigrants. Workers of color are overrepresented precisely in those industry segments and occupations where poverty wages are concentrated—in the BOH, in casual restaurants, and in quick serve.1

This chapter first gives a brief overview of economic and workplace disparities by occupation (FOH and BOH), and industry segment (fine dining, casual, and quick serve). This chapter continues with an in depth look at economic outcomes in five separate categories—FOH and BOH in fine dining, FOH and BOH in casual restaurants, and quick serve—and then looks at those categories’ composition in terms of race, gender, and national origin. Each industry category has unique characteristics that are exposed through median wage levels as well as workplace injuries. Examining each restaurant occupational category separately uncovers the occupational segregation that exists within the industry in Philadelphia, and demonstrates how segregation is related to the disparities found between groups based on race, gender, and national origin.

Issues facing undocumented immigrants are examined explicitly in this analysis. However, they are not consistently treated as a subgroup of all immigrants, because nearly 40% of the immigrants surveyed chose not to answer the survey question regarding documentation, and therefore may also be undocumented.

The second part of the chapter explores the dynamics that drive occupational segregation. Through in-depth interviews with restaurant workers, topics like discrimination practices common when hiring, promoting, and training workers are explored. Both the interviews and our survey data inform us regarding unethical and discriminatory practices in restaurants that hinder advancement and promotion of certain groups. These practices—whether conscious or not—direct certain groups to poverty level wages and leave them with few opportunities for advancement.

In the last section, certain types of targeted abuse in Philadelphia restaurants are reported and discussed. Verbal abuse, sexual harassment, and wage theft are too often a part of life for certain groups within the restaurant industry.
Segregation by Segment and Position in Philadelphia Restaurants

I don’t consider my restaurant diverse as far as the employment pool is. Diversity to me is...hmm...maybe having coworkers and an employment pool that isn’t overwhelmingly white males. And that would involve women, people of color.

—White male cook, 17 years of restaurant experience.

Jobs in the restaurant industry tend to fall into one of three categories: front of the house workers, back of the house workers (including quick serve), and managerial and supervisory positions. Our survey research indicates that a worker’s position within this hierarchy determines earnings, benefits, opportunities for training and advancement, and working conditions.

Despite the fact that front of the house (FOH) positions do not require higher education or credentials than back of the house positions, front of the house workers generally earn higher wages and have greater opportunities to increase their earnings through tips. As a result, the median hourly wage reported by FOH workers is $12.81, while median wages in the BOH is $10.30 per hour. BOH workers are more likely to earn poverty wages; 74% compared to 54.8% of FOH workers (see Chapter III for wage definitions), but they are more exposed to risk than FOH workers. Over half of BOH workers have been burned (51%) or cut (62%) on the job, compared to 40% reporting burns, and 44% reporting cuts in the FOH. There is a clear disparity in working conditions between workers in the FOH and BOH.

Our survey research uncovered similar disparities by industry segment. The median wage of workers in fine dining is $12.00, compared to $9.93 in casual restaurants, and $8.23 in quick serve. Poverty wages tend to be concentrated in casual restaurants, quick serve, and in the BOH. Workers of color are overrepresented in BOH positions; 49% of all workers of color work in the BOH, compared to 23.8% of white workers surveyed. Although more complicated, a similar imbalance exists by segment. As a result, workers of color are more likely to earn poverty wages and toil in more difficult working conditions.

A clearer understanding of segregation in the industry and its impact emerges if we examine wages and working conditions by occupation and segment together. To do so, this chapter examines five groups: FOH in fine dining, FOH in casual restaurants, BOH in fine dining, BOH in casual restaurants, and quick serve (see Occupational Categories Methodology.)

Occupational Categories Methodology

The following five areas are explored in this chapter based on segment and positions with distinct economic outcomes and working conditions:

1. Fine dining front of the house,
2. Fine dining back of the house,
3. Casual restaurant front of the house,
4. Casual restaurant back of the house,
5. Quick serve restaurants.

The “bars and other” category was excluded from analysis because the sample size was small (n=42) and the composition did not constitute a coherent category since it includes catering, bakeries, and other establishments. Quick serve was not divided between front and back of the house because employees more often split work between kitchen duties in the back of the house and customer interaction in the front of the house. Moreover, tip income for front of the house workers is not a significant divider as it is in full-service restaurants. There are, of course, differences in wages and work quality among positions within these categories. For example, although both occupations would be classified as front of the house positions, compensation and working conditions differ considerably between bussers and servers. However, the number of categories was limited to five since they retained an internal coherence, and their sample size was sufficient for analysis.

Race, gender, and national origin categories

To understand the important intersectional dynamics of race, gender, and national origin, the five groups were split up based on all three categories. It is not sufficient to look at differences within each supra-category alone (e.g., male vs. female or U.S.-born vs. immigrant) because there are important differences within each group. For instance, white women were found to have higher incomes than women of color and U.S.-born whites had higher incomes than U.S.-born people of color. All people of color (Blacks, Latinos, Asians, and other) were grouped together due to similarities across categories, and this, in turn, had the benefit of maintaining healthy sample sizes. White immigrants were grouped with U.S.-born whites since there were only three white immigrants, and their wages and other basic characteristics mirrored or fell within one standard deviation of those for the U.S.-born white population. The five survey respondents that identified as neither male nor female were not categorized because of insufficient sample size.
WHAT DO SEGMENT AND POSITION MEAN FOR A WORKER’S ECONOMIC SECURITY?

To understand why occupational segregation has such a significant impact on certain communities, we first show the differences in wages and working conditions between the various occupational categories. Figure 5.1 illustrates the tangible wage differences between the five groups. On one end of the spectrum, the reported median wage of quick serve workers is $8.23 with over 80% being paid below poverty wages. On the other end, fine dining FOH workers reported a median wage of $14.35, with less than 30% reporting having earned below poverty wages. Figure 5.1 also shows that wage levels are much lower in certain groups, leading to a large percentage of workers earning below poverty wages.

Front of the house positions earn significantly more than back of the house positions because of tips, despite the fact that few industry jobs require either higher education or credentials. The median wage difference between the front and back of the house is $2.11 in casual restaurants and $4.35 in fine dining. However, significant disparities exist within front of the house positions, as is shown below.

Another measurement of disparity can be seen in the percentage of individuals earning a livable wage. One in eight (12%) front of house employees in fine dining restaurants earns a livable wage, while only a small percentage (between 0% and 4%) within the other four groups earn a wage that similarly supports their basic needs (see Figure 5.1).

Moreover, this lack of economic security in BOH positions is also tied to greater disparities in access to health insurance and incidence of workplace injuries. Back of the house workers are less likely to have health insurance (62% back of the house workers do not have health insurance compared to 42% among front of the house workers), yet they are more exposed to unsafe working conditions and workplace injuries, such as the likelihood of being cut (62%) and getting burned (51%).

### Table 5.1

<table>
<thead>
<tr>
<th>Workforce Demographic</th>
<th>Fine Dining</th>
<th>Casual Restaurants</th>
<th>Quick Serve</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FOH BOH</td>
<td>FOH BOH</td>
<td>All workers</td>
</tr>
<tr>
<td>White</td>
<td>61.7% 27.1%</td>
<td>36% 15%</td>
<td>26.3%</td>
</tr>
<tr>
<td>U.S.-born worker of color</td>
<td>22.2% 18.7%</td>
<td>52% 41.7%</td>
<td>51.8%</td>
</tr>
<tr>
<td>Immigrant worker of color</td>
<td>16.1% 54.2%</td>
<td>12% 43.3%</td>
<td>21.9%</td>
</tr>
</tbody>
</table>

Source: Philadelphia Restaurant Industry Coalition survey.
WHO WORKS WHERE?

Our research shows that different groups tend to work in different categories. Figure 5.2 shows the race, gender, and national origin of each segment. The disparities between occupational categories described above reverberate across these different groups. Table 5.1 further illuminates occupational segregation by race and national origin.

Figures 5.3 and 5.4 show that whites are disproportionately more likely to work in the highest paying positions in fine dining and in the front of the house. The figures measure the overrepresentation or underrepresentation of both groups in each of the occupational categories. Whites are overrepresented by 81% in front of the house fine dining positions relative to their share of the total workforce and the size of that occupational category. People of color are underrepresented by 39% in front of the house fine dining positions using the same criteria. The index of dissimilarity is 22.9, meaning that if the occupational categories were to be evenly distributed between white workers and workers of color, 22.9% of one of the two groups would have to change segments.

The lower-paying jobs show the inverse: people of color have disproportionately high odds of working in the worst paid positions in the back of the house in casual restaurants and in quick serve. People of color are overrepresented by 26% in back of the house casual restaurant positions where the median wage was $9.00. White workers are underrepresented in that position by 52%.
CONSEQUENCES OF OCCUPATIONAL SEGREGATION

The consequences of occupational segregation in the restaurant industry are wage disparities among groups based on race, gender, and national origin. The following analysis illustrates the significant wage gaps that we found among these groups, as well as the percentage of workers who earn below-poverty wages.

RACE

Figure 5.5 shows that workers of color earn lower wages than white workers in Philadelphia’s restaurant industry. The median wage for people of color is $9.00 per hour, $2.29 less than white workers. Furthermore, 72% of workers of color earn wages below the poverty wage of $10.63, in comparison to 44% of white workers. Figure 5.3 shows that whites tend to work in the front of the house and in the segments with higher pay. Whites make up 61.7% of the front of the house in fine dining and only 26.4% in quick serve. The best-paid positions—fine dining servers and bartenders with a $15.35 median wage—are even more biased at 67.2% white.

Figure 5.6 shows the racial composition of four wage categories. While 44.1% of white workers earn poverty wages, over 70% of workers of color (72.3%) work in jobs where they earn poverty wages. Figure 5.6 clearly illustrates that as the wage category improves, the probability of a person of color earning that wage decreases.

GENDER AND RACE

The disparities between white women and women of color in the industry are even more pronounced. Figure 5.7 shows that women of color are nearly twice as likely as white women to earn below-poverty wages (74% vs. 39% respectively). Similarly, the median wage of women of color is $3.43 lower than that of white women. Figure 5.2 shows that white women are disproportionately represented in front of the house positions and particularly in fine dining where they make up 38.2% of front of the house staff. Conversely women of color constitute 42% of the quick serve segment and only 17.2% of front of the house staff in fine dining.

The segregation measured in the survey is consistent with what workers experience in the industry. One Black male cook with seven years of industry experience explained, “the high end restaurants...seem to have all white waitresses for the most part and...in management...mostly white males. Now in [casual and quick serve restaurants] they are more diverse, Black, Mexican, white waitresses.”
Because the survey did not include management, it did not capture segregation between managers and staff. In interviews many workers reported that employers are disproportionately male. One female server bluntly listed off the genders of her previous employers, providing a list that was very uniform. Obvious frustration could be heard in the server’s voice: “Man, man, man, man, woman… man.”

Likewise, many workers noted that their employers, with few exceptions were white males. As one immigrant worker who worked in four restaurants over seven years told us, “The owners were all white [men]… In [one diner] they were Greek, all the rest have been white.”

NATIONAL ORIGIN AND RACE
A vast majority of immigrant workers (76%), almost exclusively people of color in our sample, earn below-poverty-line wages. Their median wage is $9.00 per hour. This figure is lower than that of native-born Americans ($10.00 per hour). However, when breaking-up U.S.-born workers into white workers and workers of color, the differences are even clearer. The median wage for white (U.S.-born) workers is $11.29, and 44% of them earn below-poverty wages (as shown in Figure 5.8). In contrast, American-born workers of color (almost exclusively Black) earn a median wage of $8.55, even lower than the median wage for immigrants, and nearly 70% of them earn below poverty wages.

Immigrants share similar wage characteristics with workers of color born in the U.S. However, most immigrants (72%) work in the back of the house, mostly in fine dining and casual restaurants, whereas more than half (51%) of U.S.-born people of color work in quick serve restaurants.

Only 6.3% of immigrants employed in the restaurant industry stated that they had documents to work legally in the United States, while 55.6% stated that they were undocumented, and 38.1% chose not to disclose their documentation status. Due to the reticence of respondents to state their immigration status, we have an insufficient sample size to separate documented and undocumented immigrants. However, we examined and found no significant differences in wages and working conditions for immigrant respondents based on their response to status. As a result, all immigrants are presented together, but it should be understood that at least half of them, and possibly as many as 93%, are undocumented.

Race, gender, and national origin are all important intersectional factors that lead to occupational segregation and disparate economic outcomes among Philadelphia restaurant workers at the macro level. In the next section, we will delve into practices and
policies in the restaurant industry that have an impact on the daily workplace environment and lead to the outcomes described above.

**Discrimination in Hiring, Promotion, and Training Practices**

The first section of this chapter has described the occupational segregation and the economic outcomes in Philadelphia's restaurant industry; this section examines the reasons for the segregation. We will specifically look at practices and policies around promotion, hiring, and training to see how these factors affect occupational segregation by race, gender, and national origin.

Restaurant workers reported that discrimination in promotion practices is common in the Philadelphia restaurant industry. Table 5.2 shows that one out of three survey respondents felt that they had been unfairly passed over for a promotion. Of these respondents, gender was the factor most cited for being passed over for promotion, followed by race, language, immigration status, and sexual orientation.

For issues such as discrimination, interview data can be more useful than survey data because of the sensitivity and complexity of the matter. Discrimination is not always stated outright and, at times, may be challenging to perceive. In these cases, interviews allow the interviewee to delve into specific examples and discuss at length experiences that workers went through or came across. Indeed, during interviews, workers and employers alike explained policies and practices in the areas of hiring, promotion, and training that direct groups towards certain occupational categories or limit group members' chances of moving up into better paying jobs in the restaurant industry.

**RACE**

Workers are well aware of the occupational segregation by race measured in our survey data. In fact, in interviews, both employers and workers casually listed the different groups that tend to work in certain positions in the different industry segments that they had worked in.

Workers and employers alike explained that there was no formal training system in place in the restaurant that would allow people in lower paid positions and segments (disproportionately people of color) to move up. One immigrant worker explained the informal self-training system: “I didn't get proper training. What helped me to work in the kitchen was my own experience… When we were not as busy, we would tell the dishwasher and prep to come to the kitchen to watch and learn.” This experience is consistent with the results of the survey data showing that 68.5% of Philadelphia restaurant workers lack the training opportunities needed to move up. Lack of training opportunities is a significant obstacle to people of color trying to move up a career ladder and it perpetuates the current occupational segregation seen in the restaurant industry. However, people of color are also faced with more direct forms of discrimination.

One worker, a Black cook with 15 years’ industry experience, was not given the opportunity for the promotion he requested despite the company knowledge he had amassed after working at the restaurant for several years. He felt that being passed over for a promotion was related to race, and that the employer had even used the stereotype of Blacks working in fast food as a way of disciplining him to stay in his position.
Basically, when [my manager] says “McDonald’s is hiring” I take offense to that because I’m Black… (even though) he don’t say it in a nasty, negative way… I don’t say nothing, but deep down inside I know where you’re going with that.... That’s a terrible feeling and it hurts me to know that he’s like that and I’ve been working with him for so long now that I know how he operates.”

Many workers talked about a perceived culture or “look” that was the basis for hiring decisions in front of the house positions, particularly in fine dining. Workers often explained that front of the house positions are based less on skill and experience than on looks. A white, female cook with four years of industry experience believed that her restaurant only hires based on image:

“They hire on looks: who would look good and fit in well with the team they’re having there, [as long as] they can speak and comprehend English. I really do think that’s how they hire, because sometimes they don’t hire the smartest people… That’s the running joke. You don’t have to have any experience, but if you look good and fit the way that restaurant is supposed to look, you get hired.

Consistent with this worker’s perception that appearance is a key factor in hiring decisions, many job postings on the internet bulletin board Craigslist—a common site for job opportunities—require a photo to be submitted, primarily within clubs and fine dining restaurants (see examples below).
Aspects such as “looks” or “culture” can act as proxies for race. Workers even related culture or looks with the need to cater to the clientele in fine dining restaurants, which is disproportionately high-income and white. A white fine dining server and bartender with six years of restaurant experience identified causes for racial segregation by looking at the concept of culture as it overlaps with race.

[The restaurant] is in a very genteel location,… I think they want to see a lot of genteel servers and bartenders. [We had] a Black bartender—we don’t have one anymore—and she straightened her hair and acted high society so she was what they wanted to see. As opposed to the guys in the back who are a little more rugged and wouldn't project the image… that the people in that neighborhood want to see. I would definitely say culture is the big thing there. [Here] the culture is very monotonous. Very one color. One culture.

A rigorous quantitative and qualitative research study of discrimination in New York City’s restaurant industry indicated that measures of “attractiveness” in restaurant employment are often confounded with race. This merits further analysis in Philadelphia, especially in light of our finding that Black workers tend to occupy quick serve, and immigrant workers of color tend to occupy back of the house positions.

**GENDER**

Because we surveyed only line-level positions in the restaurant industry, the survey data was unable to show segregation between staff and management positions. However, many women reported that they had been passed over for a promotion and that gender was a factor (see Figure 5.9). In interviews, women spoke about a “glass ceiling” and a sort of “boys club” of managers.

Often times, even if women became managers, the experience was alienating enough to push them out of the company. One female bartender with almost 12 years of industry experience told us of her friend’s experience as a lone female manager who eventually grew so frustrated that she left.

She’d sit at management meetings and she’d be the only woman there and there’d be eight dudes. And I know she struggled so much to just get her piece in that situation…. She’d just have to put her foot down so many times and she’d end up having to flip out or scream just to get her voice heard in that scenario… It was really a struggle. Three and a half years of that and no raise, and no recognition, and always feeling like it’s a dude’s club… I think [these circumstances] not only put people in the situation of feeling that way, but it prevents people from [being] promoted or rising up in any way, so many of those management positions are filled by white men…. It’s clear it’s white-male dominated in every way. There’s totally a ceiling on it. They’ll push you out. They pushed her out…. Three and a half years of no raise… no respect, and trying to push your way into every conversation as a supposed equal in that group… is going to make somebody just say "f*ck you, I’m leaving."

A female server with three and a half years’ industry experience similarly talked about exclusion and the manner in which women are disciplined when they react to that exclusion. When the frustration with exclusion erupts, women are disciplined by being labeled “emotional or overly opinionated… I think it’s a lot harder as a woman… You feel like you’re going to lose no matter what.”

Exclusion also exists in the back of the house, which our occupational segregation data tells us is
almost exclusively male in fine dining and casual restaurants. One female cook told us that women in the restaurant in which she worked were told that they could not handle the work, and that employers may fire women workers for being pregnant.

No one ever told me anything except...that I could not handle it. So the only reason that I can think of is that they thought I was too fragile 'cause I was a girl... My husband and I were starting to think about starting a family, which I never spoke about with my bosses because I know that they would just be like 'she's just going to get pregnant and leave.'...I know the other females who worked there...one of the line cooks found out she was pregnant and was afraid to tell them because she said, 'Am I gonna lose my job?'

While interview data revealed certain challenges of women in the industry, more study is needed on the dynamics that channel women of color specifically into quick serve.

NATIONAL ORIGIN
To sufficiently analyze the dynamics that adversely affect immigrants in the Philadelphia restaurant industry would require research that is beyond the scope of this study. The immigrants surveyed were predominately undocumented. As stated earlier, only 6.3% of immigrants stated that they had documents to work legally in the United States, while 55.6% stated that they were undocumented and 38.1% chose not to disclose their documentation status.

Although undocumented immigrants have the right to a minimum wage and overtime pay under the Fair Labor Standards Act, the threat of deportation is real and ever-present, preventing many from speaking out against low wages or lack of promotion.

Undocumented workers spoke of their frustration at never getting raises, and of being lured to work on false promises of opportunities for advancement. One undocumented worker with seven years’ experience noted, “If any of us wants to work steady it means put up with the work hours they give you, do not ask for raises, and do whatever they ask you to.”

According to worker interviews, Spanish speakers were relegated to the back of the house. Immigrant workers who spoke better English had the opportunity to work as bussers and runners in the front of the house. When asked specifically about the promotion of immigrant workers, one casual dining manager with eight years’ experience stated frankly that “it doesn’t happen, things like that don’t happen, it’s sad.” One immigrant worker who had worked for seven years in the BOH noted that in his multiple years of working he had only come across one white dishwasher.

Segregation of immigrant workers, coupled with a language barrier, leads to a constant cycle of discrimination that becomes an unnoticed fact of daily work-life, similar to the racial and sexist harassment and innuendo described earlier. Another immigrant worker with six years’ experience explained: “”Move, f*cking immigrant”. It’s part of the dynamic... Because when you start as a dishwasher, you have little time here, you just hear but don’t understand what they are saying. If they are calling you: “Immigrant, illegal”, you don’t understand...but since those are the words that you have learnt, you also use them.”

A few of the Latino kitchen employees would speak to [management] in Spanish and [management] would just interrupt them and then just get somebody to come over and talk for them ... not really translate but just talk for them. It was incredibly insulting, and I think a lot of the cleaning and kitchen staff were pretty offended ... I don’t know, I think that so many of the people who worked there were so used to it at that point ... But a lot of people who worked there seemed really demoralized by it. I did not see them making any effort to, you know, respect their language barrier or anything like that. —White male barista, 5 years of experience.
However, the demographic changes in the industry have also led to some noticeable changes in management practices. One immigrant worker, a cook with four years’ experience, found that managers in Philadelphia are learning Spanish to better communicate with staff.

Another immigrant employee, who had worked his way from dishwasher to chef, described how fine-dining establishments were the worst employers for BOH workers. “Those restaurants only look for an image to present in the front, and they mistreat all their workers in kitchen.”

One U.S.-born worker talked about a restaurant in which he worked where almost the entire back of the house was undocumented immigrants. There was a call tipping the manager off that Immigration and Customs Enforcement was coming to inspect the restaurant and the entire back of the house had to leave as the manager handed cash payments out at the door. All of them lost their jobs.

When asked about the demographic breakdown of employees in front and back of the house positions, several employers responded that they hired those “who applied.” While they were aware that front of the house workers are predominantly white and back of the house employees are overwhelmingly people of color, they maintained that any disparities were a result of the fact that Blacks and other people

Carlos Pascual Sanchez  Mexican immigrant
7 years in the industry, dishwasher and cook

Carlos immigrated to Philadelphia from Mexico City 9 years ago. Upon arriving to Philadelphia he began working in restaurants. He started as a dishwasher, working 7 days a week for 8 months straight. Like many immigrant workers, Carlos transitioned into new positions, but his salary remained the same. Eventually the wage stagnancy and lack of opportunities caused him to leave his job to find a better one. He told us, “I began as a dishwasher, then I started working in the kitchen as a cook, but I still got my dishwasher’s salary. So that’s the reason why I had to leave my job... my responsibilities had grown, but my salary hadn’t.”

Carlos also reflected on the racial segregation that typifies the restaurant industry and the lack of opportunities for immigrant workers to move into higher paying positions. “I realized that us, immigrants, always work in the back of the house, we are not in the customer’s sight... Most managers and owners don’t want us to be in the front of the house. Maybe because of how the restaurant is going to look, the immigrant stereotype.” In some instances, Carlos even saw immigrant workers train white workers for positions they themselves were qualified for but did not get. “I have a friend, an immigrant cook that has worked in the same place for ten or fifteen years. An American waiter comes in for a year and then he’s promoted to manager, just working one year. My friend knows all the systems of the restaurant, knows the suppliers. He’s a trusted person, but he’s still in the same position as cook, and then in comes this new person that has worked for only a year, doesn’t know the system, probably doesn’t even know the kitchen, and is promoted to manager.”

After 7 years in the restaurant industry, Carlos could no longer bear the working conditions, from the inadequate wages to the discrimination, so he left the industry to pursue a career in painting. Carlos felt that the subpar working conditions experienced by most restaurant workers had a disproportionate effect on immigrant workers who were routinely threatened with retaliation if they spoke up about their rights. “In some cases they told us straight that we can't ask for anything, because if they want, they can call immigration or the police to take us away.

The stagnant wages, lack of opportunities, discrimination and threats of retaliation Carlos experienced as an immigrant restaurant worker are not uncommon. “It’s too common... if any of us wants to work steady, it means put up with the work hours they give you, do not ask for raises and do whatever they ask you to... if you get sick and don’t show up for one or two days, forget about the job, there will be somebody else in your spot.”
of color primarily apply for back of the house positions. One owner with eighteen years’ experience in fine dining stated that he hired, “whoever shows up at the backdoor looking for a job, which most of the time is a certain kind of person. Now I have one Negro... I have one Negro, one Mexican, one white guy.” This simple and overtly racialized understanding of restaurant segregation is difficult to accept, however, when taking into account the stark disparities in pay between the front of the house and the back of the house. In interviews with workers, we found that workers of color were generally aware of what ethnic groups are hired for which positions. While more study is required, these findings are likely important factors in understanding racial segregation in the restaurant industry.

Targeted Abuse

Beyond occupational segregation and the dynamics that cause and perpetuate that segregation, certain groups reported being subjected to different forms of abuse, such as verbal abuse based on race or gender, sexual harassment, and targeted wage theft (primarily from immigrants).

A large percentage of surveyed workers reported verbal abuse (30.3%) and being disciplined more often or more severely than others (23.8%) (see Table 5.3). One third (33.2%) of workers that suffered verbal abuse believed that the abuse to which they or a co-worker had been subjected was motivated by their gender. Race, language, immigration status, and sexual orientation were other major factors that workers attributed as cause for verbal abuse. Race (30%) and gender (28.3%) were the most-cited factors among restaurant employees who believed they or a co-worker had been disciplined more often or more severely than other workers within the past year.

### Table 5.3

<table>
<thead>
<tr>
<th>Reason for disparate treatment</th>
<th>Of those who reported experiencing verbal abuse</th>
<th>Of those who reported being disciplined more than others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>33.2%</td>
<td>28.3%</td>
</tr>
<tr>
<td>Race</td>
<td>19.5%</td>
<td>30%</td>
</tr>
<tr>
<td>Language</td>
<td>15.4%</td>
<td>8.6%</td>
</tr>
<tr>
<td>Immigration status</td>
<td>9.9%</td>
<td>7.8%</td>
</tr>
<tr>
<td>Sexual orientation</td>
<td>12.6%</td>
<td>11.5%</td>
</tr>
</tbody>
</table>

Source: Philadelphia Restaurant Industry Coalition survey data.

### RACE

During interviews, many workers explained that racist remarks, particularly in the kitchen, are common. While some said that these remarks are made jokingly, others felt that there is still an adverse effect. A white female bartender with 11½ years’ industry experience empathized with Black workers who had to get used to racist remarks in the same way she had to accommodate herself to regular sexist remarks and sexual harassment. “It’s all jokes, but really inappropriate stuff. It’s taken me three years to get used to it.... if you’re a Black person in that kitchen and you’re just hearing all this sh*t and you just get used to it.... It becomes a status quo kind of thing. Not that it’s ok, but like there’s no way in our power as
individuals to change that whole culture of what they’re just saying all the time, you know?” Immigrant workers expressed the same sentiment, noting they were called “wetback,” or “beaner” on a daily basis.

GENDER

One-third of the workers who responded to our survey reported experiencing or witnessing sexual harassment at their workplace. More than one out of four claimed management is a source of harassment; nearly half reported that their coworkers are a source; and four out of five pointed to customers as a source (see Table 5.4). Not surprisingly, women are the main target of sexual harassment.

These numbers are high. However, both employer and worker interviews suggest that sexual harassment may be underreported and does not speak to other forms of harassment that management allows to continue in the restaurant (e.g. harassment from customers or co-workers) due to negligence and inadequate preventive policies. Workers told us that sexual harassment was common in the restaurant industry and many had experienced it personally or witnessed it.

An Asian female server with eight years’ industry experience expressed her frustrations that management does not stop the sexual harassment. “I feel like [sexual harassment] is a known fact among the co-workers and no one really talks about it. Management doesn’t really do anything. They would rather keep the peace about the situation and kind of ignore it than actually involve [human resources]…. It is just one of those things where they just brush it under the rug.”

A white female bartender with 6½ years’ industry experience explained that she was disciplined for snapping back after being sexually harassed.

There was one night that I was working and the male owner would have all of his friends sit upstairs, and we would have to [serve] cocktail[s] for them. One of his friends, who had said inappropriate things to me before…grabbed my butt. I just turned around and snapped at him… and went back to work. The owner pulled me outside and told me that I didn’t know what respect meant, and that I could either quit or get fired. I quit, because I do know what respect means. His friend wasn’t respecting me and I stood up for myself.

Workers also commented on expectations to respond to sexual advances in order to be promoted, receive good schedules, or to avoid retaliation. One white female bartender with 11½ years’ of experience said that she and her co-workers had to put up with flirting and sexual advances in order to keep profitable shifts. “They are always hitting on girls…. [The girls] feel threatened by their shifts being taken away if they don’t play along.” One bartender we interviewed sympathized with his female co-workers and what they have to endure.
I’ve been around a long time in this industry and the things that I’ve seen go on there... This industry is very personal, it has a little bit different dynamic than the [typical] office place. People are coming and going, there's alcohol involved, but the alcohol is used more as an excuse. We've had some issues internally with complaints regarding management. [Management] was contacting [female employees] late at night via cell phone calls, texts, email, Facebook... it was extremely uncomfortable. —White Male bartender, 22 years of experience.

NATIONAL ORIGIN
Employers target immigrant workers, many of whom are undocumented, for wage theft. Immigrants are more vulnerable to exploitation due to language barriers, lack of information about their rights, and fear of detention or deportation. As shown in Table 5.5, the most common violation that immigrants are exposed to is working off the clock without being paid. They are also more likely to not get paid for overtime hours in comparison to workers who were born in the United States.

“Just a few immigrant people work 40 hours. The only chance to work a little more is working 50 or 60 hours but they know they won’t get the overtime pay. It’s well known among us that we won’t get it. Even if any of us demanded it to the boss, to pay overtime, he wouldn’t give him more hours, just the minimum, and wouldn’t let him go above 40 hours to avoid paying the extra.”
– Latin American immigrant, multiple years’ experience in BOH.

<table>
<thead>
<tr>
<th>Table 5.5 EMPLOYMENT LAW VIOLATIONS</th>
<th>Born in U.S.</th>
<th>All Immigrants</th>
<th>Undocumented Immigrants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worked off the clock without pay</td>
<td>28.7%</td>
<td>47.3%</td>
<td>52.2%</td>
</tr>
<tr>
<td>26.8% sometimes</td>
<td>27.6% sometimes</td>
<td>26.1% sometimes</td>
<td></td>
</tr>
<tr>
<td>1.9% frequently</td>
<td>19.7% frequently</td>
<td>26.1% frequently</td>
<td></td>
</tr>
<tr>
<td>Not paid overtime</td>
<td>54.3%</td>
<td>68.6%</td>
<td>68.6%</td>
</tr>
<tr>
<td>7.4% sometimes</td>
<td>13.9% sometimes</td>
<td>11.9% sometimes</td>
<td></td>
</tr>
<tr>
<td>46.9% never</td>
<td>53.7% never</td>
<td>56.7% never</td>
<td></td>
</tr>
<tr>
<td>Management took share of tips</td>
<td>9.9%</td>
<td>12.4%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Experienced minimum wage violations</td>
<td>6.0%</td>
<td>12.5%</td>
<td>6.8%</td>
</tr>
</tbody>
</table>

Source: Philadelphia Restaurant Industry Coalition survey data.

Unpaid overtime and other wage and hour violations, such as no breaks, are a near universal experience according to interviews with undocumented workers. One immigrant worker noted, “in the front they could take a few minutes, smoke, have a soda. In the kitchen there were no breaks.”

This is largely backed up by survey responses that show that immigrant workers, and particularly undocumented workers, are less than half as likely to complain to management about poor working conditions as U.S.-born workers, and twice as likely as U.S.-born workers to believe that their employer has the right to fire them if they complain about workplace conditions (see Figures 5.9 and 5.10). This lack of basic knowledge is most plainly revealed in the fact that U.S.-born workers are more than eight times as likely as undocumented workers to know how to collect workers’ compensation if they get injured on the job.
“In the front of the house there are only white people. They have contracts, the overtime is regulated, but in the kitchen it’s a total different thing. There’s no contract, just the word of the boss and the employee.”
– Mexican immigrant, cook, seven years’ experience.

As noted above, there is a discrepancy in the rate of injuries between FOH and BOH. Part of the difference in injuries is likely the more dangerous kitchen environment in the BOH, where immigrants are concentrated. However, as shown in Figure 5.11, immigrants, and particularly undocumented immigrants, were given less instruction or training about workplace safety than U.S.-born workers. This fact alone might account for the higher rate of injuries in the BOH.

A Black bartender with thirteen years’ industry experience told us that the pressure and abuse that many immigrants suffer can drive them over the edge. “The chef was just a jerk and he pretty much pushed this [immigrant] kid to the limit…. [The kid] ended up attacking another co-worker because he just lost it… they end up having to arrest [him], he just couldn’t take it anymore.”

The only recourse immigrant workers feel they have is to quit, which they do at times en masse so as to cause damage to an abusive employer or supervisor. One immigrant worker, one of the few interviewed who had worked his way up to chef, recounted how the entire staff agreed to quit to retaliate against an abusive employer, “Everybody quit at the same time…. [He] was always screaming…. It is not easy to find that many people.”

Many employers who were interviewed explicitly supported immigration reform for undocumented immigrants or a more open immigration system in which immigrant workers would have more rights, and Philadelphia restaurant owners have lobbied against E-verify, an electronic system for verifying a worker’s immigration status with Immigration Enforcement.
The Social Cost of Low-Wage Jobs

Our research shows that when restaurant workers suffer from low-wage jobs that offer few benefits, so do consumers and taxpayers. The public costs are significant, and fall into four major categories:

SERVING WHILE SICK
The restaurant industry endangers public health through low wages and lack of paid sick days. Poor health and safety conditions in restaurant workplaces, combined with low wages, a lack of employer-provided health insurance, and/or a lack of paid sick days, causes many workers to delay seeking primary or preventative medical care. The working conditions of restaurant workers, who work sick or send their sick children to school, ultimately increase health risks to society overall. Two out of every three workers surveyed (64.6%) reported that they went to work while sick.

THE LOW ROAD MODEL
Unscrupulous employers profit at the expense of their workers, customers, and law-abiding competitors. The same employers that profit through wage theft are much more likely to profit by cutting corners in ways that put the safety of the public at risk. Workers experiencing wage theft are 111% more likely to work in conditions in which they have done something due to time pressure that may have endangered the health or safety of customers. These employers unfairly compete with law-abiding employers.

PUBLIC SUBSIDIES
Low-wage jobs with little or no benefits cause increased health care and social program costs for society. Low wages increase restaurant workers’ reliance on social assistance programs to meet basic needs. Consequently, taxpayers end up bearing the costs of low wages and few employee benefits. Nearly one out of five restaurant workers in Philadelphia (19.6%) receives food stamps.¹

DECLINING SOCIAL ENVIRONMENTS AND COMMUNITIES
The proliferation of poverty-wage restaurant jobs contributes to the growth of poverty and neighborhood degradation in Philadelphia.
Introduction

The proliferation of low-wage jobs has an impact on public budgets and the availability of public services. Households earning minimum wage qualify for—and would need to—rely on a number of government programs in order to make ends meet.

—Center on Policy Initiatives

The low-road workplace practices described in this report have an impact beyond those workers employed in Philadelphia’s restaurants. As discussed in Chapter IV, low-road practices increase employee turnover and adversely affect the quality and consistency of the food and service in a restaurant. However, low-road practices also give rise to increased consumer risk, increased public health risks, and increased costs to taxpayers subsidizing low-wage no-benefit jobs through social safety nets. Low-road practices have hidden costs on all of society.

Serving While Sick: The restaurant industry endangers public health through low wages and lack of paid sick days

Restaurant workers have been sick and gone to work. So we’re talking contamination and airborne illnesses or germs, viruses for food, which is…absolutely insane. And [many] don’t have any kind of insurance or way to get medication or help when they are sick. So, it’s this horrible cyclical thing where you work yourself sick or hurt, and then because of it can’t get help, so you continue to work sick or hurt, until you get fired.

—Male server, 12 years’ in the industry

The pervasive combination of poverty wages and the lack of paid sick days in Philadelphia’s restaurant workforce present a major threat to public health. Not surprisingly, our research shows that low-wage workers that must choose between working while sick or staying home, and losing much-needed income, will often work sick.

Nearly two out of every three workers (64.6%) reported that they went to work sick, serving and preparing food for unknowing consumers. The two major reasons that they go into work sick are:

- they cannot afford to stay home without pay (71.7%), and,
- they are concerned that they would be fired or penalized if they do not go in to work (46.4%).

One of the interviewees explained that he had to show up to work sick before he could prove that he was sick enough to stay home: “I wanted to show [my] boss how sick I was so he could send me home.”

A cook and pastry chef working in a fine-dining restaurant with four years of experience gave an example of how much risk the public takes on when workers are compelled to work sick: “I had to [work] or else I wouldn’t get paid. I wouldn’t get work, I’d get in trouble, I’d get made fun of…I’ve been working on the line and puking in a bucket as I am prepping food…I was just feeling sick … in [the] pastry corner and I’d have a trash can in there…. Just think, I’m serving somebody’s omelet and I just threw up.”

Our research also showed that when employees work while sick there are severe consequences for themselves, the public, their coworkers, and the restaurant. As seen in Figure 6.1 below, over half (51.7%) of workers said their illness lasted longer because they had to work while sick. Just under half (42.3%) said that they coughed or sneezed while handling food. Over a quarter (28.7%) said that their productivity at work was affected. A third (33.4%) said that they also got other workers sick.

When workers get other employees sick, those workers have to face the same decision as their col-
leagues: work sick or lose income. Their choices often continue the cycle of contagion for the restaurant (see Figure 6.1). In interviews, workers told us of many instances in which a cold spread from worker to worker. A female bartender, with 11½ years’ industry experience, described this common occurrence. “Just last week… one of the runners had a cold. He couldn’t call out…. And then the next day three servers are sick… and the next day after that I’m sick… I [thought], ‘this is disgusting, we’re all spreading germs to each other and I’m taking this plate and touching it and putting it on a table…. I wouldn’t want somebody to serve me that.’”

**Figure 6.1 - Restaurant Policy and the Cycle of Contagion**

Restaurant workers have low wages and almost no access to earned sick days. In this environment, two out of three decided to work sick, mainly because they could not afford to stay home or they were afraid of being fired or penalized. One out of three workers, who had worked while sick, observed that they spread their illness to their coworkers, who then faced the same decision to work sick or lose needed income.

**The Low Road Model: Unscrupulous employers profit at the expense of their workers, customers, and law-abiding competitors**

Workers, consumers and good employers have a shared interest in creating a restaurant industry in which the high road model is the standard and not the exception. As shown in Chapter III, the majority of workers surveyed experienced some form of wage and hour violation. Our research found that the same employers that are stealing from their workers through wage theft are much more likely to engage in practices that put the safety of the public at risk. These employers are more likely to overwork their employees, push them to cut corners, and require them to do jobs for which they have no training (see Figure 6.2). Workers that experience wage theft are 60.7% more likely to have done a job for which they were not trained. Workers experiencing wage theft are also 111% more likely to be under such time pressure that they engage in activities that endanger the health or safety of consumers.

These pressures on employees all contribute to a greater likelihood of substandard, unhygienic food handling and preparation that compromises the health and safety of workers and consumers.
Laws passing at state and local level

In recent years, there has been a growing understanding of the dire need for providing paid sick days for workers. Various campaigns across the country have managed to advance Paid Sick Days laws and consequently increase the number of workers who have access to paid sick days. San Francisco was the first city to implement a paid sick days policy in 2007. Washington, D.C. followed in 2008 and Seattle in 2011. As of January 2012, Connecticut became the first state requiring paid sick days for restaurant employees.

Businesses Come Around to Earned Sick Days Law

While many local businesses lobbied vigorously against the San Francisco Paid Sick Leave Ordinance (PSLO), several years after passage of the nation’s first paid sick days law, the Institute for Women’s Policy Research found that more than two-thirds of employers are supportive or very supportive of PSLO. A similar percentage expressed support of the PSLO within the Accommodation and Food Industry.5

The Golden State Restaurant Association was one of the major opponents of PSLO, with members fighting fiercely against the law. However, after implementation, Kevin Westlye, the association’s executive director, said that the earned sick days policy is “the best public policy for the least cost.”6

H1N1 spread to 7 million co-workers due to lack of paid sick days

The H1N1 “Swine Flu” epidemic in early 2009 added to the growing realization that giving workers access to paid sick days is a necessary public health measure. During the outbreak, the President and Surgeon General both urged people to stay home as the best way of minimizing the spread of the flu.3 However, the Institute for Women’s Policy Research (IWPR) issued a brief the following year that estimated that employees who could not afford to take time off from work infected seven million co-workers with H1N1.4

CDC Finds High Prevalence of Noroviruses in Restaurants

The U.S. Centers for Disease Control and Prevention (CDC) in Atlanta estimates that noroviruses, a family of pathogens associated with outbreaks of food borne illnesses, are common in restaurants. In 2006, the most recent year for which data are available, there were 1,270 reported outbreaks of food borne disease outbreaks across the country involving 27,634 cases and 11 deaths. Among the 624 outbreaks that have confirmed etiologies, norovirus was the most common cause. The CDC also found restaurants to be the third highest outbreak setting behind cruise ships and long-term care facilities.7 The CDC found that 12% of food workers have worked while sick with vomiting or diarrhea, making food workers a potential factor in the transmission of food-borne illness.8
One cashier who has worked in the industry for three years remembered a manager ignoring the possibility of a visibly sick employee infecting others. She recalled, “[seeing] a girl come to work sick and coughing and she wanted to cook the hot dogs on the grill. We told her to stay at her register, so she didn’t infect everyone…. The manager said, ‘She has gloves!’”

Such wage theft and other irresponsible practices allow low-road restaurants to compete unfairly with restaurants that pay their workers correctly and take safety precautions for consumers. The result is that workers, customers, and law-abiding employers pay a toll to bad employers (see Figure 6.3).

BACKED INTO A CORNER  Workers that cannot afford to stay home sick due to low wages and lack of paid sick days are concentrated in the industries with the greatest risk of encountering and spreading contagion from regular contact with the public. The risk of spreading illness is particularly dangerous in the restaurant industry, where workers receive the least access to paid sick days and the lowest wages of any industry while handling countless meals per day. In Philadelphia, even though the median wage is slightly higher than the national, access to paid sick days is actually lower than the national rate.8
Public Subsidies:
Low-wage no-benefits jobs cause increased health care and social program costs for society.

There is no way for me to get health insurance right now because basically I cannot afford it with the salary that I am getting paid, ... not for the type of insurance that I would need.
—Female, 25 years' in the industry, Counter Attendant

This report shows that restaurant workers who earn low wages are also less likely to receive workplace benefits such as the ability to earn paid sick days and employer provided health insurance. Workers who do not have employment-based health coverage and cannot otherwise afford insurance tend to delay accessing medical treatment. This postponement may lead to the development of more serious medical conditions requiring more costly medical care. Because restaurant workers’ low wages provide barely enough to survive, workers are generally unable to pay the cost of that medical care, which increases uncompensated costs incurred by public hospitals. More than half of the workers surveyed reported that their illness lasted longer because they had to work sick, while a third of the workers affirmed they got their coworkers sick (see Figure 6.1). Being sick longer and infecting others are risks that increase personal and public health care costs.

Furthermore, when workers are unable to earn enough to support themselves and their families, they are forced to rely on public safety net programs to make ends meet. According to the American Community Survey (ACS), in 2010, nearly one out of five restaurant workers in Philadelphia (19.6%) received food stamps from the Supplemental Nutritional Assistance Program (SNAP)—a governmental program administered by the state and local welfare offices that provides assistance to low-income families and individuals in buying food.9 A similar percentage (19%) of Philadelphians in the restaurant industry relies on public health insurance.11

The consequences of low-wage, no-benefit jobs result in the “hidden costs” of the restaurant industry. Employers who insist on paying poverty-level wages shift the burden of their low-road business practices to the tax-paying public. These employers, meanwhile, enjoy the illegitimate gain of short-term profits that result from poor working conditions and exploitative employment practices.

Earned Sick Days Law in Philadelphia

In June 2011, Philadelphia’s City Council passed a bill requiring businesses with five or more workers to allow employees to earn paid sick days. However, Mayor Nutter vetoed the law two weeks later despite widespread support for the bill throughout the city. A poll conducted in May 2011 among 500 of Philadelphia’s voters revealed that 71% supported the bill and only 24% opposed it.

The bill would have “required businesses in Philadelphia that have more than ten employees to provide paid sick days to their employees to care for themselves or immediate family members, up to nine days a year. Businesses that have ten or fewer employees would only be required to provide up to five paid sick days a year.” Sick days would have been earned at the rate of one hour of sick time for every forty hours worked up to a maximum set by the business or by law.

A few months later, the council passed a similar bill (without the mayor’s signature but with a veto-proof majority) as an amendment to an existing law titled: “Philadelphia 21st Century Minimum Wage and Benefits Standard.” The ordinance—which went into effect July 1, 2012—is a limited version of the 2011 bill, and applies only to public and private agencies that contract with the City of Philadelphia.14

This bill is a significant step forward for some employees in Philadelphia, but it leaves out most of Philadelphia’s workers—first and foremost employees with low wages—including almost all workers in the restaurant industry, who cannot afford to stay home from work when sick.

Earned Sick Days Law in Philadelphia

In June 2011, Philadelphia’s City Council passed a bill requiring businesses with five or more workers to allow employees to earn paid sick days. However, Mayor Nutter vetoed the law two weeks later despite widespread support for the bill throughout the city. A poll conducted in May 2011 among 500 of Philadelphia’s voters revealed that 71% supported the bill and only 24% opposed it.

The bill would have “required businesses in Philadelphia that have more than ten employees to provide paid sick days to their employees to care for themselves or immediate family members, up to nine days a year. Businesses that have ten or fewer employees would only be required to provide up to five paid sick days a year.” Sick days would have been earned at the rate of one hour of sick time for every forty hours worked up to a maximum set by the business or by law.

A few months later, the council passed a similar bill (without the mayor’s signature but with a veto-proof majority) as an amendment to an existing law titled: “Philadelphia 21st Century Minimum Wage and Benefits Standard.” The ordinance—which went into effect July 1, 2012—is a limited version of the 2011 bill, and applies only to public and private agencies that contract with the City of Philadelphia.

This bill is a significant step forward for some employees in Philadelphia, but it leaves out most of Philadelphia’s workers—first and foremost employees with low wages—including almost all workers in the restaurant industry, who cannot afford to stay home from work when sick.

Public Subsidies:
Low-wage no-benefits jobs cause increased health care and social program costs for society.

There is no way for me to get health insurance right now because basically I cannot afford it with the salary that I am getting paid, ... not for the type of insurance that I would need.
—Female, 25 years’ in the industry, Counter Attendant

This report shows that restaurant workers who earn low wages are also less likely to receive workplace benefits such as the ability to earn paid sick days and employer provided health insurance. Workers who do not have employment-based health coverage and cannot otherwise afford insurance tend to delay accessing medical treatment. This postponement may lead to the development of more serious medical conditions requiring more costly medical care. Because restaurant workers’ low wages provide barely enough to survive, workers are generally unable to pay the cost of that medical care, which increases uncompensated costs incurred by public hospitals. More than half of the workers surveyed reported that their illness lasted longer because they had to work sick, while a third of the workers affirmed they got their coworkers sick (see Figure 6.1). Being sick longer and infecting others are risks that increase personal and public health care costs.

Furthermore, when workers are unable to earn enough to support themselves and their families, they are forced to rely on public safety net programs to make ends meet. According to the American Community Survey (ACS), in 2010, nearly one out of five restaurant workers in Philadelphia (19.6%) received food stamps from the Supplemental Nutritional Assistance Program (SNAP)—a governmental program administered by the state and local welfare offices that provides assistance to low-income families and individuals in buying food. A similar percentage (19%) of Philadelphians in the restaurant industry relies on public health insurance.

The consequences of low-wage, no-benefit jobs result in the “hidden costs” of the restaurant industry. Employers who insist on paying poverty-level wages shift the burden of their low-road business practices to the tax-paying public. These employers, meanwhile, enjoy the illegitimate gain of short-term profits that result from poor working conditions and exploitative employment practices.
Declining Social Environments and Communities

Philadelphia residents would benefit greatly by moving the restaurant industry from the low road to the high road. The increasing prevalence of poverty-wage jobs, such as those currently found in the restaurant industry, breeds poverty at a cost to the whole community in terms of crime, segregation, and other social problems.

A 2011 report from Stanford University, which ranked cities by their level of income segregation, ranked Philadelphia the third most segregated metropolitan area in the country. According to the study, Philadelphia experienced “the greatest increase in income segregation” from 1970-2007. “Philadelphia was the 43rd most segregated metropolitan area in 1970 and the 3rd most segregated by 2007. In 1970 only 16 percent of Philadelphia families lived in poor or affluent neighborhoods; in 2007, 43 percent of families lived in such neighborhoods.”

A 2012 PEW report ranked Philadelphia third in the nation in terms of poverty rates. In a survey poll, approximately one-third (35%) of the city residents believe that in the last five years Philadelphia has changed for the worse as a place to live.

The restaurant industry in Philadelphia is a fast growing player that has nearly doubled its role in the local economy over the past decade. As a growing industry, it is reinforcing this situation by paying wages that are often below the poverty line, by not providing health care and access to earned paid sick days, and by relegating workers of color to lower-paying roles that deny them opportunities to earn livable wages. By taking a leading role in improving workers’ conditions, the leaders of the restaurant industry can noticeably contribute to a better, safer, healthier, and more sustainable community.

Worker Profile

Andrea Lemoins
African-American, 35
9 years’ in the industry, pastry chef

Andrea Lemoins was born in Louisiana, but spent her childhood traveling all over the United States because her father was in the Air Force. At the age of 26, Andrea began working in the restaurant industry as a pastry cook in a soul food restaurant. She has since worked as a pastry chef in a broad array of restaurants in Philadelphia.

Like the overwhelming majority of restaurant workers in Philadelphia, Andrea does not have access to paid sick days. She told us, “working while sick is very common in the industry. It happens all the time. People come into work sick in the restaurant industry because they don’t want to lose their job or can’t afford to lose a day’s pay. Once when I was working, one of my sister restaurants needed a chocolate cake with “Happy Birthday” written on it for Mayor Nutter’s birthday. When I was plating up the slice of cake, two of my coworkers behind me were coughing and sneezing all over the place. I told them to move away and asked why they came into work. They both said that it was a busy night, and if they would have called out sick they would have been fired.”

According to Andrea, the lack of job security and the financial instability that has come to typify working in the restaurant industry is only exacerbated when workers are forced to choose between their job and their health. “I’m a hard worker, but if I really got sick, it wouldn’t matter, I’d still lose my job. I don’t think that I should lose a job just because I get sick like everyone else.” Such practices, however, are absurdly and disproportionately common in the restaurant industry.


9 Industry employment figures were found from 2011 annual Current Employment Statistics from Bureau of Labor Statistics (www.bls.gov/data). Median wages were found using the 2011 Current Population Survey Outgoing Rotation Files, prepared by the Economic Policy Institute for the Economic Analysis Research Network, for workers working for pay in the last week. Access to paid sick days was found for all currently employed workers in 2010 using the Minnesota Population Center and State Health Access Data Assistance Center, Integrated Health Interview Series: Version 5.0 (www.ihis.us). The line is the regression line correlating median wage with percent of workers with paid sick days weighted by industry size. The median wage for Philadelphia Restaurant workers was estimated by taking all Food Service and Preparation related occupations (SOC 35-0000) for Philadelphia. The percentage with paid sick days was calculated using the results of the 580 surveys of restaurant workers collected for this study.


16 Ibid, P. 20.

Conclusions and Recommendations

By examining industry and government data, existing academic literature on the restaurant industry, and the experience of restaurant workers and employers, we gained a comprehensive picture of Philadelphia’s restaurant industry. The industry holds enormous promise as a source of income and jobs to the region, and this research shows that some Philadelphia employers run successful restaurants by setting fair wages, benefits, and working conditions, which fosters employee satisfaction, lower turnover costs, and increased worker productivity. Unfortunately, the research also shows that Philadelphia restaurant jobs are far more frequently bad jobs, characterized by low wages, no benefits, and abusive working conditions. Additionally, pervasive low-road practices compromise the health and safety of workers and customers alike, while forcing the city’s taxpayers to subsidize restaurant employers through social programs.

Because of its importance to Philadelphia, all stakeholders must take action to reform the city’s restaurant industry. Policymakers, employers, consumers, and workers will all find important recommendations from the Philadelphia Restaurant Industry Coalition that follow the research that was laid out in this report.

POLICYMAKERS SHOULD:

1 Support legislation that ensures workers can earn paid sick days so that they may stay home and take care of their own illness or that of a family member without losing needed income. Allowing restaurant workers to stay home while sick benefits the public as much as the workers by decreasing the spread of contagious diseases. In this economy, no worker can afford to lose pay because of illness, especially when that worker already earns below-poverty wages, so any legislation must assure that all workers, tipped and non-tipped alike, are compensated for the income that they would typically earn by going to work.

2 Raise and index the subminimum wage for tipped workers and the overall minimum wage. Raising the tipped subminimum wage and regular minimum wage, and indexing both to the Consumer Price Index would alleviate the burden of poverty for thousands of Philadelphia restaurant workers. Too many restaurant workers are unable to properly care for themselves and their families because of low wages. The burden of housing, transport, and other basic needs would immediately be reduced, thereby benefitting the broader Philadelphia economy.

3 Support job training programs that provide high-quality and accessible training in special skills needed to advance within the industry, particularly for underrepresented groups such as people of color, women, and immigrants. Policymakers can provide:
   • incentives to employers who provide on-the-job or off-premises training of this nature.
   • training programs for underrepresented populations to obtain skills necessary to advance to living-wage positions within the industry.
4 Strengthen and enforce employment laws in the restaurant industry and penalize violators at a level that will deter other employers from violating laws in the first place.
   • Wage theft: Higher penalties are needed so that risks of potential damages outweigh immediate gains. This can be accomplished through treble damages provisions, in which the penalties are three times the wages stolen; by pursuing criminal charges against violators; and/or by revoking business licenses of violators. The Pennsylvania Bureau of Labor Law Compliance must also be adequately staffed to address a problem of this scale with a portion of wage theft penalties funding the enforcement agency to compensate for any budget shortfalls, as has been done in other states.
   • Similar measures should also be taken to enforce health and safety standards.
   • Employers must also be educated about their legal responsibilities to their employees, and employees must be educated about their legal rights.

5 Ensure that restaurant workers and their families have affordable access to healthcare. Restaurant workers too often have to rely on emergency room treatment, which raises healthcare costs for the broader community.

6 Protect workers from violations of federal, state and local anti-discrimination and equal employment opportunity laws.
   • Assist advocates engaged in anti-discrimination campaigns through intervention and mediation, encouraging employers to change their discriminatory practices. Additionally, by increasing penalties against employers who violate anti-discrimination laws, legislators can create a deterrent to such discrimination.
   • Ensure that employees understand their rights under anti-discrimination laws and make enforcement of such laws within the restaurant industry a priority for the City and State Human Rights Commissions.
   • Adopt legislation that would provide incentives or require employers to provide regular, ongoing sexual harassment training with all employees, including managers.

7 Enact legislation that would help workers cope with erratic scheduling. Several states have passed ‘show-up’ pay legislation, which requires employers to pay workers a few hours when they show up to work and are sent home immediately. Other protections against erratic and unreliable schedules should also be considered, especially for workers who must provide care for dependents.

8 Publicly support collective organizing among restaurant workers. Governments, employers, and non-governmental social sector organizations should foster and support organizing among restaurant workers to improve wages and working conditions in their workplaces and publicize the public benefits of these collective actions.

9 Consider initiatives and incentives that will assist and encourage employers to pay livable wages and go above and beyond the law. Such initiatives could include streamlining licensing procedures for employers who implement exceptional workplace practices, thereby enabling them to reduce fixed costs and invest more in workers.

10 Initiate and support further study and dialogue on occupational segregation and other areas where more study is needed. Discrimination is a complex and intricate issue, and it deserves ongoing attention from workers, employers, and policymakers alike. More detailed information is needed regarding the public cost of discrimination and the true economic profitability of responsible business practices in the restaurant industry.
EMPLOYERS SHOULD:

1. Adopt systematic and fair hiring and promotion practices. These practices must have clear and explicit criteria as well as structured and uniform tools for interviewing, formal and transparent protocols for current workers to find out about open positions, and performance evaluations to encourage workers to improve performance and obtain advancement.

2. Adopt and clearly communicate company policies and procedures, including anti-discrimination and harassment policies, to protect the well-being of all workers. Establish an effective complaint or grievance process that is clearly outlined in employee manuals, and maintain records of all grievances or complaints. Provide training to supervisory employees on proper handling of grievances. Provide all employees with regular, on-going training on sexual harassment and inclusion practices to promote diversity at all levels as a value.

3. Adopt benefits, such as earned sick days, that would allow employees to accumulate hours to care for themselves and their families when sick. In addition to being ethical, these policies also make good business sense because they decrease the risk of spreading disease between employees (which lowers employee productivity), increase employee job satisfaction and loyalty, and decrease turnover costs.

4. Enhance job quality and employee retention by increasing wages and developing scheduling practices that meet both employer and worker needs. Not all workers will be able to move to higher-paid positions. Employers should ensure that workers in all positions can support themselves and their families. Ultimately, enhancing job quality through higher wages is an essential way to increase productivity and retention. In addition, employers can help provide more advance notice of schedules and develop best practices in developing schedules that meet both employers’ and workers’ needs.

5. Learn techniques that successful restaurant employers use to implement livable wages, benefits, scheduling control, and career ladders. ROC-Philadelphia can act as a resource to provide legal advice and technical assistance to employers. Furthermore, ROC affiliates have provided forums for successful, responsible restaurant employers to share their expertise with others and support each other. More information can be found at www.rocunited.org

CONSUMERS SHOULD:

1. Support responsible restaurant owners who are providing fair wages, benefits, and opportunities for workers to advance. Many of these restaurants have been awarded the Gold and Silver Prizes in the Restaurant Opportunities Centers’ National Diners’ Guide (www.rocunited.org/dinersguide).

2. Speak to employers every time you eat out and let them know you care about livable wages, benefits, and opportunities for women and people of color to advance in the restaurant industry.

3. Where workers have filed legal charges against restaurant employers who are violating the law, call the company to let them know that you will not support such illegal practices.

WORKERS SHOULD:

1. Become involved in the Philadelphia restaurant worker movement. There are many opportunities for involvement in worker-led committees, trainings, and more. Change does not happen unless the people that are most directly affected take action. Go to ROCUnited.org/Philly/ to find out more.
Detailed Sampling Methodology

The sample was stratified to ensure that the workers interviewed were as representative as possible. To add to the rigor of the survey design and administration, we weighted the data according to proportions of front and back of the house workers within full-service and limited-service restaurants to appropriately reflect the actual distribution of positions in the industry. Resulting statistics were analyzed using R statistical data analysis software. Results from this survey refer to the weighted figures unless otherwise stated.

Because there is no government data source listing individual restaurant workers and how to contact them, it is impossible to conduct a strictly random sample of this industry. Thus, we conducted a convenience sample survey consisting of quotas of workers that agreed to be surveyed within target quotas based on segment, gender and race/ethnicity derived from census analysis. We oversampled full-service restaurants because limited-service restaurants are far more often chains with less variation. We then weighted our responses so that our overall results are representative of the Philadelphia restaurant industry. More specifically, we used Bureau of Labor Statistics industry data to identify the proportions of back of the house and front of the house staff within full-service and limited service establishments. We then weighted our responses so that each key industry segment and occupational group represented the same share of our overall sample in the industry as a whole based on government data. Over a one-year period, interviewers contacted restaurant workers as they left restaurants, by approaching individuals in restaurant uniforms, by reaching out to their social networks, or simply by asking individuals if they worked in a restaurant. To create a diverse sample, we limited the number of surveys to two per restaurant establishment.

As with all methods, our sampling methodology has strengths and limitations. The strength of our outreach methodology is that it allowed us to include populations of workers typically underrepresented in the Census. In addition, in-person surveys lead to high question-specific response rates.
## Unweighted Survey Demographics | Sample Size = 580

<table>
<thead>
<tr>
<th></th>
<th>% of sample</th>
<th></th>
<th>% of sample</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td><strong>Race / Ethnicity</strong></td>
<td></td>
</tr>
<tr>
<td>25 and under</td>
<td>48.4</td>
<td>White</td>
<td>35.0</td>
</tr>
<tr>
<td>26-35</td>
<td>30.6</td>
<td>Black</td>
<td>33.6</td>
</tr>
<tr>
<td>36-45</td>
<td>9.7</td>
<td>Latino, any race</td>
<td>20.9</td>
</tr>
<tr>
<td>46-55</td>
<td>9.5</td>
<td>Asian</td>
<td>5.9</td>
</tr>
<tr>
<td>Over 55</td>
<td>1.8</td>
<td>Other</td>
<td>4.2</td>
</tr>
<tr>
<td><strong>Restaurant segment</strong></td>
<td></td>
<td><strong>Location of restaurant</strong></td>
<td></td>
</tr>
<tr>
<td>Fine dining</td>
<td>33.6</td>
<td>Center city</td>
<td>42.1</td>
</tr>
<tr>
<td>Family style</td>
<td>33.8</td>
<td>North Philadelphia</td>
<td>30.4</td>
</tr>
<tr>
<td>Quick service</td>
<td>25.3</td>
<td>South Philadelphia</td>
<td>17.4</td>
</tr>
<tr>
<td>Bars and other</td>
<td>7.3</td>
<td>West Philadelphia</td>
<td>8.1</td>
</tr>
<tr>
<td><strong>Nativity</strong></td>
<td></td>
<td><strong>Position</strong></td>
<td></td>
</tr>
<tr>
<td>Born in the U.S.</td>
<td>75.7</td>
<td>Front-of-the-house</td>
<td>58.0</td>
</tr>
<tr>
<td>Foreign born</td>
<td>24.3</td>
<td>Back-of-the-house</td>
<td>39.3</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>49.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>48.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-identifying</td>
<td>0.8%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Philadelphia Restaurant Industry Coalition survey data
By the Restaurant Opportunities Center of Philadelphia, the Restaurant Opportunities Centers United, and the Philadelphia Restaurant Industry Coalition

PHILADELPHIA RESTAURANT INDUSTRY COALITION PARTNERS INCLUDE

Action United
Comite de Apoyo a los Trabajadores Agricolas (CATA)
Community Legal Services
Jobs with Justice – Philadelphia
Juntos
Media Mobilizing Project
New Sanctuary Movement
PathWays PA
Pennsylvania Immigration and Citizenship Coalition
Philaposh
Philadelphia CLUW (Coalition of Labor Union Women)
The Restaurant Opportunities Center of Philadelphia
The Restaurant Opportunities Centers United
Dennis Brunn, Unitarian Universalist Pennsylvania Advocacy Network
Thomas Cronin, President Emeritus of AFSCME D.C. 47 and D.C. 47 Retiree Chapter
Stephen Herzenberg, Keystone Research Center
Brishen Rogers, Assistant Professor of Law, Temple University

THE COALITION WOULD LIKE TO THANK the many students, interns, restaurant owners, and restaurant workers who devoted their time to conducting surveys, interviews, data analysis, and early drafts. In particular, we would like to thank the following interns and members for their assistance in this project: Michal Lewin-Epstein, Liz Butler, Meghna Chandra, Jacob McIntosh, Rachel Harmon, Maggie Phan, Albi Dhimitri, Claudia Enriquez, Angela Kelly, Haven Ogbagorgis, Andrew Kelser, Alexandra McArthur, Ben Case, Deandra Khan, Namah Kamara, Emma Court, Katie Fink, Adam Kirsch, Daniel Powers, Marshall Reifer, Kate Goodman, and Kelly McCaughan. We would also like to give special thanks to The Worker Institute at Cornell.