

## **LABOR CHARGE FAQ**

### **Why do you charge a labor charge in lieu of a tip?**

In March 2015, the long overdue increase to the minimum wage took effect. While we were 100% behind the increase, it presented us with a dilemma. The only people at Bocanova to be affected by this wage increase were the service staff who already had the highest take-home pay when tips were factored in. In exploring the options, we felt that it was important to take a clear stand in support of commensurate pay in the restaurant industry. Historically, the compensation structure prevalent in the restaurant industry has resulted in a large compensation gap between those who work in the dining room and those who work in the kitchen. Raising the hourly rate of the workers with the highest take-home pay, and leaving everything else status quo, would make it extremely difficult, if not impossible, to give the kitchen workers a raise. The kitchen staff members are paid hourly and while they are usually paid well above minimum wage, their total compensation lags far behind the service staff's. Further minimum wage increases would only exacerbate this imbalance.

### **Why not just force service staff to share their tips with the kitchen staff?**

State and national labor law prohibit the sharing of tips with those staff members who are not involved in the "chain of service" (kitchen staff).

### **How is the labor charge money used?**

Of the 20% Labor Charge, 16% of the Labor Charge is spent directly and exclusively on the wages of the hourly wage earners in both the front and back of the house. Let me add, the servers and bartenders still have the highest take-home pay. We've also included a 4% Service Charge that goes directly to the server or bartender.

Ultimately, this new system costs us more in labor costs than the previous one, because of Worker's Compensation and other payroll taxes, but we believe it is our responsibility as business owners to create a paradigm that supports workers' rights and benefits.

### **How does compensation for service staff compare to when they made minimum wage plus tips?**

The servers and bartenders still have the highest take-home pay with an hourly rate of \$20 - \$32 per hour, not including the 4% portion of the Labor Charge goes directly to the server or bartender. By creating a sliding scale, we create the opportunity for growth and advancement, and motivation to excel.

### **Why did you remove the tip line from the credit card slip?**

To eliminate any confusion as to whether a further tip is expected. If a guest would like to leave an additional tip for their server, a manager can facilitate that.

### **Why did you choose to charge 20% instead of some other amount?**

After researching the average tip left by our guests, we discovered the standard tip was between 18% & 20%. We felt that by adding a labor charge totaling 20%, the increased cost to our guests, if any, would be around an additional 2%.

### **Why don't you just raise your prices and eliminate the service charge?**

In exploring the options, we felt it was important to take a clear stand in support of commensurate pay in the restaurant industry. Raising prices would have only widened the gap if the tip policy remained the same. We also decided not to raise prices because we wanted it to be very transparent and easily proven

that the 16% goes directly to the hourly wage earners and not to property improvements, managers' salaries, purchasing or one of the many other expenses incurred by restaurants.

Raising prices and eliminating tipping altogether is a difficult thing to do in today's competitive market where the vast majority of restaurants price their menus based on the assumption that their service staff will make a significant portion of their compensation from tips. We firmly believe that the direction of the entire restaurant industry is on the cusp of change, which will make raising prices and eliminating tipping will become the pervasive reality.

### **Won't the quality of service suffer?**

Everyone works hard at Bocanova to provide our guests with the best possible experience. Making that happen depends on the entire team working together. We understand that "The quality of the service is just as important to the experience as the quality of the food is to the palate and the presentation is to the eye".

Our servers receive frequent performance evaluations and merit based raises, which we feel legitimizes the job in a way that gives our staff a sense of pride in their performance and is in line with most other industries in our country. We have witnessed a team transform into one interested in building up the restaurant, rather than competing for the best tables and the best tips. We are very happy with the results.

That said, there's always the chance of an off-moment. The 4% can be taken off the bill if we don't live up to the customer's expectations of excellent service. Furthermore, we hope when our performance falls below Bocanova's standards, that the guest will bring it to the attention of the manager on duty, so that we can mitigate the problem in the most suitable fashion.

Numerous studies have concluded that there is little to no correlation between quality of service and amount of tip ([http://tippingresearch.com/uploads/managing\\_tips.pdf](http://tippingresearch.com/uploads/managing_tips.pdf)). Studies have also found that women are tipped better than men, that white servers are tipped better than black servers, and that servers who draw smiley faces on the check or touch their customers' shoulders during service get better tips (unless they are male servers, in which case the opposite is true) ([http://tippingresearch.com/uploads/customer\\_racial\\_discrimination10-30-06.pdf](http://tippingresearch.com/uploads/customer_racial_discrimination10-30-06.pdf)).