The Impact of Increases in the State Minimum Wage on the Oregon Restaurant Industry: 1997 to 1999

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James R. Terborg, Ph.D.
Lundquist College of Business Administration
University of Oregon
Eugene, OR 97403

EXECUTIVE SUMMARY

A survey was mailed in December, 1998 to a random sample of 1,000 owners and managers in the restaurant industry in Oregon to assess the impact of recent increases in the state minimum wage on the industry. Based on an analysis of 207 completed surveys, the following conclusions are reached:

- **Increases in Minimum Wage Benefits Some Hourly Employees While Limiting the Wages of Others**

  In addition to the 1998 minimum wage increase from $5.50 to $6.00 per hour, 62% of restaurant owners and managers raised the hourly wages of non-tipped employees already receiving $6.00 per hour by an average of $0.59 per hour. For 1999, in addition to the minimum wage increase from $6.00 to $6.50 per hour, 50% of restaurant owners and managers planned to provide an average increase of $0.51 per hour to those non-tipped employees already receiving the new minimum wage of $6.50.

  However, 78% reported that paying more to minimum wage employees reduced the amount they were able to pay skilled employees who were above the minimum wage. Furthermore, looking only at those restaurants that have tip-eligible employees, only 18% provided raises to tip-eligible waitresses and waiters making $6.00 per hour in 1998 and only 12% planned to provide raises to tip-eligible waitstaff already receiving $6.50 per hour in 1999.

- **Higher Minimum Wage Results in Higher Menu Prices, Reduced Employee Hours and Reduced Number of Employees**

  As a result of increased labor costs associated with the 1998 increase in minimum wage, owners and managers were most likely to cover higher labor costs by raising menu prices (79 %), reducing the number of employee hours worked (68%) and reducing the number of employees (62%).

  The same pattern exists for 1999, with owners and managers most likely to again raise menu prices (84%), reduce the number of employee hours worked (77%) and reduce the number of employees (71%)

  Thus, while some employees benefit from higher hourly pay as a result of the increased minimum wage, others might work fewer hours or even have their positions eliminated.

- **Waiters and Waitresses Most Likely To Have Hours and Positions Cut**

  Employees most affected by reduced hours in 1998 and again in 1999 were waitresses and waiters, prep cooks, buspersons, and dishwashers.

  Employees most affected by having their jobs eliminated in 1998 and again in 1999 were waitresses and waiters and buspersons.

  More specifically, 68 percent of restaurants with tip-eligible employees reduced the number of hours their waiters and waitresses worked due to the 1998 minimum wage increase. To accommodate the 1999 increase, 63 percent plan to reduce the hours of tip-eligible waiters and waitresses. Forty-six percent reduced the number of their waitstaff in 1998 and 38% indicated that they will further reduce the number of waitstaff for 1999.

  The impact on waiters and waitresses is complex because of the amount they make on tips. More specifically, based on payroll records and other reliable methods, tip-eligible waitstaff make between $5.60 and $9.49 per hour in tips, which is in addition to their hourly pay that is at least the minimum wage. Consequently, minimum wage increases paid to these employees who are already earning more than the minimum wage may have the unintended effect of reducing their number of hours worked and their weekly income.

- **Longer Hours For Salaried Employees, Shift Supervisors and Head Cooks**

  To compensate for reductions in hours worked and number of hourly employees, managers and other salaried employees are more likely to work longer hours (65%) with perhaps little or no increase in pay. Among hourly employees, shift supervisors (14% for 1998 and 13% for 1999) and head cooks (11% for 1998 and 12% for 1999) are the only positions to show increased hours.

- **Less Opportunity For Full-time Jobs and Jobs for Minors**

  Sixty-three percent of owners and managers report they are more likely to hire part-time employees and 40% are more likely to hire employees who are above the age of 21. This results in a corresponding decrease in full-time jobs and entry level jobs for minors.

- **Restaurants Avoid Opening in Oregon, More Restaurant Failures**

  Increases in the state minimum wage have a major impact on the industry according to 53% of respondents for 1998 and 77% of respondents for 1999. In addition, 75% of respondents believe that Oregon's high minimum wage policy would be a major reason for a firm not to locate in Oregon. Further, 77% believe that minimum wage increases are a major contributor to recent restaurant business failures.

- **Availability of Tip wage and Training Wage Would Increase Employee Hours and Number of Employees While Reducing Menu Prices**

  If a tip wage and a training wage were available, the majority of restaurants would use this wage and they also would increase the number of employee hours worked and the number of tipped employees. In addition, employee benefits might increase and menu prices might decrease.

  More specifically, 86% of restaurants with tipped employees indicated they would use a tip wage. As a result of a tip wage, the most likely changes would be increases in the number of hours worked (73%), number of tipped employees (59%) and level of employee benefits (48%), and, a decrease in menu prices (35%).

  Sixty-six percent of all respondents would use a training wage for minors if it were available.

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INTRODUCTION

Oregon has the highest state minimum wage in the nation. Beginning January 1, 1999, the last of three increases approved by the voters in 1996 took effect. Since 1995, the state minimum wage has increased from $4.75 per hour to $5.50 per hour in 1997, $6.00 per hour in 1998, and $6.50 per hour in 1999. The 1999 Oregon state minimum wage is 26% higher than the federal minimum wage of $5.15 per hour.

For some Oregonians, this distinction is a source of pride as recent gains in the state minimum wage benefit those at the bottom income levels. For others, it represents unneeded governmental interference and it adds to the cost of doing business in the state. One purpose of this study was to learn more about the impact of recent increases in the state minimum wage on the restaurant industry in Oregon.

In addition to having the highest state minimum wage, Oregon does not provide for a tip-wage or a sub-minimum training wage for younger workers even though these are allowed under federal law. In states with a tip-wage an employer may pay less than the minimum wage to tip-eligible employees who customarily and regularly receive tips and report those tips as income. In effect, some portion of tips are counted toward meeting the state minimum wage. In states with a sub-minimum training wage for younger workers, minors with minimal skills and/or work experience can be paid less than the minimum wage for a defined period of time. A second purpose of this study was to learn more about the consequences of a tip-wage and a training wage on the restaurant industry.

The study was supported by a contract from the Oregon Restaurant Association to the Lundquist College of Business Administration at the University of Oregon. Dr. James R. Terborg was the principal investigator. Mr. Anthony Pickering, a second year MBA student in the Lundquist College of Business, assisted with data analysis.

RESEARCH METHOD

Standard survey research methodology was used in this project. A four page survey was developed. Items on the survey came from several sources. A majority of

items came from a 1991 survey of the Oregon restaurant industry conducted by the Hotel, Restaurant and Tourism Management Program at Oregon State University. Other items came from a survey conducted by the Minnesota Restaurant Association or were developed by the author. The survey was reviewed by staff at the Oregon Restaurant Association for relevance, clarity and proper terminology. The final survey was approved by the Office of Research and Sponsored Programs at the University of Oregon.

The survey was mailed in mid-December, 1998 to a random sample of 1,000 foodservice industry owners and managers in the state of Oregon. The Oregon Restaurant Association provided names and addresses for 2,288 ORA members and for 3,026 non-members. A random sample of 420 establishments was selected from the 2,288 ORA member list and a random sample of 580 establishments was selected from the 3,026 non-member list. The sample was proportional to the number of ORA versus non-ORA members and was judged to be representative of the foodservice industry in Oregon.

Surveys were sent by first class mail in a letter-sized envelope with University of Oregon, Lundquist College of Business Administration affiliation. A cover letter on Lundquist College of Business letterhead explained the purpose of the study. A business reply envelope to the University of Oregon was provided for return of the completed surveys. In an attempt to have the results be as accurate as possible, the ORA was not listed on the survey itself and neither were respondents asked to indicate membership in the ORA.

As of January 30, 1999, 242 surveys were returned. Thirty three surveys were returned by the post office with addresses no longer valid. An additional two surveys were returned with notes stating that the respondents were associate members of the ORA and were not restaurants. This left a usable sample of 207 out of a valid mailing list of 965. The response rate was 21 percent. This response rate is typical for surveys of this type and length when no monetary incentive is provided and when there are no follow-up mailings.

SURVEY RESULTS

Appendix 1 presents the cover letter, the survey and the results for all valid responses. Appendix 2 lists verbatim comments written by survey respondents. The comments provide additional insight into the impact on the restaurant industry of recent increases in the state minimum wage.

The sample size for each item varies as a result of missing data or as a result of the nature of the question. For percentages, the results estimate the true values within $\pm$ 6 percentage points of the true value at the 90 percent confidence interval. Additional analyses were performed to determine if the results varied by annual sales volume (under $362,500, $362,501 to $500,000, $500,001 to $1 million, and over $1 million), type of establishment (family/casual and fine dining, fast food and quick service, and

other) , existence of tip-eligible employees (yes vs. no) and location in the state (Portland metro, Salem/North Willamette Valley, North Coast, Eugene/Southern Willamette Valley, Southern Oregon, Central Oregon, and Eastern Oregon). To minimize the identification of chance findings as a result of repeated tests, these secondary analyses used a more conservative level of statistical significance with differences being reported only if the probability was less than or equal to one in one hundred ($p \leq .01$).

The results are presented in nine sections. The first section examines the overall impact of increases in the minimum wage on the restaurant industry. Section two examines steps taken to accommodate the increased minimum wage. Section three explores reductions in employee hours worked and in number of employees. The fourth section looks at the impact on labor costs. The fifth and sixth sections look at the impact on hiring practices and the number of manager hours worked. The seventh section examines shifting wage dollars between employees. The eighth section explores interest in a tip-wage and a training wage. The final section examines the impact of a tip-wage on employee income.

Overall Impact

Three questions examined the overall impact of increases in the state minimum wage on the restaurant industry in Oregon.

As seen in the responses to question 1:

- Seventy-eight percent of respondents believed that the 1997 increase in the state minimum wage had at least some impact on their establishment.
- For 1998 the figure goes up to 94% and it is 95% for the 1999 increase.
- Of note, for 1999, 77% of respondents report a major impact as a result of the latest increase, up from 53% in 1998 and 32% in 1997.
- There were no differences in responses due to sales volume, restaurant type, use of tip-eligible employees or location. Thus, the impact is not restricted to one restaurant group, but applies to the entire industry.

1. Overall, what impact do you feel increases in the minimum wage the past two years have had and will have on your establishment?

		Major Impact	Some Impact	Little or No Impact
n=188	1997 increase to $5.50 per hour has had	32%	46%	21%
n=197	1998 increase to $6.00 per hour has had	53%	41%	6%
n=203	1999 increase to $6.50 per hour will have	77%	18%	5%

Question 14 examined the impact of the state's minimum wage on new business development.

- Seventy-five percent of respondents believed that Oregon's high minimum wage policy would be a major reason for a firm not to locate in Oregon.
- Respondents representing fast food and quick service establishments were most likely to agree with this statement. There were no other sub-group effects.

14. Do you feel the higher minimum wage in Oregon would be a **major reason** for a firm similar to yours to decide **not** to locate in Oregon?

n=204	Yes	75%	No	16%	No Opinion	9%

Question 15 asked if increases in the minimum wage contributed to recent business failures.

- The majority of respondents said "Yes" (77 percent).
- There were no effects due to sales volume, establishment type, use of tipped employees, or location.

15. Do you feel that increases in Oregon's minimum wage are a **major contributor** to recent business failures of establishments like your?

n=203	Yes	77%	No	13%	No Opinion	10%

Steps Taken to Accommodate Increased Minimum Wage

Question 2 examined what steps restaurant owners and managers have taken since the 1998 increase and what steps they plan to do as a result of the 1999 increase. The most commonly listed steps were to :

- Increase menu prices (79% in 1998 and 84% in 1999).
- Reduce the number of hours employees work (68% in 1998 and 77% in 1999).
- Reduce the number of employees (62% in 1998 and 71% in 1999).
- Restaurants with sales volume less than $362,500 were least likely to increase menu prices. Restaurants with tip-eligible employees were more likely to reduce hours of operation.

2. As a result of the state minimum wage increase to $6.00 at the start of 1998 and to $6.50 in 1999, what steps have you taken or plan to take? (check all that apply)

		Have Done For 1998 Increase to $6.00	Plan to Do For 1999 Increase to $6.50	Did for Both 1998 & 1999	No Change Due to Minimum Wage Increases
n=200	Increased menu prices	79%	84%	67%	5%
n=184	Reduced number of employee hours worked	68%	77%	61%	1%
n=177	Reduced number of employees	62%	71%	51%	18%
n=133	Added labor-saving equipment	29%	36%	19%	54%
n=147	Cut hours of operation	33%	35%	22%	54%

n=154	Reduced employee benefits	34%	47%	27%	45%
n=166	Made changes in menu	51%	68%	46%	27%
n=141	Reduced level of range of services	23%	30%	16%	62%

Reduction in Employee Hours and Positions

Two items asked owners/managers to indicate which employees were affected and how they were affected. For the employee group of waiter/waitress, responses are based only on those 136 restaurants in the sample that have tip-eligible employees. Data for all other employee groups use the full sample of 207.

Question 3 focused on the impact of the 1998 increase.

- The most common responses showed a reduction in hours worked and a reduction in the number of employees.
- Specifically, those employees most likely to work reduced hours were; wait staff (68%), prep cooks (37%), buspersons (36%) and dishwashers (35%).
- Those positions most likely to be reduced in number were; wait staff (46%) buspersons (28%), hosts and hostesses (24%) and prep cooks (24%).
- Head cooks (11%) and shift supervisors (14%) were the only positions that might work more hours.
- Restaurants with high sales volume were most likely to reduce the hours and numbers of hosts and hostesses.
- Restaurants classified as family causal and fine dining were most likely to reduce the hours and number of wait staff, to reduce the number of hosts and hostesses, and to reduce the hours of buspersons and dishwashers.
- Fast food/quick service restaurants were most likely to reduce the hours and the number of counter workers.
- Restaurants with tip-eligible employees were more likely to reduce the hours of wait staff, buspersons, dishwashers, prep cooks, and hosts and hostesses.
- Restaurants with tip-eligible employees also were more likely to reduce the number of wait staff, buspersons, and hosts and hostesses.
- Restaurants without tip-eligible employees were more likely to reduce the number of counter workers.

3. When the minimum wage increased to $6.00 per hour at the start of 1998, please indicate which employees were affected and how they were affected. (check all that apply)

		Increased Hours Worked	Reduced Hours Worked	Reduced Number of Employees	Added Labor-Saving Equipment
n=136	Waiter/Waitress	1%	68%	47%	6%
n=207	Buspersons	0%	36%	28%	2%
n=207	Counter workers	0%	28%	21%	2%
n=207	Dishwashers	1%	35%	21%	4%
n=207	Head Cook	11%	23%	10%	4%
n=207	Prep Cook	3%	37%	24%	6%
n=207	Shift supervisors	14%	12%	17%	2%
n=207	Host/Hostess	0%	27%	24%	0%

Question 5 asked respondents to indicate how they will adapt for 1999.

- Once again those employees most likely to work reduced hours were; wait staff (63%), prep cook (38%), dishwashers (34%) and buspersons (31%).
- Those positions most likely to be reduced in number were; wait staff (38%), buspersons (29%), counter workers (28%) and dishwashers (24%).
- Head cooks (12%) and shift supervisors (13%) were the only two positions that might show an increase in hours worked.
- Similar to the findings for 1998, high sales volume restaurants were most likely to reduce the number of hosts and hostesses.
- Restaurants with medium sales volume were most likely to reduce the number of counter workers.
- Family casual and fine dining restaurants were most likely to reduce the hours of wait staff, buspersons and dishwashers.
- Fast food and quick service restaurants were most likely to reduce the hours and the number of counter workers.
- Restaurants with tip-eligible employees were more likely to reduce the hours of wait staff, dishwashers, prep cooks, and hosts and hostesses. They also were more likely to reduce the number of hosts and hostesses.
- Restaurants without tip-eligible employees were more likely to reduce the hours and the number of counter workers.

5. When the minimum wage increases to $6.50 per hour at the start of 1999, please indicate which employees will be affected and how they will be affected. (check all that apply)

		Increased Hours Worked	Reduced Hours Worked	Reduced Number of Employees	Added Labor-Saving Equipment
n=136	Waiter/Waitress	2%	63%	38%	2%
n=207	Buspersons	0%	31%	29%	1%
n=207	Counter workers	1%	27%	28%	4%
n=207	Dishwashers	1%	34%	24%	5%
n=207	Head Cook	12%	26%	10%	4%
n=207	Prep Cook	3%	38%	20%	5%
n=207	Shift supervisors	13%	14%	16%	0%
n=207	Host/Hostess	1%	24%	20%	2%

Impact on Labor Costs

The impact of increases in the state minimum wage on labor costs were assessed with three questions. Questions 4 and 6 asked if raises were given to employees already above the minimum wage. The issue is one of maintaining internal equity within the establishment. Question 7 investigated payroll costs as a percentage of revenue. Questions focusing on tipped employees used only those responses from the 136 restaurants that had tip-eligible employees.

As seen in the responses to question 4:

- Sixty-two percent of respondents said they increased the wages of non-tipped employees who were above the minimum wage.
- Only 18 percent said they increased the wages of tipped employees.
- The average increase for non-tipped employees who did receive a raise was $0.59 per hour.
- The average increase for tipped employees who did receive a raise was $0.55 per hour.
- There were no differences due to sales volume, type of establishment, use of tipped employees, or location.

4. As a result of the 1998 increase in minimum wage to $6.00, did you do any of the following?

Increased wages of **non-tipped** employees already receiving $6.00 or more

n=189	Yes	62%	(average increase = $ 0.59/hr)	No	38%

Increased wages of tipped employees already receiving $6.00 or more (skip if you have no tipped employees)

n=136	Yes	18%	(average increase = $ 0.55/hr)	No	81%

As seen in the responses to question 6, as a result of the 1999 increase to $6.50:

- Fifty percent of the respondents indicated they would provide a raise to non-tipped employees.
- Only 12 percent indicated they would provide a raise to tipped employees.
- The average increase for non-tipped employees who received a raise was $0.51 per hour.
- The average raise for tipped employees who received a raise was $0.50 per hour.
- There were no differences due to sales volume, type of establishment, use of tipped employees, or location.

6. As a result of the 1999 increase in minimum wage to $6.50, do you plan to do any of the following?

Increase wages of non-tipped employees already receiving $6.50 or more

n=191	Yes	50%	(average increase = $ 0.51 /hr)	No	50%

Increase wages of tipped employees already receiving $6.50 or more (skip if you have no tipped employees)

n=147	Yes	12%	(average increase = $ 0.50 /hr)	No	88%

Question 7 looked at payroll cost as a percentage of revenue.

- Eighty-eight percent said that their payroll costs increased, 11 percent said they stayed the same, and 1 percent said their payroll costs decreased.
- The average increase was 10 percent and the average decrease, based on just two respondents, was 6 percent. (It should be noted that the percent increase or decrease reported by the owners and managers might be misleading as comments by some of the respondents suggested that this question could have been interpreted two different ways, i.e., an increase from 20 percent to 22 percent could be reported either as a 2 percent increase or as a 10 percent increase. Consequently, these results should be interpreted with extreme caution. However, there is no doubt that payroll cost as a percentage of revenue has increased for the vast majority of respondents.)
- There were no differences due to sales volume, type of establishment, use of tipped employees, or location.

7. Has your total payroll cost, as a percentage of revenue, been affected by the increase in the state minimum wage over the past two years?

n=189	Payroll cost increased	88%	(average percent increase = 10%)
n=189	Payroll cost stayed the same	11%	
n=189	Payroll cost decreased	1%	(average percent decrease = 6%)

Impact on Hiring Practices

Two questions examined the impact of increases in the state minimum wage on hiring practices.

Question 9 indicates that:

- Owners and managers are more likely to hire part-time employees (63%).
- Owners and managers are more likely to hire employees over the age of 21 (40%) .
- The results did not differ due to sales volume, restaurant type, use of tipped employees or location.

9. What changes, if any, have you made recently in the type of people you hire as a result of increases in the state minimum wage? Check all that apply.

n=207	More likely to hire part-time employees	63%
n=207	More likely to hire full-time employees	10%
n=207	More likely to hire employees below the age of 21	8%
n=207	More likely to hire employees ages 21 and above	40%

Question 10 looks at changes in the quality of employees as a result of the increased minimum wage.

- Seventy-two percent state that quality is about the same.
- Twenty percent state that quality is lower.
- The results did not differ due to sales volume, restaurant type, use of tipped employees or location.

10. What impact has the increase in minimum wage had on the quality of employee you hire?

n=204	Quality is:	higher	9%	about the same	72%	lower	20%

Impact on Manager Hours

Question 16 looked at the number of hours worked by managers and other salaried employees.

- Sixty-five percent reported that they now work more hours, 10 percent said they work less, and 24 percent indicated no effect.

16. Has the increase in minimum wage directly affected the total number of hours worked by managers and/or other salaried employees?

n=202	More hours	65%	Fewer hours	10%	No Direct Effect	24%

Impact on Shifting Wage Dollars Between Employees

Question 8 examined whether increases in the minimum wage made it more difficult to provide raises to employees already above the minimum wage.

- As seen below, 78 percent said “Yes”, 12 percent said “No” and 10 percent said “It doesn’t apply.”
- Factoring out the 10 percent who don’t apply changes the “Yes” percentage to 87% and the “No” percentage to 13%.

8. As you pay more to minimum wage employees as a result of the increase in minimum wage, does that reduce the amount you are able to pay wage earners above the minimum wage?

n=200	Yes	78%	No	12%	Doesn’t apply	10%

Interest in a Tip-wage and a Sub-minimum Training Wage

Three questions examined the interest in and the impact of a wage policy that would provide accommodation from increases in the minimum wage to restaurant owners and managers.

Question 11 assessed interest in using a tip-wage among owners and managers with tip-eligible employees.

- Eighty-six percent indicated they would use a tip-wage, 11 percent said "No" and 3 percent said it "Doesn't Apply."
- Restaurants classified as family causal and fine dining were most likely to use a tip-wage. There were no other sub-group differences.

9. Federal law establishes a tip-wage that allows for the calculation of tips in meeting minimum wage. This is not allowed in Oregon. If a tip-wage were available in Oregon would you use it?

n=136	Yes	86%	No	11%	Doesn't apply	3%

Question 12 examined the changes that might occur if a tip-wage were available in Oregon. Responses were limited to those restaurants with tip-eligible employees.

- Seventy-three percent would increase the number of employee hours worked.
- Fifty-nine percent would increase the number of tipped employees.
- Forty-eight percent would increase employee benefits.
- Thirty-seven percent would increase hours of operation.
- Thirty-one percent would increase range of services.
- Thirty-five percent would decrease menu prices.
- Restaurants classified as family casual and fine dining were most likely to increase employee hours and increase the number of tipped employees.

12. If a tip-wage were available in Oregon, what changes might you make? (check all that apply)

		Increase	Decrease	No Change
n=136	Number of employee hours worked	73%	4%	23%
n=136	Number of tipped employees	59%	3%	39%
n=136	Number of non-tipped employees	29%	11%	60%
n=136	Employee benefits	48%	4%	48%
n=136	Menu prices	9%	35%	57%
n=136	Range of services	31%	2%	68%
n=136	Hours of operation	37%	3%	60%

Question 13 assessed interest in a sub-minimum training wage.

- The majority of respondents (66 percent) would use such a wage if available.
- Sixteen percent were undecided.
- Fast food and quick service restaurants were most likely to use a sub-minimum training wage.

13. If a sub-minimum training wage were available in Oregon for younger workers would you use it?

n=202 Yes 66% No 18% Don't know 16%

Impact of a Tip-wage on Employee Income

The answers to Questions 21 to 28 are informative on the impact of a tip-wage on employee income.

- The average number of hourly employees was reported to be 30 (excluding two outlying firms with 2,500 and 8,000 employees respectively).
- Of these 30 employees, 59 percent, or 17.7 employees are paid the minimum wage.
- Of these 17.7 employees, 50%, or 8.85 employees, are reported to customarily and regularly receive tips ranging from $5.60 per hour to $9.49 per hour.
- Tip-eligible employees are estimated to earn between $12.10 per hour and $15.99 per hour if they are paid the minimum wage of $6.50 per hour.
- According to the results from this survey, it is estimated that fewer than 9 employees per establishment, or about 30 percent of the typical restaurant's workforce, are actually paid the minimum wage.
- The impact of increasing the minimum wage for all employees may ultimately be a reduction in total earnings for the subset of employees who work fewer hours and for those employees whose positions are eliminated.

21. How many total employees do you have that are paid on an hourly basis?

n=201 Number of employees: 30.0 (Note: this excludes two responses of 8,000 and 2,500)

22. What percentage of your hourly employees are paid the current minimum wage?

n=198 Percent hourly employees paid minimum wage: 59%

23. What percentage of your hourly employees that are paid minimum wage also receive tips?

n=187 Percent minimum wage employees who receive tips: 50%

24. What do you pay your non-tipped hourly employees?

n=175 Starting wage is $ 6.52 /hr n=160 High wage is $ 9.52 /hr

If you have tipped employees, please answer questions 25-28. If you do not have tipped employees you may skip to question 29. Thank you.

25. What do you pay your tipped hourly employees?

n=136 Starting wage is $ 6.20 /hr n=115 High wage is $ 6.67 /hr

26. Do you recommend a tip pooling policy?

n=135 Yes 27% No 70% Doesn't apply 4%

27. Using your payroll records, please divide total reported tips by total number of hours worked by tipped employees. What is the average amount of tips reported to you per hour?

n=94 Average tips reported per hour is $5.60

28. Including reported tips, tips left on credit cards, and other reliable methods, estimate the amount your employees actually make in hourly tipped income?

n=104 Average amount employees make in tipped income per hour is $9.49

SUMMARY

Increases in the state minimum wage have had a substantial impact on the restaurant industry. Based on the findings of this survey, the following conclusions are reached:

- Increases in the minimum wage tend to result in wage increases to employees earning above the minimum wage, but this also limits the size of raises that can be provided to skilled hourly employees.

- Owners and managers will attempt to cover increases in labor costs by raising menu prices, reducing the number of employee hours worked, and reducing the number of employees.

- The employees most likely to be affected by reduced hours and employment opportunities are waitresses and waiters, prep cooks, dishwashers, counter workers and hosts and hostesses

- Salaried employees, shift supervisors and head cooks are likely to work longer hours with perhaps little or no increase in pay.

- Owners and managers are more likely to hire part-time employees who are above the age of 21, resulting in a corresponding decrease in full-time jobs and entry level jobs for minors.

- Increases in the state minimum wage are thought to be major reasons for restaurants not to locate in Oregon and for recent restaurant failures.

- And finally, if a tip-wage and a sub-minimum training wage were available, the majority or restaurants would use this wage and they also would increase the number of employee hours worked and the number of tipped employees. In addition, employee benefits might increase and menu prices might decrease.