

take the no-tipping plunge

Rising minimum wages and the pay disparity between front and back of the house is driving restaurants to reconsider tipping. / BY JODY SHEE

“I think we’re seeing the last decade or so of tipping.”

Jennifer Piallat, Zazie, San Francisco

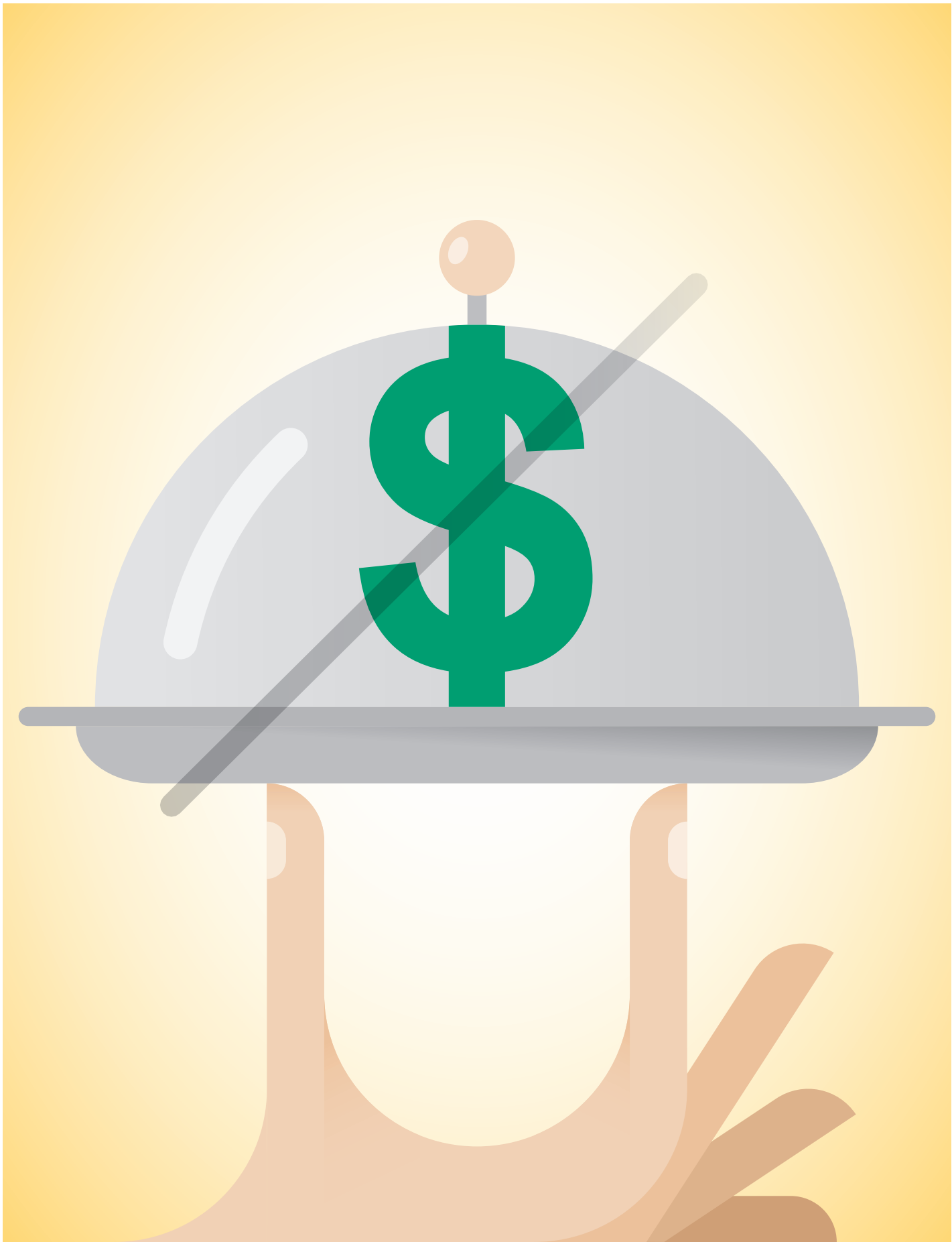
Switching to a no-tipping policy is like diving off the high board at the swimming pool for the first time: There’s usually a long, thoughtful pause before the leap. Increased minimum wages is the whisper in the ear that is sending many restaurateurs over the edge. A few who finally tested the no-tipping waters and have surfaced for air are sharing their experiences for the benefit of all. They give their reasons for the change, what they are doing in place of tipping, how they implemented their plan, and how staff and customers have responded.

Neighborhood restaurant Zazie in San Francisco switched to a no-tipping policy in June 2015, culminating a year of planning after San Francisco voters passed a proposition to gradually raise the minimum wage to \$15 by 2018. That amounts to about a \$5 per hour raise for waitstaff, even though they make \$45-\$50 an hour in tips. The kitchen staff was already at or above minimum wage. “So it is just a raise for the waitstaff when the kitchen really needed it. That was the impetus for the change to no tipping,” says chef/owner Jennifer Piallat.

Her minimum-wage challenge, and that of others in California, is compounded by the fact that, unlike other states, California does not allow tip credits, thus not allowing restaurants to pay servers a subminimum wage with the expectation that they will make up the balance in tips.

profit-sharing element

In her plan, Piallat set front- and back-of-the-house wages at \$15 (a decrease for kitchen staff), increased menu prices 20% and gives out 24% of sales to staff as a sales bonus. Servers get 12% of their individual sales added to their paychecks every two weeks. Kitchen staff share 12% of restaurant





“The inequity of pay between the front and back of the house troubles me deeply. When minimum wage goes up, it’s those already paid the most who benefit the most. That’s wrong.”

Susan Disney Lord, The Bel-Air, Los Angeles



“I’ll never open another restaurant with tipping in place. That’s how I’m going to roll. There are so many positives to no tipping.”

Adam Hebert, The Radler, Chicago

sales from their shift, so their individual percentages vary by the number of kitchen staff working a shift. In the way that tips encourage servers to upsell drinks and desserts, so does the new bonus plan. While a 12% bonus seems low to others, servers previously had to give 2% of tips each to the host, busser and runner, so an 18% tip actually turned into 12% for servers, Piallat says.

To avoid knee-jerk reactions from staff on implementation of the new plan, she met with each staff member individually and did “month in the life of” scenarios. “I said, ‘Here’s your October 2014 income, and here’s what you would have made if the prices had been increased 20%.’” She explained what their take-home pay and taxes would be, hoping they would feel it was a more stable situation. She has spreadsheets at the ready for staff members to view so that no one ever feels cheated.

The result has been positive in ways Piallat did not expect. She finds that servers are working for her and not so much working for the guest now. They are less likely to put up with sexual harassment from customers, no longer fearing losing a tip if they say anything. “I’m in more control of [servers’] behavior and how they treat and serve people,” she says.

Staff drama over non-tipping customers has been eliminated, as has prejudice against demographics known for not tipping well.

Piallat’s profit-sharing component may be the most brilliant element of her plan. It’s a proposition that Susan Disney Lord, owner of The Bel-Air, Los Angeles, plans to add to her no-tipping policy. Increases in the minimum wage tipped her over the edge in December 2015. She increased menu prices 20%, increased staff pay and went to no tipping. To the customer, the reason for the price increase was, “We incorporate the full cost of business into the food cost.”

To ease staff into the idea, Disney Lord started dropping hints of the impending no-tipping policy three months ahead. “In hindsight, I would wait until it got a little closer,” she says. “We lost some servers.”

Server pay amounts to about 10% less than previously. “Yes, they can go somewhere else and make more money. If that’s the driving need in their lives, it’s what they have to do,” she says. “But there are people serious about having a good, reliable job that pays well, and that when it rains, they can count on the fact that they will be paid the same.”

Still, Disney Lord sees two values in adding a profit-sharing element. It would incentivize the servers to upsell. “They will be more invested in the table, give better service and will see the fruits of their labor in their paycheck every two weeks,” she says. The other problem she hopes profit-sharing will mitigate is under-the-table cash tipping that she is told happens at some servers’ suggestion.

numbers matter

Before implementing a no-tipping policy, Adam Hebert, owner/managing partner at Chicago’s The Radler, thought about the typical pay scenario philosophically and mathematically. First, he calculated that the tipping average at his restaurant is 22.7% per customer—a huge percentage of cash flow that the restaurant cannot touch and neither can back-of-the-house staff. “The more I thought of it, the more I realized how messed-up that is,” he says. “I can’t think of any other industry that allows 22.7% of its cash flow to not be utilized.”

Add to that, on busy days, servers make more money hourly than the managers do. Servers lucky enough to work only Friday and Saturday nights make the highest hourly wages—and thus more money than those who work more hours and on slower days. “In essence, as employers, without realizing it, we are punishing our best employees by making them work more but earn less per hour,” Hebert says.

In fall 2015, he evened everything out by switching from tipping to a mandatory 18% service charge. Within three weeks of the change, he increased kitchen staff wages by \$2 per hour. “My goal is to get everyone into a livable hourly wage,” he says. “And I don’t mean according to what the state or federal government says is a livable wage, but what one can live on in Chicago.”

Rather than divide the 18% evenly among all staff, he calculated salary averages for all employees, reckoned the value of their individual jobs and divided the 18% accordingly. The transition was smoother for his staff than it might be for others, because they worked from a tip pool. “We already collected everyone’s tips and distributed them among the front of the house,” he says. Tip money was distributed in paychecks at the end of the week.

Admittedly, mandatory service charges, also called surcharges, aren’t for everyone. In fact, they are prohibited in the state of New York, says Carolyn Richmond, co-chair of the hospitality practice group and labor/employment department for law firm Fox Rothschild LLP, New York. She points out other legalities of going tipless. You lose the Federal Insurance Contributions Act (FICA) tip credit tax break while having to pay the full minimum wage. “It also increases the overtime rate considerably,” she says. And if you raise menu prices, increasing restaurant income, the rent likely will go up, as rent rates are typically tied to gross income.

off the starting block

While no-tipping policies have been around for at least a decade in a few top-tier restaurants, now there’s a mainstream push, says Anthony Rudolf, founder of Journee, a New York-based members-only community for hospitality professionals that provides access to a variety of classes, seminars, talks, networking and town hall meetings. He sees barbecue and mom-and-pop restaurants going tipless. “That’s the big momentum shift this year, and I’m an advocate and supporter of it. It’s the right thing for our profession.”

He and others cite Danny Meyer, CEO of New York’s Union Square Hospitality Group, as the champion of no-tipping over the last few months. According to the group’s website, “Union Square Hospitality Group plans to gradually eliminate tipping at all 13 of its New York restaurants over the course of 2016. This new way of doing business, called Hospitality Included, has already launched at The Modern and Maialino. Hospitality Included is designed to compensate the entire team—in both the kitchen and the dining room—more equitably, competitively and professionally, and provide clear paths for professional advancement.”

Switching to no tipping will be a decade-long transition, says Rudolf, and any successes out there now are a little too early to call. “But the snowball is rolling down the hill with early markers of success.”

His first tip for success with no tipping is to get a lawyer. “Pay the money. We’re headed, as an industry, to paid counsel. With minimum wages and low margins, any misstep could end in labor lawsuits and could be catastrophic down the road.”

Secondly, have an open dialogue with staff. “Be transparent on how it will work, how they will be compensated, and show them the numbers,” Rudolf says. “It’s a scary transition, and an overwhelming number of dining-room people don’t want it. Get the staff involved early in the process or you will have a mass exodus.” ■

TELLING CUSTOMERS

Customers could react negatively to whatever wording you use to explain your no-tipping policy on the menu and/or table-tent cards. Thus, at The Bel-Air, Los Angeles, “We try to hit each table with a manager to explain it before the check is dropped.”

—Susan Disney Lord, owner

The menu at San Francisco’s Zazie states, “Zazie is proud to be Tip Free! Our menu prices include a living wage, profit sharing, fully funded health & dental insurance, paid sick leave, paid maternity/paternity leave, and a 401(k) with employer match for all of our hard working employees. S’il Vous Plait—NO TIPPING EXPECTED—Merci à vous!” When menu prices increased 20% to make no-tipping possible, the restaurant did not lose customers.

—Jennifer Piallat, chef/owner

When Chicago’s The Radler went tipless, messages were posted on the restaurant website, on menus, on table-tent cards and in the front window.

“We put it everywhere we could find real estate to inform people.” Response has been overwhelmingly positive.

“Any negative responses were more of confusion. They weren’t clear what was happening with their bill.” Rather, customers have written positive comment cards and stopped the owner to congratulate him on what they are doing for the employees.

—Adam Hebert, owner/managing partner

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“Tipping is antiquated. I don’t think it has ever worked. It’s been an illusion.”

Anthony Rudolf, Journee, New York



“We’ve only seen the beginning of what will become a bigger movement.”

Carolyn Richmond, Fox Rothschild LLP, New York