Waiting tables for a living: How employers and geography affect working conditions

Anna Haley-Lock

Anna Haley-Lock is Associate Professor and Associate Director of the School of Social Work at the University of Wisconsin–Madison and an IRP affiliate.

U.S. welfare policy researchers are increasingly considering the role of low-wage job conditions as they seek a deeper understanding of the process by which welfare recipients “churn” in and out of employment.1 This work, drawing on perspectives from sociology, industrial relations, and management studies, builds on more dominant scholarship on workers’ individual-level characteristics—for example, personal barriers to employment such as having young children, mental or physical illness, and lack of transportation. Incorporating organizational and other contextual approaches to the study of employment at the front lines of the labor market, researchers have noted that workers in similar low-wage and low-skill jobs face very different working conditions within and across firms, net of workers’ human and social capital qualifications and often within the same local labor market. That is to say, organizations—in this case, workplaces—matter.

The paper on which this article is based built on this line of scholarship, reporting on the results of a study that involved in-depth interviews with operators of 15 full-service restaurants. The purpose was to investigate how organizational and other contextual factors corresponded with the quality of waitstaff jobs, including their compensation and access to work hours.2 I found that job quality varied by three major structural attributes of the restaurants, including whether they were urban, suburban, or rural; their staff size; and their status as independently owned versus chain-affiliated. This result points to the constraining role that these structural factors have over employers’ discretion to set compensation, staffing, and scheduling. Equally notable, I observed that waitstaff jobs were paid and scheduled differently across establishments that were structurally similar. This variation suggests that even when sharing major structural characteristics, restaurants choose a range of strategies to manage labor expenses, some “higher road” (meaning practices whose benefits extend beyond profits to include workers and sometimes the community) and others “lower road.” Each of these scenarios has implications for the economic vulnerability of waiters and potentially other minimum wage workers.

How employers shape job quality

The U.S. approach to employment regulation gives employers considerable discretion to shape the employment contract. Aided by historically weak labor unions and the extended economic downturn, employers operating within the growing service sector have tended to respond to customer demand for high quality at low cost by taking robust steps to minimize labor expenses. Indeed, in many cases front-line managers are given a limited number of payroll hours within which they are required to staff their cash registers, kitchens and dining rooms, hotels, and call-in centers.3 Firms are free to decide whether or not to offer fringe benefits such as paid time off or health insurance, how much if anything to contribute towards employee insurance costs and supplemental retirement savings, and how long and how many hours a week employees must work in order to be eligible for benefits.4 The federal minimum wage, $7.25 per hour since July 2009, is set relatively low, and payment of increments above that rate are fully voluntary on the part of the business (18 states and the District of Columbia have higher rates, with Washington state the highest at $9.19). Firms are not required to guarantee a minimum number of hours per employee, as minimum daily pay laws do in other countries. In these ways, employers are able to limit their fixed labor expenses. Firms also use additional strategies for managing variable labor costs. Minimizing the number of workers per shift and engaging in “just-in-time” scheduling—including calling employees in at the last minute when customer traffic is high and sending them home when it slows—provide firms with the flexibility to allocate labor only as dictated by short-term business demand.5

Within restaurants specifically, employers can draw on a range of other tools for minimizing employee payroll costs. By requiring (or imposing a strong expectation) that waitstaff share a portion of their tips with nontipped staff—called “tipping out”—employers effectively benefit from having the wages of their nontipped staff subsidized by their tipped coworkers, and can thus pay nontipped workers less. American waiter jobs are typically paid at or near the prevailing minimum wage, so U.S. federal and state minimum wage laws are a core constraint on cost containment; in all but seven states, however, “tip credit” laws permit restaurants to pay a subminimum wage for tipped employees (ranging from $2.13 in 13 states to $7.00 in Hawaii) that has over time been raised far less often than the regular minimum.
Even when cost-neutral, restaurants’ approaches to employee scheduling can dramatically affect waiters’ take home pay due to variations in tipping levels across times of day (breakfast versus dinner), days of the week (weekdays versus weekend), and even sections of the restaurant (back room versus central “people watching” area of the establishment). How hours are doled out can also affect employees’ capacity to work them: posting schedules at the last minute, changing shifts after they have been set, and offering employees minimal control over their work hours can all make it challenging to secure child care and transportation.

**Job quality by firm geography, size, and ownership**

In my study of low-end, full-service restaurants in Washington state, I examined how firms’ geographic location (urban, suburban, and rural); number of employees; and independent ownership versus chain affiliation aligned with the compensation and scheduling of waitstaff jobs. Washington offers a striking case for investigating low-wage jobs that are typically paid at the legal minimum rate—waiters—given that the state has the highest minimum wage in the country ($8.67 at the time of the study), one that is adjusted annually for cost of living changes; and that Washington is one of the seven states that does not permit a subminimum wage to be paid to tipped workers. As such, Washington restaurant employers face an unusually strong constraint from the financial effects of the law, and a strong incentive to counter these effects.

**Geographic location**

Research from the fields of sociology and geography suggests that rural, suburban, and urban location may shape firms’ employment practices through relationships to characteristics of labor demand and supply. With respect to urban environments, research on social polarization suggests that economic restructuring has diminished the quality of jobs there. City labor markets have hollowed out as large multinational firms have created a simultaneous demand for high-level professional positions and low-level service jobs. The rise of labor offshoring by firms has further reduced choices of high-quality jobs at the lower end of the labor market in many urban areas.

Meanwhile, suburbs have enjoyed “relatively high rates of new firm entry, survival, and growth,” generating many new service sector jobs. This workforce may be dominated by married women with children who, in the face of domestic responsibilities, place limits on their geographic mobility for work and thus face wage penalties. The presence of better compensated partners may also render these workers more open to jobs that pay little or offer few or no fringe benefits, especially in exchange for scheduling flexibilities that facilitate dual work and care responsibilities. These conditions render this labor pool a relatively captive audience for local employers, and result in the “suburbanization”—or reduction in quality—of some jobs.

Finally, in rural settings, a higher proportion of employers than in metropolitan areas pay just minimum wage and offer unstable, part-time hours. As a result, a higher proportion of rural than urban workers have low-wage, hourly jobs. These conditions have several causes, including a concentration of low-end services and small firms that focus on lower-skilled production, the small size and geographic isolation of the rural labor force, comparatively weak governmental regulations and unions, and growing labor competition from globalization.

I considered the association between restaurant geographic location and employment practices by comparing sites located in five urban, five suburban, and five rural areas. Average hourly tips increased from rural to suburban to urban settings, spanning $1 to $22.50 at rural sites; $7 to $22 in the suburbs; and $13.50 to $50 in the urban areas. Firms’ policies for requiring waiters to share their tips also showed some slight geographic patterning, with rural restaurants imposing higher tip-out expectations than sites in the suburban area; urban restaurants generally required still less tip sharing than the suburbs. The combination of lower tips and higher tip-out requirements was particularly constraining on rural waiter incomes. Further compounding this, owners from two of the rural independent restaurants were alone in reporting that they made seasonal reductions in waiter hours or waitstaff. More rural restaurants provided paid vacation than their suburban and urban counterparts, however. In contrast, in addition to offering higher tip-earning prospects, the urban restaurants had the most full-time waiters: three of the five urban sites had half or more of waiters working full-time hours. Full-time status was especially meaningful because eligibility for health insurance, when offered, was limited to full-time employees.

**Firm Size**

Two divergent perspectives describe the relationship between firm size and a range of organizational and worker outcomes as being shaped by organizational resources and culture. In the first account, small businesses lack the resources to pay workers as well as their larger competitors. Consistent with this, one study found that smaller firms (10–24 employees) were twice as likely as larger ones (50–99 employees) to pay one-fourth or more of their employees just the minimum wage, at 13 percent versus 6.5 percent; 11 percent of companies in the middle-size range paid one-fourth of their employees just the minimum wage, at 13 percent versus 6.5 percent; 11 percent of companies in the middle-size range paid one-fourth of their employees just the minimum wage, at 13 percent versus 6.5 percent; 11 percent of companies in the middle-size range paid one-fourth of their employees just the minimum wage. According to the second, “small is beautiful” notion, one not mutually exclusive of the resource constraint story, firms with smaller staffs are often run with an informal and personal approach, where workers may be willing to accept lower wages in return for a more congenial work environment.

Although firm size has often been depicted in research by employee headcount, scholars have begun to document a trend that may be rendering the measure an increasingly poor indicator of functional firm size: employers’ keeping many more employees on payroll than they typically schedule as
a strategy for covering nontraditional work hours or sudden spikes in business. Historic relationships between staff numbers and a range of organizational and job characteristics may be affected as a result.

I examined the relationship between firm size and employment practices by comparing the six small, three medium, and three large independently owned restaurants. Average hourly tips were lowest at the smallest restaurants, ranging from $1.50 to $15.00, though two small sites were alone in paying incrementally above minimum wage. Among the independent establishments, only the larger sites—all of the “large” and one of the “medium”—providing employee health insurance. The small sites also had particularly low levels of full-time worker positions relative to their larger peers. Still, schedules were generally more stable at the smaller restaurants, which also tended to concentrate more hours on their waiters. More than one-half of the nine small and medium establishments, but none of the large sites, scheduled more than one-half of waitstaff for busy shifts, and one-third or more when slow.

Chain affiliation

A firm’s affiliation with multisite chains through corporate ownership or franchising agreements constitutes a third characteristic with implications for employer practices. Through corporate relationships, chain-associated establishments have access to greater resources than their independent competitors, including economies of scale when negotiating and purchasing employee fringe benefits. Chain-owned long-term care facilities have been found to provide better wages and health care benefits than their independent peers. Chain-affiliated businesses may skimp on job quality, however, if their overseeing corporations emphasize efficiency. In addition, their corporations’ lack of connection to the communities in which they are situated may limit chain sites’ orientation to providing supportive employment opportunities.

I considered the association of firm ownership status and employer practices by comparing the three independently owned “large” sites with the three affiliated with a chain. These two types of larger restaurants exhibited identical employment practices with one exception: the independents in the rural and urban areas gave waiters input on work hours, whereas their chain counterparts did not. All of the chain locations and large independents offered employee health insurance and paid vacation. According to the three chain managers, their sites’ uniform provision of benefits was a product of corporate headquarters’ oversight in setting employee compensation, provided in two tiers. Managerial staff was offered better, more affordable health insurance as well as a retirement savings plan, and hourly workers a more limited insurance plan at higher out-of-pocket expense and no retirement option. Owners of the large independents made no mention of distinct classes of benefits.

As noted earlier, a set of independent restaurant owners—but notably, no chain site managers—distinguished themselves in energetically lamenting the business impacts of the state minimum wage mandate. They were particularly displeased with the lack of a tip credit that would otherwise permit them to pay waiters less than the base rate, and the annual imposed “pay raise” (cost of living adjustment) for those same workers.

Job quality as a matter of employer discretion

In addition to finding variation in waiter compensation and scheduling that was patterned by firm geographic location, staff size, and ownership, I observed that the restaurants shared many approaches to constructing the waiter job irrespective of structural attributes. These practices make the job more or less stable and sustainable for its occupants.

Fluctuations in customer tips

Though the American concept of customer-paid gratuities is to differentiate and reward service of varying quality, restaurant operators well knew that tipping was often out of the hands of waiters. In some cases, a restaurant’s ambience limited tip levels, as with the small rural independent restaurant, whose owner reported that a competing chain site “has good tips for waiters because they’re well-known and people like dining over there. Here, people don’t consider it a tip place. They consider it like a McDonald’s, even though there is a server that waits on them.”

Employers also strongly influenced their waiters’ tip income, however. The section to which waiters were assigned also played a big role in their prospects for tip earnings. Managers and owners talked about waiters’ needing to “earn” their sections, and even that being assigned “better sections” was how the restaurant provided pay raises to waitstaff. Not surprisingly, the task of section assignment was closely guarded, typically limited to managers or owners and sometimes senior waiters, who could assign themselves the best sections. Assignments were typically based on performance and seniority, so that new waiters often had to accumulate extended work history before they could access this potential higher income source.

In spite of this openly discussed variation in tip levels, all 15 restaurants expected waiters to share their tips from each shift. Rates of tipping out ranged across restaurants from a specified dollar amount per non-waitstaff coworker, to a percentage of sales, to distribution of shares from a tip pool. In each restaurant, however, these tip-out rules did not appear to vary by waiter section, shift traffic, or hours worked.

The burden of benefits

Restricted benefits were broadly the norm in the restaurants studied, with some variation observed within that narrow range, as reported above. No employers gave paid sick days;
nine of the 15 sites offered paid vacation. Although health insurance was offered by seven restaurants, owners and managers—both at sites that did and did not extend the benefit to waiters—raised several concerns about doing so, including high cost, administrative burden, and lack of employee interest. The owner of a small rural restaurant reported that she had looked into arranging medical and dental coverage through the state restaurant association, a business lobbying group for the industry, and was told that she needed at least three employees to participate; at the time of the interview only she and her husband, both restaurant employees, wanted to enroll.

**Strategic staffing and scheduling**

Use of part-time waiters was widespread, with just four of the 15 restaurants having one-half or more of waitstaff working full-time. Although offering reduced hours to certain employees such as students and primary caregivers can reflect an employers’ attempt to make work-life accommodations, numerous owners and managers spoke of a primarily fiscal reason for this practice, including avoiding benefits eligibility. As reported by an owner of a small urban restaurant, “You have to provide benefits for employees working full-time. The restaurant would go broke if we gave benefits to all.”

Managers also restricted waiter hours to maintain desired ratios between labor costs and customer sales, which could fluctuate during, as well as across, shifts, days, and seasons. Two owners of large independent establishments, one rural and one urban, spoke in detail about this practice. The rural owner reported that he had set a goal of 21 percent for the ratio of labor outlays to total sales by the end of each day. He and his managers reviewed labor and sales information every half-hour of the business day. “The labor percentage can’t exceed 29 percent at 3 p.m., or it’s unlikely to drop to 21 percent” by the end of the day, he explained. “At that point, managers know to ask some folks to go home,” with weaker performers typically sent home first. The urban owner reported a similar if somewhat more lax goal: “You need to keep employee costs to about 30 percent.” Strikingly, the rural owner noted that he had lost many employees to the competing chain site that has a reputation for high wages and tips—but that restaurant “won’t give them any hours, so we get them back.”

Eleven restaurants permitted waiters “some” or “a lot” of input into their work days, though rarely hours. Yet comments from interviewees suggest that restaurants’ accommodation of scheduling requests often had limits, and that giving input presented several potential costs to waiters. Four managers noted that waitstaff could declare availability upon hire, but that shifts were largely fixed once factored into the restaurants’ master schedules. The manager of the suburban chain site observed that “restaurant workers have their jobs because they are flexible,” revealing a blurring of the notion of scheduling flexibility that is driven by employees versus that which employers expect from employees. Several managers noted that they prioritize waiter seniority and performance in approving requests for schedule changes. Owner and manager comments also revealed the potential costs to waiters of giving scheduling input. The rural chain manager, for example, reported that she tries “to give [waiters] whatever they ask for, since they will stay if you keep them happy.” But she subsequently stressed that waiters who make multiple changes to their availability may be let go because “the general manager has to think about the team and not the individual. If a server’s availability changes once, that’s okay.” These conditions may have made any waiters eager for work hours hesitant to make schedule requests.

**Discussion**

The findings illuminate how owners and managers in low-end restaurants establish key working conditions related to take-home income, benefits access, and scheduling within specific contexts for doing business that are partially, though not entirely, set by public policy and organizational geography, size, and ownership. Although waiters at the restaurants in this study all earned at or near the minimum wage, employers had considerable influence over waiter take-home pay in order to minimize costs, optimize productivity, or both. This effect played out in three critical ways: employers shaped tip amounts—reduced for some, increased for others—through their strategic assignment of restaurant shifts and sections that were associated with variable tip earnings; they further diminished tip amounts by requiring waiters to share, or tip out, their gratuities with other staff; and they controlled the allocation of hours by limiting the number that waiters receive up front and eliminating hours for waiters sent home during slow business times. Even the flexibility that some waiters reportedly enjoyed by being able to provide scheduling input bore a risk of losing hours and thus pay, and possibly job security.

With respect to the three structural factors, I found modest support for the established perspectives on the relationships between job quality and firm size, ownership and location. That health insurance was available in all of the large restaurants but just one smaller (“medium”) site suggests that the resources conferred by restaurant scale facilitate provision of comparatively high-cost employee benefits. Paid vacation was also more often offered by the largest restaurants, which are logistically better able to accommodate waiters’ requests for time off given the larger number of employees on the payroll to fill in. The large chain restaurants exhibited practices nearly identical to the large independents, with the exception among the rural and urban sites of permitting waiters less input on their work hours (neither large suburban restaurant allowed much hours input, either). The chain restaurants may have more rigid scheduling conventions as a product of corporate oversight that emphasizes cross-site standardization, to the disadvantage of local employees who may seek schedule flexibilities.

Restaurants with smaller staffs did extend a range of benefits related to scheduling, generally granting waiters more stabil-
ity and concentrating work hours on fewer staff. The only
two sites to pay hourly rates incrementally higher than the
legally mandated minimum were also small. These practices
may reflect the “small is beautiful” perspective, and thus
efforts by resource-constrained firms to provide affordable,
compensating supports intended to cultivate employee com-
mittment. The appropriateness of headcount as a proxy for
firm size varied in this sample, however, as restaurants with
the most waiters on payroll tended to schedule lower propor-
tions of them than smaller sites. “Large” on paper, was not
always as large in practice.

Comparing geographic locations, the observed patterns in
employer practices echo studies finding relatively poorer
quality employment opportunities at the lower levels of rural
and suburban labor markets. The urban waiter jobs, with
their greater access (in medium and large sites) to the com-
bination of health insurance, paid vacation, opportunity for
full-time status, and relatively high take-home income, were
the best of the three geographic areas.

The study has several limitations, including reliance on a
small sample that restricts the depth and generalizability of
comparisons by the three firm features of interest. As docu-
mented by a range of past studies but not examined here,
firms’ strategies for market differentiation—for example, by
offering a high-quality versus low-cost product—may ex-
plain some of the divergence in employer practices.


15.4 percent of rural workers have low-wage, hourly jobs, compared to 13.5 percent of Urban workers. See W. O’Hare, *Rural Workers Would Benefit More Than Urban Workers From an Increase in the Federal Minimum Wage*, Fact Sheet No. 4, Carsey Institute, Durham, NH, 2007.


1The $50 per hour tip income estimated by the owner of the large urban independent site is striking in the context of a study of low-end restaurants. The restaurant’s menu had pricing in the range of other establishments in the study, suggesting that the site is a very high-volume sales environment; in addition or instead, customers frequenting this site may tip more generously.


Interestingly, this owner reported not providing a health insurance option to his employees. U.S. employers are not currently required to provide health insurance. The owner may believe either that he is required to offer such coverage to full–time workers, or that full–time workers would demand it even though it is not legally required.

Focus is now distributed solely as an electronic publication.

To reduce the environmental impact and production costs of Focus, we have discontinued printed copies.

If you do not already receive “IRPFocusAlert” e-mail notifications (you should have received one about this issue), please send a message to irppubs@ssc.wisc.edu with the phrase “FOCUS ELECTRONIC” in the subject line. Please include the following in the body of the message:

Name
Mailing address
E-mail address

In addition to receiving an e-mail and link when a new issue of Focus is available on our website, IRPFocusAlert subscribers also receive notification of each new issue of Fast Focus, our electronic-only brief on recent poverty research.

We welcome your input. If you have questions or comments, please e-mail Focus editor Emma Caspar at ecaspar@ssc.wisc.edu.

*Rest assured that we will not share your e-mail address with anyone.