

## **NPR Script**

UNIDENTIFIED MAN #1: I think most people hate to think of themselves as middle-class.

UNIDENTIFIED MAN #2: You have what you need, but maybe not everything you want.

UNIDENTIFIED MAN #1: We have a car, but we live in an apartment. That's middle-class.

UNIDENTIFIED MAN #2: If you add a boat, then you're not middle-class anymore. That's what changes it right there.

UNIDENTIFIED MAN #3: The middle class are families who are earning six figures.

UNIDENTIFIED MAN #4: Thirty thousand, \$35,000 probably.

UNIDENTIFIED MAN #5: That means me. And it means I'm in trouble (laughter).

LINDA WERTHEIMER, HOST:

This is Hanging On. And today, we're looking at the no-tipping experiment in the restaurant industry. The idea here has been to rectify basic unfairness. Dishwashers and cooks at the back of the house don't earn as much money as waiters because they don't get tips. So do away with tipping, raise menu prices and pay everyone a higher wage.

Well, that experiment has failed at some restaurants. Joe's Crab Shack, a national chain, announced this month it is moving away from the no-tipping model. Thad Vogler also dropped tipping for a while, but found it was too difficult to maintain. He owns Trou Normand and Bar Agricole in San Francisco. Francisco, and here's why he tried it in the first place.

THAD VOGLER: In San Francisco, there are a number of city mandates that are expensive and the imminent \$16 minimum wage is among those, so it's been very much on restaurant owners' minds how to compensate differently. So I had been at a number of meetings with other restauranteurs in the city and there was a sort of sense that a number of us were going to make this shift, and I thought I would go first.

WERTHEIMER: So how much was your staff making before the change, wait staff versus kitchen staff? There was a difference, I assume?

VOGLER: Yeah, I would say the kitchen staff was making between \$13 and \$20 dollars an hour, probably, and the front of the house staff was making between \$25 and \$40 dollars an hour.

WERTHEIMER: Did you give the staff raises to sort of even that thing out then, even out the back of the house and the front of the house?

VOGLER: Yeah. Yeah, very much so. I would describe it that the kitchen received raises, the senior staff in the front of the house, their income remained pretty similar, and then entry-level staff took a bit of a hit in the front of the house.

WERTHEIMER: What made you decide to switch back?

VOGLER: Attrition. We were losing staff, servers mostly. Kitchen was of course happy and turnover was nonexistent, and senior staff in the front of the house were happy. But we were continuing to hire young new people, train them, and then they'd get the set of skills

necessary and they would move to - they would generally give notice and move to other restaurants in our community who were still on a - on the traditional tip economy.

WERTHEIMER: So how has the staff reacted to this, now that you're going to start tipping - taking tips again?

VOGLER: Oh, they're delighted. Most of all, my management was very relieved. It had been a tremendous amount of work, and we all remain very much in favor of it ideologically. And I, like many, think it may be the way things are going. And we just started to feel like an ideologue, insisting on this way of doing it when others in our community that had said they would switch were not switching. So it really wasn't happening after a year the way we had thought it might. Financially, we wanted to be more one of the pack, while innovating more with, you know, food and drink and service.

WERTHEIMER: So you think you might get back to this at some point? I mean, have you figured out a few things that would make it work better?

VOGLER: Yeah. There was one primary mistake, which was thinking that somehow - I didn't want to raise - I wanted the prices to be basically what people were paying previously including tip. So we added - we knew our tip percentage was around 21 percent, so we increased all of our prices by that and charged accordingly. And then we gave the kitchen raises, so there was a bit less for the front of the house. So that was really my mistake. I know that others that are making this switch now are raising their prices by more like 40 percent to be sure that that doesn't happen.

WERTHEIMER: Thad Vogler, thank you very much.

VOGLER: Really a pleasure, thank you.