Tip Pooling Practices and Quality of Life for Back of the House Restaurant Employees

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Abstract

In Washington, tip pooling practices have been used to even out pay disparities between front of the house (FOH) staff, whose earnings are higher due to tips and back of the house (BOH) employees, such as cooks and dishwashers whose earnings rely solely on their hourly wages. As minimum wage increases so does the cost of paying back of the house employees. Therefore, many restaurant owners have removed tipping in lieu of a surcharge or price increases which then can be legally used to compensate for the higher wages for BOH employees. Further, in Washington, where the minimum wage is reaching $13.50 per hour (in Seattle $15.00), the use of a surcharge allows employers to compensate at their purview which still leaves disparities in pay between FOH and BOH employees. This is further exasperated by new tip pooling regulations which now exclude BOH employees from participating in all tip sharing practices. This study examines how the loss of participation in a tip pool has affected income, stress and job morale for Washington's BOH restaurant employees. Preliminary results show that the loss of compensation provided by tip pools has had a negative impact on income.

Introduction

The restaurant industry is the fastest growing sector of the U.S. economy, employing almost 11 million people and accounting for 10 % of the private sector workforce (National Restaurant Association, 2017). The Bureau of Labor Stastics (2016) reports that despite the industry's growth, restaurant workers are employed in seven of the lowest-paid occupations, earning a median wage of $11.73 per hour. Restaurant employees experience poverty at almost three times the rate of the general work force and people of color experience the rate of poverty at nearly twice the rate of White service industry workers (Restaurant Opportunities Center United, 2015b). Many states are using minimum wage initiatives to address growing wage gaps between these demographic groups and between economic classes.

For low-wage workers employed in the restaurant industry in Washington State, the over due need for minimum wage increases may be over shadowed by more impactful policy changes centered around tip pooling practices brought down by the U.S. Department of Labor (DOL). In February 2016, the Ninth Circuit Court of Appeals upheld a previous 2011 ruling, banning restaurants from requiring tipped employees such as servers and bartenders to share tips with staff who are not "customarily and regularly" tipped, such as cooks and dishwashers. However, other non-tipped front of the house (FOH) staff like bussers, food runners and hosts *are* still legally allowed to participate in valid tip pools because under Section 203(m) of the Fair Labor Standards Act (FLSA). It states: "The requirement that an employee must retain all tips does not preclude a valid tip pooling or sharing arrangement among employees who customarily and regularly receive tips, such as waiters, waitresses, bellhops, counter personnel (who serve customers), bussers, and service bartenders. A valid tip pool may not include employees who do not customarily and regularly received tips, such as dishwashers, cooks, chefs, and janitors"(U.S.

Departmant of Labor, 2016). This policy change directly affects low-wage earners within the industry and negates efforts by the state to pay a living wage as a way to address wage disparities.

Washington is one of seven states that pays its tipped service industry workers the full minimum wage. It is for this reason that tip pooling practices have been used differently from the majority of states that take a tip credit. For Washington and the six other states that fall under the Ninth Circuit Court, including back of the house (BOH) employees, as well as other non-tipped FOH staff like bussers and hosts, in valid tip pools was common practice. Because servers, cooks, bussers and hosts alike are guaranteed the same base pay, tip pooling, also known as "tip sharing", was a successful method of wealth distribution between these groups.

After new tip pooling regulations began to go into effect, some BOH employees began to report a loss in income while other staff members have been able to continue benefiting from the additional income tip sharing provides - effectively reversing the positive effect these practices had on income for the lowest paid workers within the industry.

Chapter 1 – Purpose of this Study

In today's economic environment marked by rising income inequality and increasing poverty rates, voters and legislators in several states and cities have supported initiatives to increase the minimum wage. In the 1990's the term "living wage" made its way into mainstream media, sparking broader conversations around minimum wage laws, federal poverty guidelines, and the changing demographics of low-wage workers and the working poor. Technological advances and globalization led to a decrease in manufacturing jobs and an increase in the need for lower skilled, lower wage employment positions to be filled within the labor market (Reich, 2013). As the demographics of individuals working these low-wage positions began to shift, arguments for increasing the minimum wage to reflect a living wage became stronger.

The average low-wage income earner is no longer the stereotypical teenager working part-time. In the late 1970s, approximately 58 % of 16 to 19 year olds were in the labor force. In 2001, there was a steady decrease of working individuals within this age group. The 2008 recession exacerbated this decline, reducing the teen employment from 41.3 % in 2007 to just 34 % in 2014, the lowest employment rate for teens in U.S. history. The restaurant industry, in particular was hit hard by this decline in labor. By 2014, teens made up only 16.6 % of restaurant employees, a 3.3 % decrease form 2007 (National Restaurant Association, 2015). In recent years, many of these industry positions have been filled by an older demographic. In 2013, President Obama proposed a wage increase to $10.10 per hour, which would have impacted 30 million workers, 88 % of which would have been 20 years of age or older, with an average age of 35 years (Economic Policy Institute, 2013). This measure did not pass and because minimum wage is not attached to inflation and can only be raised through an Act of Congress, at the current rate of $7.25, many of these low-wage workers fall well below the federal poverty guidelines.

Income refers to earnings from wages, salaries, tips, savings, interest earned on savings, dividends from shares of stock, and profits made on sales. Income inequality refers to the extent by which income is disproportionately distributed among the lower, middle and upper classes. According to the Center for Equitable Growth, in 2015 America's top 10 % averaged almost nine times as much income as the bottom 90 % (Saez, 2015). Growing income inequality and stagnant incomes mean weaker aggregate demand which stalls growth for the American economy by limiting the amount of wealth an individual can build through saving, buying a home, owning property and investing. Income inequality also affects educational opportunities between children from low income families and high income families by limiting education attainment for children born into families of lower socioeconomic status. The difference in these opportunities make impactful impressions on earning potential that last a lifetime and transcend generations.

Currently, 29 states and Washington D.C. have passed minimum wage laws to address these economic disparities. In 2014, Seattle's Minimum Wage Ordinance was signed into law, raising the minimum wage to $15.00 per hour, incrementally by 2021 and in 2017, Washington voted to raise the minimum wage state-wide to $13.50 by 2021. While the effect of these initiatives are intended to improve the well-being of low income workers and their families, the effect may vary according to certain contextual factors and intersecting policies.

For low-wage workers employed in the restaurant industry in Washington State, the overdue need for minimum wage increases may be over shadowed by more impactful policy changes centered around tip pooling practices brought down by the U.S. Department of Labor (DOL). In February 2016, the Ninth Circuit Court of Appeals upheld a previous 2011 ruling, banning restaurants from requiring tipped employees such as servers and bartenders to share tips

with staff who are not "customarily and regularly" tipped, such as cooks and dishwashers. This study aims to examine if these new policy amendments made to Section 203(m) of the Fair Labor Standards Act (FLSA), have had an affect on the quality of life for BOH restaurant employees in the areas of job morale, income, and stress and health.

Washington is only one of seven states that require restaurant employers to pay tipped employees the full minimum wage. The other 43 states take a tip credit, meaning that a portion of tips made can be counted towards an employer's federal minimum wage requirement. There are two components that go into tip credits; the employer's cash obligation of $2.13 per hour and the employee's tips. The combination of the two must meet the federal minimum wage of $7.25 per hour. If an employee earns at least $5.12 in tips per hour, then the employer has no further wage obligation. For these 43 tip credit states, tip pooling regulations are clearly outlined and are not in dispute.

"Tip pooling" or "tip sharing" is the practice of collecting a portion or percentage of tips made by tipped staff to be put into one large "pool" and then redistributed among qualifying employees. A common example of tip pooling is servers sharing tips with bussers and hosts. "Front of the house" and "back of the house" are common terms used within the restaurant industry that describe areas of the restaurant while also implying who works within those areas. Front of the house (FOH) refers to the dining area of the restaurant and the employees who have direct customer contact. This includes servers, hosts, bussers and food runners. Back of the house (BOH) refers to the kitchen area and the employees who do not have regular contact with customers, like cooks and dishwashers.

Through a series of court cases and appeals that began in 2011, changes have been outlined in the FLSA which now specify that BOH employees cannot be included in tip pools

regardless of whether or not a tip credit is taken. Prior to the ruling, the law only outlined provisions for states that took tip credits and did not speak to the few states that paid full minimum wages. On February 23, 2016, the U.S. Court of Appeals for the Ninth Circuit upheld the DOL's 2011 revisions to 29 C.F.R. § 531.52 applying tip pooling restrictions to employers that do not use a tip credit to satisfy minimum wage obligations ("Oregon Rest. & Lodging Ass'n v. Perez," n.d.). Under the revised rules, tips are determined to be the property of the employee who receives them, whether or not the employer uses the tip credit. This means that BOH employees who were once included in tip pools are no longer allowed to share in any portion of tips left by customers, a practice that had been widely used and accepted by restaurant employees in non-tip credit states. For Washington and the other six states that do not take a tip credit, the question at hand becomes whether the lack of language is an implicit gap that needs to be addressed through regulation or an area that was left open for free choice by those states not taking advantage of tip credits. Additionally, a moral question arises which asks, what conditions exclude BOH employees from contributing to the success of service that then make them less deserving of participating in a valid tip pool?

On January 19, 2017, the National Restaurant Association (NRA) filed a Petition for Writ of Certiorari asking the U.S. Supreme Court to hear the case, *National Restaurant Association, et al. v. U.S. Department of Labor, brought by the NRA, the Oregon Restaurant & Lodging Association (ORLA), the Alaska Cabaret, Hotel, Restaurant and Retailers Association, and the Washington Hospitality Association (WHA)*. The case challenges the Department of Labor's stance on tip pooling which prevents cooks and dishwashers from receiving tips. A temporary stay of the Ninth Circuit Court's decision of the mandate has been granted until a final ruling be made by the Supreme Court ("Oregon Restaurant and Lodging Association," 2017). The

Washington Restaurant Association has strongly recommended that all employers including BOH employees in tip pools, stop immediately (Washington Restaurant Association, 2017). Many employers have switched to other methods of compensation, but because the law sits in a legal gray area at the Supreme Court level, few continue to wait out the final decision and keep tip pooling practices as they were.

Restaurant work tends to be synonymous with low-paying and low-skilled positions which are disproportionately held by women and people of color (Restaurant Opportunities Center United, 2014). Women only hold 23 % of the highest paying positions of Chef and Head Chef, while working 58 % of lower paying food preparation positions which include positions in fast food establishments ("Bureau of Labor Statistics," 2016). People of color hold a disproportionate number of lower wage and less visible BOH positions within the industry, while 81 % of FOH employees, including managers and supervisors are White. These FOH positions are customer facing, usually include tips and pay higher hourly wages (Restaurant Opportunities Center United, 2015b). BOH positions often require a person to work long and unpredictable hours which lead to stressful work environments and high turn over rates within the industry (Sachs, Allen, Terman, Hayden, & Hatcher, 2014). The U.S. Department of Labor Statistics (2016) reports that the *Food Preparation and Serving Related Occupations* are among the lowest paying occupational groups with a median hourly wage of $11.73 and annual average of $28,850 in 2016. It is because of these three factors: race, gender and low-wages, that the issue regarding loss of tip pooling participation becomes one of social equity.

Accordingly, this study puts fourth the following inquiries:

1. To identify demographic trends of BOH Washington state restaurants employees
2. To determine how participation in tip pools affected income for BOH employees
3. To identify if changes to tip pooling practices affected BOH employees in the areas of:
    a. Job Morale - Attitudes towards work and colleagues
    b. Income - Attitudes towards earned income
    c. Stress and Health - Perceived stress and health

Independent variables used include age, race, gender, educational level, and number of children living in the home either full time or part time, position, time employed with employer, hours worked per week, wage, and past and current tip pooling practices. These variables will be used to determine whether whether or not they have a significant impact on employee attitudes towards job moral, income and, stress and health.

Dependent variables are job morale, income and stress. Job moral is defined as having feelings of job satisfaction consistent with being appreciated by coworkers and supervisors while feeling good about the work performed. Income is used in two different ways. First, income is referred to as a form of compensation and defined as the hourly wage an employee receives as well as any additional tip they may have received as a result of being a part of a tip pool. Income is again used as one of the three index measures (job moral, income and stress and health) to identify an employee's attitude towards earned income as it relates to one's ability to afford fun and leisure activities, pay monthly bills and save for the future. Stress and health questions are asked based on each participant's own definitions of those terms and solely on the lived experiences of each individual.

Chapter 2 – Review of Literature

2.1 Labor Force

Klawitter, Long, and Plotnick (2014) found that in Seattle, *Food Preparation and Serving* were among the most common occupations for low-wage workers and *Accommodations and Food Services*, the most common industry for low-wage workers. They also found that more than half of the workers earning less than $15 per hour were 25 years of age or older. By raising the minimum wage, a larger percentage of older, low-wage earners, often with greater family responsibilities would benefit. Through simple simulations based on a $15 per hour, estimated there to be a 4.2 % reduction in the poverty rate and a decrease in food stamp benefits (these estimates were made assuming employment and hours did not change and did not account for any adjustment is businesses). By raising the minimum wage Mayor Murray and other City Council members are attempting to address the growing problem of income inequality, close gender wage gaps, and increase quality of life for low-wage workers (City of Seattle, 2014). Drawback to their research include the short amount of time they had to conduct a thorough investigation into the unique characteristics of the service industry.

The National Restaurant Association (2017) reports that the restaurant industry is one of the fastest growing sectors in U.S. economy. With over $780 billion in sales, the service industry makes up 4 % of the U.S. GDP, and employs 10 % of the nation's workforce ("Employing America," 2017). Restaurants are a driving force in Washington's growing economy. In 2016 there were over 15,000 eating and drinking establishments in Washington State that employed over 305,000 industry workers ("National Restaurant Association," 2017). Seattle employs 86,000 of those workers in 5,400 establishments (Restaurant Opportunities Center United, 2015).

In 2015, the Restaurant Opportunities Center (ROC), released Seattle's most comprehensive report to date, examining the local restaurant industry. Seattle was a prime candidate for such an extensive evaluation, due to its "trail-blazing" policy changes that have been adopted in the past few years. These changes include, enacting a $15 minimum wage, paid sick leave benefits, and "Ban the Box" legislation. Drawing on surveys and structured interviews with restaurant employees in King County as well as analyzing current government data, it offers insight on present day issues that are relevant to both Seattle's and Washington's restaurant industry and its workers.

Significant findings include: in 2010, about 50 % of the restaurant labor force was comprised of persons of color even though they only represent 33 % of the overall workforce in Seattle. After whites, 20 % of workers were Asian, compared to 15 % of the general workforce and 19 % were Latino/a, twice as many as the 8 % represented in the general workforce. Black workers were represented at an equal rate, but were disproportionately represented in the lowest paying, fast food positions (60.7 %). Forty-two percent were paid below the Department of Labor's 2015, Federal Poverty rate of $12.25 for a family of three living in the Seattle metropolitan area and 27.6 % reported having more than one job to "make ends-meat" (Restaurant Opportunity Center, 2015). Despite higher wages, 42.7 % of low-wage restaurant employees are still not feeling the effects and reported earning poverty wages. Additionally, ROC's findings strongly indicate that people of color were more likely to fall into occupational segregation based on position and wage. Only 38 % of higher wage, FOH positions were held by people of color compared to 57.3 % of lower wage BOH positions. Fifty-seven percent of Asian workers, 59.8 present of Black workers and 77.4 % of Latino/a workers worked BOH compared to 47.8 % of White workers.

This research is significant because it's the only study that focuses solely on BOH workers in Seattle. It does mention that Washington is one of the few states that does not take a tip credit and considers this to be a positive factor towards income. At the time of their study, the DOL's new tip pooling regulations had not gone into effect. It is not clear from the study if and how income from tip pools were calculated or if their impact was even considered.

In a report prepared by Reich, Jacobs, and Bernhardt (2014) for the Seattle Income and Inequality Advisory Committee, minimum wage laws were examined within nine localities in the U.S.. Findings were used to make a recommendation on Seattle's proposed Minimum Wage Ordinance. Two of the nine laws, in San Francisco and San Jose follow the same tip pooling regulations as Washington State by not taking a tip credit. Research was conducted to better understand how existing laws were designed, the impact of wage laws on workers and their families and how minimum wage mandates effect employment and businesses. Research found that across all nine localities, wage laws increased pay for workers at the lowest levels of the job market. It also had a positive effect on individuals earning just above the minimum wage. Klawitter, Long, and Plotnick (2014) describes this as having "secondary impacts" of minimum wage increases on low-wage workers. Raising the minimum wage for the lowest paid workers causes a ripple effect for those within a close proximity of pay but slightly above the minimum wage (Klawitter et al., 2014). An example would be if an employer pays a dishwasher $14 per hour and a line cook $15 per hour and the minimum wage increases to $15 per hour for the lowest paid worker and the dishwasher, the employer may feel obligated to increase the wage of the line cook to reflect seniority creating a secondary effect of the wage increase.

The effect on employment was found to be statistically insignificant, meaning that wage laws did not seem to have an impact on employment rate. However, employers made alternative

adjustments which included higher prices on goods and smaller profit margins. It is the convergence of these factors, an increase in hourly wage for FOH employees, plus tips being made on higher menu prices and new tip pooling regulations that exclude BOH employees, that the wage gap across demographic groups grows wider and not smaller.

The impact of minimum wage increases on restaurants' operating costs found that a 10 % increase in wage, increases operating costs by 1-2 % (Klawitter et al., 2014). In Seattle where the minimum wage is increasing by 61 %, this could mean a 6 and 12 % increase in operating cost. It's unclear if an increase this big would in fact have a negative impact on employment and hours for low-wage restaurant employees. Anthony Anton, CEO of the Washing Restaurant Association argues that the "math won't add up" and explains a basic budget breakdown for restaurants: 36 % of funds go to labor costs, 30 % to food costs, and 30 % go to operational costs. Profit Margins sit between 4 and 6 %. He estimates that the average restaurateur in Seattle makes about $28,000 a year (Shift, 2015) and wonders how restaurants will survive.

2.2 Job Morale

Estreicher and Nash (2016) recognize service as a "cooperative endeavor" that can only be achieved through equal participation of every employee. They argue that tip pools should include both FOH and BOH because it promotes cooperation among employees toward meeting the goal of successful service. Placing restrictions on tip pools that exclude some employees but not others is thought to create friction between employees. However, when Lin and Namasivayam (2011) conducted a study on perceived fairness of different tip distribution methods, they found that the tipping system that included BOH was deemed the least fair by FOH employees.

Lin and Namasivayam (2011) examined the effect of different restaurant tipping systems on perceived fairness, distributive justice and control from employee perspectives. One of the purposes of this study was to determine if restaurant employees considered including BOH employees in a valid tip pool as "fair". Using five scenarios outlining three different tip distribution models, employees, were asked to respond to each. The three tip distribution models used were: 1) equal sharing of tips, without a service charge, 2) equal sharing of tips, including a service charge, and 3) no sharing of tips, where servers retained all of the tips received. Results found that of the three models, scenario 1) equal sharing of tips, without a service charge was considered to be the least fair. Lin and Namasivayam (2011) attribute this to Van den Boss and Lind (2002) idea of perceived fairness, where individuals make rationalized fairness judgments when they are reminded about aspect of their lives that are uncertain. In the case of low-wage service jobs, where a large portion of one's income relies on tips, it makes sense that FOH employees would make rationalized judgments in their favor regarding tip pooling even though BOH employees contribute equally to successful service. Lin and Namasivayam (2011) were the only researchers to suggest future examination into the validity of who is included in tip pooling and who is not across FOH and BOH. One drawback noted on the research was that 94 % of respondents were FOH employees.

Although most research conducted on tipping has been done with only FOH employees, many of the same psychological principles of each study can be applied to BOH employees who are participating in tip sharing because they experience the same benefits of receiving additional income through the practice of pooling. Lin and Namasivayam (2011) believe that "appropriate compensation and equitable distribution of tips are important concerns because they can affect motivation, efficiency and performance of restaurant employees". Shamir (1983) looks at the

importance that monetary rewards have on intrinsic motivation and job performance. The study provided comparisons between individuals who received tip and those that did not in regards to reward connection, attitude towards customers, role conflict, job satisfaction and pay satisfaction. Using a series of statements set on a 5-point Likert scale they were able to determine how tipping affected each variable. Findings showed that 53 % of individuals who received tips perceived a strong relationship between performance and earnings versus only 38 % among individuals who did not receive tips. If applied to BOH employees, one could hypothesize that participation in tip pooling would also result in a strong correlation between service and pay satisfaction.

2.3 Income

Azar (2011) highlights the economic significance that tipping has on individual income as well as the U.S. economy. Computed at 18.8 % of total sales, the average tipping rate in 2009, tips made up $46.6 billion dollars of income for food service workers in that year. Shy (2014) found that tipping rates have increased over time. A 10 % tipping rate was common up until the Great Depression. Starting in the 1980's, 15 % tipping rates became standard, whereas today, regardless of higher wages and higher menu prices, customers tip at an average rate of 18 - 20 %. According to ROC, in 2014, Seattle had 4.7 billion in revenue and $443 million in sales tax for state and local economies (Restaurant Opportunities Center United, 2015a). Calculated at 18.8 %, that brings in $883 thousand in income to industry workers. There has been no research conducted on how the change in tip pooling laws will affect the distribution of these reported tips among FOH and BOH employees.

The Occupational Employment Statistics (OES) survey, which is overseen by the U.S. Bureau of Labor Statistics (BLS) is the only federal program that measures occupational hourly wages including tips. The OES is based on employment and wages for over 800 occupations. In 2013, OES reported the median wage, including tips for California restaurant employees to be $9.54 per hour and the average wage with tips, $10.81 per hour. Williams and Genest (2015)argue that these numbers are not an accurate portrayal of tipped income and grossly undermine the lived experience of wage inequality between tipped and non-tipped employees. They base this argument on the fact that in 2013, California's minimum wage was $8.00 per hour, which suggests that median employee tips would have been $1.54 per hour and $2.81 on average. Genest and Williams (2015) suggest that a more accurate way of determining tip income is to use establishment-based data, a method used by the IRS for the purpose of estimating tip earning and making tax estimates when employee information is missing. The establishment data approach pulls from food and beverage receipts, credit card payments and tips, and employee hours to estimate tipped income per hour. Using aggregate economic data from the U.S. Census and "related government sources", Genest and Williams (2015) estimated that the average server in California makes $12.57 per hour in tips, alone.

PayScale, Inc. a private sector, online salary, benefits and compensation company that tracks real-time information on job market compensation. It relies heavily on self-reporting individuals who submit job profiles and salary data. Reported 2014 income trends for tipped servers in California released by PayScale, Inc. were within the same range as the calculations made by Genest and Williams's (2015) using the establishment-based framework for tipped income. In San Francisco, when the minimum wage was set at $9.00 per hour, the median hourly base pay was $9.60 per hour and median hourly tips were $11.90, totaling a median hourly pay

of $21.50. Similarly, in Washington, when the minimum wage was set at $9.47, PayScale, Inc. reported a median hourly base pay of $9.60 and median hourly tips of $7.40, totaling $17.00 her hour. This is calculated at 43.5 % income from tips at a 19.4 % tipping rate. These hourly-base-plus-tip earnings are significantly higher than for Washington State BOH restaurant employees. Again for 2014, PayScale, Inc. reported that cooks and chefs, had a median base hourly pay of $13.00 and $.80 median hourly tips, totaling $13.80 per hour. This is calculated at 5.8 % income from tips. This provides an additional $1,536 in income per year to low-wage workers.

Tip pooling practices vary greatly from restaurant to restaurant and state to state. These variations include how much a server is required to contribute and how and to whom the pools are redistributed. However, one consistent standard for tip pools is that they are usually always based on percentage of sales. As states that pay the full minimum wage make adjustments to their business practices to keep up with increasing minimum wage standards, one solution is to increase menu prices as a way to make up for labor costs. However, higher menu prices do not seem to be slowing down sales. The National Restaurant Association (2017) is projecting restaurant sales to reach $799 billion in 2017, the highest they have ever been. As prices increase, customary tipping practices have stayed relatively consistent at 18 to 20 %, as reported by Azar (2011), Shy (2014), Genest and Williams (2015), and Payscale, Inc. (2014). This means more money, based on percentage of sales, is put towards valid tip pools - tip pools that no longer include BOH employees. This translates to a greater loss in potential income. Even if hourly wages eventually catch up with the difference in what was being made in tip pooling prior to minimum wage increases and regulation changes, a loss in participation creates a stagnation in wages for BOH employees, contributing to an already severe wage-equity problem.

Simple Illustration: Let's assume that the median hourly wage for BOH employees is $15.00. This would be an increase of $2.00 per hour over PayScale, Inc.'s 2014 median hourly wage estimate of $13.00. This would bring in an additional $3,840 in income per year. Again, let's assume that the percent of income from tips has not increased with sales or percentage of tip pool and is 5.8 % of total income. This would further increase yearly income by $1,670.40, increasing total income by $5,510.40 annually for low-wage, BOH employees.

ROC (2015) reported that 42.7 % of restaurant workers live at or below poverty guidelines for a family of three living in Seattle's metropolitan area and almost one-third (27.6 %) work more than one job in order to "make ends meet". In their book *Poor Economics*, Banerjee and Duflo (2011) explore the concept of poverty traps and examine the mechanisms that make escaping poverty extremely difficult. Poverty traps are created when economic systems require a significant amount of capital in order to acquire enough wealth to escape and stay out of poverty. When individuals lack this capital, it also becomes difficult to acquire it, creating a reinforcing cycle of poverty. Poverty traps will exist when one's ability to grow income and wealth is slow or stagnant for those who have too little to invest. By removing BOH employees from tip pools, a glass ceiling is being placed on their earning potential, creating an additional obstacle in the way of breaking free of current or potential poverty traps.

2.4 Stress and Health

Banerjee and Duflo explain, "Not only do the poor lead riskier lives than the less poor, but a bad break of the same magnitude is likely to hurt them more" (p.138). This cycle is often accompanied by a psychological process by creating a sense of hopelessness and an increase in stress and depression. Lantz, House, Mero, and Williams (2005) explore the growing amount of

evidence that shows chronic exposure to stress and stress reactions are linked to a variety of negative health outcomes. “Increased levels of stress and negative life events among those in lower socioeconomic strata are also posited to be important not only as determinants of health, but also as mechanism by which socioeconomic inequalities in physical and mental health are produced. Lantz, House, Mero, and Williams (2005) studied the relationship between “social stressors” on three different physical health outcomes to determine how stress and negative life events intersect with socioeconomic status. Analysis of data from three waves of the American’ Changing Lives study was used to investigate these relationships. Socioeconomic indicators were measured against five measures of stress/negative life events, and the health outcomes of mortality, functional limitations, and self-rated health. Results revealed that the impact of stress and life events were clearly related to socioeconomic status. “Life events” was measured as 1) financial stress, 2) parental stress, 3) marital/domestic relationship stress, 4), number of major events in one’s lifetime and 5), number of major negative events in the past three years. To measure financial stress, a *financial chronic stress* scale was used. Made up of three questions set on a 5-point response scale from, 1 = completely satisfied and 5 = not satisfied at all, it asked, 1) "How satisfied are you with your/your family's present financial situation?”, 2) "How difficult is it for you/your family to meet monthly payments on your bills?" (5-point response scale with 1 = extremely difficult and 5 = not difficult at all); and 3) "In general, how do your (family's) finances usually work out at the end of the month?" (1 = some money left over, 2 = just enough money, and 3 = not enough money). Data indicated that higher scores on the financial stress scale was a predictor of moderate to sever functional limitation and poor to fair health and individuals with the lowest education and income categories reported the highest rates of chronic

financial stress ($p < .001$). Overall results supported the hypothesis that varying exposure to stressors and negative life events correlate to socioeconomic inequalities.

Pearlin (1989) argues that stressful experiences can be traced back to "surrounding social structures and people's position within them". These structures are a result of social stratification that define communities, such as those based on social class, race, gender and age. "To the extent that these systems embody the unequal distribution of resources, opportunities, and self-regard, a low status within them may itself be a source of stressful life conditions". Although stress transcends these stratifications, people with limited economic resources face a greater amount of long-term, chronic stress (Lantz, Paula M., House, James S., Mero, Richard P., Williams, 2005).

The *Stress in America* survey, published by the American Psychology Association (APA), examines the state of stress across the country. Surveys were conducted online between August 4, and 29 2014. Of the 3068 adult respondents, ages 18+, 26 % reported feeling stressed about money all or most of the time and 54 % reported having "just enough" or not enough money at the end of each month. Significant findings include: 54 % of participants reported high feeling of stress when asked about how they would pay for an unexpected emergency, 44 % felt stress about having enough to purchase "essentials" and 44 % felt high levels of stress when asked about their ability to save for the future ("American Psychological Association, Stress Report," 2015).

Chapter 3 – Methodology

3.1 Participants:

Convenience sampling was used to collect data using Facebook group pages targeted at service industry workers. Qualifications for participation was that they needed to work BOH in Washington State and be making an hourly wage. Eight-one participants filled out the survey over a three-week time period and of those 79 surveys were valid. Thirty-five participants chose to answer the question asking for their place of employment which ranged from low price point restaurants like Denny's and Red Robin to high price point restaurants like Daniel's Broiler.

3.2 Design:

This is a cross sectional, qualitative study consisting of one survey with 22 questions. Catalyst, an online survey tool was used to build and collect surveys. Social media was used to distribute the survey link within various Facebook groups targeted at service industry workers. The survey link was posted to both personal and public social media pages and groups. Individuals were encouraged to share the link if they were comfortable doing so. Using social media to conduct research has several benefits. It's the cheapest and fastest way to distribute surveys with the furthest geographical reach. The service community is tightly connected and it is common for industry workers to work between two restaurants or move from working in one restaurant to another within the same geographical location. It was observed that the survey link was publicly shared 7 times by third party participants. Three individuals chose to share with the researcher that they had privately shared the link with other BOH industry workers. Social media is a powerful networking tool that allowed for access to individuals that would not have been easily accessible otherwise.

3.3 Measures:

It is only because of the historical timing that the research was conducted that three different tip pooling models were able to be examined. Because the law currently (May 2017) sits in limbo as it waits for a hearing at the Supreme Court level, this cross-sectional research could include participants working in restaurants using three different tip pooling models.

1. Restaurants that never included BOH in tip pools
2. Restaurants that allowed BOH in tip pools prior to February 2016, but no longer do
3. Restaurants that allowed BOH in tip pool before February 2016 and continue to allow BOH to participate in tip pools

Demographics – Independent variables were age, race, gender, marital status, highest level of education and number of children living in the home either full time or part time. Age, race and gender were used to lay a foundation for identifying the unique demographic layout of Washington's restaurant industry. Marital status, level of education and number of children living in the home were used when examining additional layers of complexities that are sometimes associated with low-wage workers but are often times found to be fallacies.

Income - defined as additional tips from tip pool participation - For individuals who identified as having had participated in tip pooling prior to February 2016, two questions were asked in order to identify if participation in those tip pools had an effect on income. These two questions were asked to identify whether or not tip pooling alone had an effect on income regardless of all other variables.

This study is modeled after Hancer and George's (2003) adapted psychological empowerment scale, originally constructed by Spreitzer (1992) and first modified by Fulford and Enz (1995). Spreitzer (1992) developed a theory-based four-dimensional measure of

empowerment made up of a 12-item, 7-point Likert scale with the response answers ranging from "1 = strongly agree to 7 = strongly disagree". Each of the four measurements of empowerment were constructed with 3 item statements to create the following: meaning, competence, impact, and self-determination. Cronbach's alpha and test-retest coefficients were used to determine the reliability of each measure. Hancer and George (2003) created their study using an adapted version of Spritzer's (1992) empowerment scale. They created a three-factor structure made up of a 12-item, 5-point Likert scale with the response answers ranging from "1 = strongly agree to 5 = strongly disagree".

Index Measures – Measures were modeled after Hancer and George's (2003) adapted study of psychological empowerment. A 5-point Likert scale ranging from "1 = strongly disagree to 5 =strongly agree" was used for 3 index measures; job morale, income and stress and health. In order to see if past and current tip pooling practices had an effect on attitudes towards job morale, income and stress and health, an independent t-test was run comparing participants who had been tipped in the past and were no longer being tipped to participants who were never included in tip pools to begin with.

Cronbach's alpha was used to determine the internal reliability of statements under each index measure. For the purpose of increasing reliability, two items were dropped, one from each of the measures, income and stress and health. Further, for greater reliability, job moral was spilt into two separate groups, creating four measures, total. Job morale was split in the following way: a) I feel appreciated by my managers and supervisors, b) I feel appreciated by front of the house employees, and, c) I feel good about the work that I do, and was re-coded as "morale" The second group included the statements, a) I am fairly compensated for the work that I do, and, b) I am fairly compensated for the hours that I work, and recoded as "work compensation".

Statements used to construct the index measure "income" were: a) Every month I know that I will make enough money to pay all my bills, b) Every month I have additional money to spend on fun and/or and leisurely activities, and c) I am able to save money for the future. Statements used to construct the index measure "stress and health" were: a) I worry about how I will pay my bills each month, b) I worry about how I will pay for an unexpected emergency, and c) I worry about getting scheduled enough hours to maintain my health insurance.

A regression analysis was used to determine how the independent variables, age, race, gender, education level, number of children, hours worked per week, amount of time employed with current employer and wage interacted with the dependent variables, moral, work compensation, income, and stress and health. All findings were considered to be statistically significant at the $p < 0.05$ level.

3.4 Ethical Considerations:

This study was exempt from IRB because no identifying information was collected from participants. All surveys were accepted on good faith. Two surveys were flagged as having been possibly filled out with ill intentions, so it was ultimately decided not to include those surveys in the study.

When using social media to administer surveys and encourage others to also share the survey link there is some risk that information or explanation of research being conducted will be misunderstood. I do have ties to the community that the survey was administered in and did work with individuals who filled out surveys. These individuals knew of the research that was being conducted. Although we were connected through social media, once the survey was released those individuals were never spoken to or ask whether or not they had participated.

Chapter 4 – Results

4.1 Univariate data analysis:

Data from 79 surveys was used for analysis. Forty-seven percent of respondents were White, followed by individuals identifying as two or more races (14.3 %), Asians, (10.4 %), Blacks and African Americans, (9.1 %) and Spanish, Latino/a or of Hispanic origin (9.1 %). In total, 46 % were people of color and 6 % did not answer. The majority of respondents were between the ages of 25 and 34 (32.9 %) and 35 and 44 (25.3 %). Only 3.8 % were under the age of 21. Forty-nine percent were male, 32 % were female, and 16 % identified as transgender or gender non-conforming (Table 1).

None of the respondents had less than a high school education and the majority reported having had some college level education (32.9 %). The second highest level of education respondents reported having was a Bachelors degree (24.1 %) followed by having a Trade or Technical Certificate (15.2 %). Only 20 % of respondents had children and none of them reported having more than two children (Table 1).

Of the three tip pooling models that are being used in restaurants, 49 participants (62 %) lost the ability to be included in tip pools. Twenty participants (25.3 %) were never included in tip pooling practices and 12 participants (15.2 %) were included prior to February 2016 and continue to be included in tip pooling practices.

4.2 Independent samples t-tests:

Independent samples t-tests were conducted to examine the mean differences between tip pooling practices and their relationships between each index measures, morale, work compensation, income and stress and health. Specifically, two groups were formed to determine

the relationship between the dimensions of past tipping practices and current tipping practices. The first group examined the relationship between those BOH employees who had received tips prior to the implementation of the law but now do not, against those who had never been tipped. This is the "past tipping practices" variable. The second group examined each relationship between those BOH employees who are still included in tip pooling practices against those who were in the past, but are not currently. I call this the "current tipping practices" variable. Within the construct of “work compensation” people who lost tip pooling felt less fairly compensated for their work than those who were never included in a tip pool $t(52) = 2.84$, $p < .05$ (Table 2). Similarly, participants who were examined within the “current tipping practice” group, felt less fairly compensated if they had received tips from a tip pool in the past, but don’t currently, versus those who still participate in tip pools. The other three index measures, income, morale and stress and health had no significant findings $t(70) = 2.88$, $p < .05$ (Table 3).

Two additional models were conducted to examine the mean differences between tip pooling practices and their relationships between the thirteen item statements used to construct each index measure: morale, work compensation, income and stress and health. For the two statements examining the relationships between past tipping practices and feelings of work preformed and hours worked, I found that people who lost the ability to participate in tip pooling felt that they were less fairly compensated for the work they preformed (M=2.42, SD=1.26) compared to those who never participated in tip pooling (M=3.11, SD =1.13), $t(59) = 2.11$, $p < .05$ (Table 4). Along the same trend, I found that the people who lost the ability to participate in tip pooling felt that they were less fairly compensated for the hours that they worked (M=2.03, SD=1.06), compared to those who never received tips from tip pools to begin with (M=2.89, SD=1.13), $t(59) = 2.62$, $p < .05$ (Table 4).

Similarly, for the series of models examining participants who currently participate in tip pooling practices, I found that those who no longer participate in tip pooling felt less fairly compensated for work preformed (M=2.45, SD=1.21) and hours worked (M=2.32, SD=1.14) compared to those who received tips and felt more fairly compensated for work preformed (M=3.17, SD=1.19), $t(52) = 2.82$, $p < .05$ and hours worked (M=3.67, SD=1.15), $t(52) = 2.7$, $p < .05$ (Table 5).

When the responses to the individual statements items within the index measures were examined, the following means were found. The scales for the dimensions were from 1 = strongly disagree to 5 = strongly agree. For the two statements, “I am able to save money for the future” and “Every month I know that I will make enough money to pay all my bills”, regardless of past or present tip pooling practices, the majority of participants answered “strongly disagree” and “disagree”. For the statement “I worry about how I will pay for an unexpected emergency”, again, regardless of past or present tip pooling practices, the majority of participants answered “agree” and “strongly agree” (Tables 4 and 5).

4.3 Regression analysis

To examine the relationship between demographic factors on the outcomes above, several Ordinary Least Squares (OLS) regression models using listwise deletion were conducted in SPSS (24). Eight models were run to examine these relationships. One for each of the dependent measures: moral, work compensation, income and stress and health, by two for tip distribution type (current and former tip practices). Demographic indicators were also examined to investigate how demographics influenced outcomes of morale, work compensation, income, and stress and health. Specifically, race was dummy coded into "white" and "Other race" categories

with “Other” acting as the reference category. Gender was separated into three categories that included “Female”, “Male” and “Transgender”. Transgender was recoded to include the categories, “transgender female”, “transgender male” and “gender non-conforming”. “Male” was used as the reference category. Level of education was separated into three categories, “Some College”, “Trade school” and “Bachelors degree”. Some college was recoded to include “High school graduate” and “Bachelor degree was recoded to include “Some post graduate work”. “Some College” was used as the reference category. Other categories included number of children living in the home either full time of part time, hourly wage, hours worked per week, and length of time employed with employer.

The eight models examined, were designed as followed:

Model 1) For participants in current tip pools, the dependent measure “moral” was measured against all independent variables, age, race, gender, level of education, number of children, hourly wage, hours worked, and length of time employed with employer.

Model 2) For participants who participated in past tip pooling practices, the dependent measure “moral” was measured against all independent variables, age, race, gender, level of education, number of children, hourly wage, hours worked, and length of time employed with employer.

Model 3) For participants in current tip pools, the dependent measure “work compensation” was measured against all independent variables, age, race, gender, level of education, number of children, hourly wage, hours worked, and length of time employed with employer.

Model 4) For participants who participated in past tip pooling practices, the dependent measure “work compensation” was measured against all independent variables, age, race, gender, level of education, number of children, hourly wage, hours worked, and length of time employed with employer.

Model 5) For participants in current tip pools, the dependent measure “income” was measured against all independent variables, age, race, gender, level of education, number of children, hourly wage, hours worked, and length of time employed with employer.

Model 6) For participants who participated in past tip pooling practices, the dependent measure “income” was measured against all independent variables, age, race, gender, level of education, number of children, hourly wage, hours worked, and length of time employed with employer.

> Model 7) For participants in current tip pools, the dependent measure "stress and health" was measured against all independent variables, age, race, gender, level of education, number of children, hourly wage, hours worked, and length of time employed with employer.
>
> Model 8) For participants who participated in past tip pooling practices, the dependent measure "stress and health" was measured against all independent variables, age, race, gender, level of education, number of children, hourly wage, hours worked, and length of time employed with employer.

Models 5, 7, and 8 (Tables 8 and 9) revealed no significant findings and will not be further discussed. Model's 1 and 2 (Table 6) analyzed the dependent variable "morale". Both model's found that individuals who identified as Transgender or gender non-conforming indicated a higher work moral than males regardless of past and present tip pooling practices. Model 1 found that education also had a positive effect on work moral for those who had a Bachelor's degree, some graduate work or a Trade certificate than those who only had a high school diploma or some college. The same education variables, Trade certificate, Bachelors degree and some post graduate work were found statistically significant at the $p < 0.1$ level on moral within Model 2.

Models 3 and 4 (Table 7) examined the relationship that variables had on attitudes towards compensation based on selected variables. Both models found that Females, White people, and those with a trade certificate, Bachelors degree or some post graduate work, felt more fairly compensated for the work that they did and the hours that they worked. For individuals currently participating in tip pools (Model 3), the people who did not have children felt better compensated for work and hours preformed at the $p < 0.1$ significance level. Model 4 found that the length of time employed at current employer, hourly wage and number of hours worked per week to be statistically significant at the $p < 0.1$ level. Length of time employed with current employer and hourly wage each had positive relationships with attitudes towards feeling fairly compensated for work preformed and hours worked. Within this same group, the less hours

worked per week indicated a negative attitude towards compensation for work and hours. Similarly, Model 6 (Table 8) found a strong relationship between the index measure, "income" and time employed with current employer, hours worked per week, and hourly wage. Length of time employed at current employer and hourly wage had a positive effect on attitudes towards earned income. For this same group, the fewer number of hours worked per week indicated a negative attitude towards earned income.

4.4 Additional findings

Thirty percent of participants had at least one other job. Of those, 67 % obtained additional employment after the new tip pooling regulations went into effect February 2016. For individuals who identified as having had participated in tip pooling prior to February 2016, two questions were asked in order to identify if participation in those tip pools had an affect on income, 1) Did receiving tips from a tip pool increase your income? 2) Did losing the ability to participate in a tip pool have a negative impact on your income? These two questions were asked to identify whether or not tip pooling alone had an affect on income regardless of all other variables. Forty-nine participants (62 %) qualified to answer each question based on past tip pooling practices. For the first question, "Did receiving tips from a tip pool increase your income?", 84.4 % of qualifying participants answered "yes", 6.7 % answered "no", and 8.9 % said it didn't make a difference. For the second question, "Did losing the ability to participate in a tip pool have a negative impact on your income?", 62.2 % said a loss in tip pooling decreased income, 22.2 % answered that they were still included in tip pools, 8.9 % answered no, and 6.7 % answered that it didn't make a difference.

Chapter 5 – Conclusion

5.1 Discussion

There are many complexities within the restaurant industry that continue to evolve as wages increase and policies change. Businesses have been forced to adapt in ways that are new and unexplored and with that comes a lot of trial and error. While there have been trail blazers ahead of Seattle, in New York and California, much of what is being tried in Washington and Seattle to bridge wage inequalities seems to be done from lessons learned and not built from successes. The National Restaurant Association has set its eyes on the tipping debate, naming it the #1 trend to watch in 2016. It's no secret that socioeconomic status, age, race and gender are all factors that affect wealth accumulation, economic mobility, health and stress and overall quality of life. Few people think about all the people who contribute to the success of service and rarely do we think about where our tips go after we leave an establishment. In preparing for this research, I came across very few studies that focused on BOH employees. People of color are found segregated into these lower wage, less visible positions, while white folks continue to not only hold the highest paying positions, but also continue dominate the discussion of equality of wage. There is a plethora of studies done on how tipping affects servers but no one is asking why excluding BOH employees from tip pools isn't considered a form of discrimination when other employees like bussers and hosts get the privilege to stay in them. This question is important for gathering a more complete understanding how the restaurant industry perpetuate cycles of poverty and discrimination for.

This preliminary research indicates that back of the house restaurant employees who lost the opportunity to participate in tip pool felt that it negatively impacted their income. Over 80 % of qualifying participants said that tip pooling provided a significant amount of income for then

and over 60 % said losing the ability to participate in tip pools had a negative impact on their income. About 20 % of those people were still included in tip pools, which accounts for the difference between the two answers. While the results of this study are inconclusive, I believe that results from this question alone are reason enough to explore future research on this topic.

Factor analysis confirmed that moral and work compensation are multi-dimensional constructs, confirming Fulford and Enz's (1995) adaptation of Spreitzer's (1992) multi-dimensional factor scale. The OLS regression models indicated that the relationship between demographic factors, race, gender and education had the most statistical significance in determining outcomes regardless of tip pooling practices. Individuals who identified as Transgender or gender non-conforming and/or had completed a degree or certificate had a higher work moral that those who did not. I also found that hourly wage, number of hours worked pre week and length of time employed at current employer had an effect on attitudes towards income. Within the measure of work compensation there were significant findings which, regardless of tipping practices employees feel undercompensated for their work. These findings are not surprising. Restaurant work is labor intensive especially for people working in the kitchen. They are often exposed to less than adequate working conditions, long work days and are more prone to injury. Although there were not many statistically significant relationships between models, when the mean score of each statement item was examined, a few stood out. Across all groups, participants reported having very high feelings of stress related to how they might pay for an unexpected emergency and saving for the future. As explained by Banerjee and Duflo (2011), this doesn't come as a surprise because both of these factors contribute to how an individual or family can get caught in a cycle of poverty. If someone isn't making enough money to keep some savings and they get caught having to pay an unexpected expense, they

immediately go into a deficit. If they are unable to catch up and continue to spend more than they are bringing in just to survive, they are then stuck in the poverty trap. What was interesting was that despite these indications of high stress, individuals across all categories indicated having positive feeling about the work they preformed.

5.2 Limitations

Limitations included a small participant pool (79 participants) and limited geographical reach. 36 Participants answered the question asking for place of employment and the majority of them were confirmed to be located in the greater Seattle area.

In the categories of age, number of children and wage, response categories were offered in ranges. Upon analyzing the data, it was realized that these categories could have provided more opportunities for analysis and more accurate interpretation of trends had participants been asked to write in their answers.

Because one of the study's focus is on income, knowing the exact hourly wage of each participant could have provided information that could have informed other research questions. Because Seattle's minimum wage is going up to $15 per hour it is not as helpful to know that the majority of participants make between $15 and $17.99 per hour. $3 is a very large wage gap for low-wage workers. Additionally, if most of those workers are making an hourly wage that is closer to $17.99, they may be less affected by the wage-ladder effect vs. a line cook who makes $15. If the minimum wage goes up to $15 per hour for a dishwasher, a position that is typically one of the lowest paid BOH positions, then a line cook may experience benefits of the wage-ladder effect. This is defined as when the wage floor goes up for the lowest paid worker, by default, the wage will go up for those closest to that person in proximity based on seniority.

I could have benefited from a more in-depth exploration into the Spreitzer's (1992) psychological empowerment measurement rules. While a factor analysis confirmed my first two measures, moral and work compensation had strong reliability, income and stress and health had lower reliability scores. I believe that this contributed to the lack of findings from my data.

5.3 Future Research

Because wage initiatives are still being implemented and the final ruling on the tip pooling regulations have not been decided on, I believe that further research should begin by defining the demographics of Washington's and Seattle's restaurants. As a part of their extensive research and efforts to better understand the many complexities of the restaurant industry, ROC United successfully identified and defined three different levels of restaurants based on factors such as ambiance, types of service, and type of targeted patrons. These factors were found to clearly break the industry into the following categories, fast-food or quick service, casual full-service, family-style or franchise, and fine-dining or "white-tablecloth." Defining these levels are important because their research went on to identify different demographic characteristics within each. For example, they found that fast food and quick serve establishments, paid the lowest wages and employed the largest number of women of color and youth. This is significant because while it is reported that the majority of women (64 %) working in the industry are front of the house employees, positions that have been proven to be higher paying, they are mostly working within the lowest paid and lowest tipping, restaurant category. Additionally, within all three levels of restaurant categories, women make about 11 % lower annual earnings than males and women of color make even less ("Restaurant Opportunities Centers United," 2014). This type of in depth restaurant demographic research will be helpful in designing targeted studies, specific to the unique qualities found at each level.

Seattle in one of the fastest growing cities in the nation and with that is growing in diversity (Bureau of Labor Stastics, 2017). As laws and regulations around tipping practices continue to shift the importance of ongoing research questioning the effect that these changes have on all employees is crucial.

Appendices

Table 1: Characteristics of Participants			
	N = 79	**n**	%
Gender	**78**		
Female		25	32.1
Male		38	48.7
Transgender/Non-Conforming		13	16.7
Prefer not to answer		2	2.6
Race	**77**		
White/Caucasian		36	46.8
Black/African American		7	9.1
Hispanic, Latino/a, Spanish Origin		7	9.1
Asian		8	10.4
Native Hawaiian/Pacific Islander		3	3.9
Two or more races		11	14.3
Prefer not to answer		5	6.5
Age	**79**		
21 or under		3	3.8
21 – 24		18	22.8
25 – 34		26	32.9
35 – 44		20	25.3
45 – 54		9	11.4
55 and older		3	3.8
Number of Children	**69**		
None		53	76.8
1 – 2		16	23.2
Highest level of education	**71**		
Some high school		0	0
High school graduate		9	12.7
Some college		26	36.6
Trade, technical or vocational degree		12	16.9
Bachelor degree		19	26.8
Some post graduate work		5	7
Marital Status	**70**		
Single		49	70
Married		13	18.6
Domestic Partnership		6	8.6
Prefer not to answer		2	2.9

Table 2: Independent samples t-test					
Past tip pooling practices					
Independent variables	**N**	**Mean**	**Std. Deviation**	**Sig.**	**df.**
MORAL - Yes	35	3.46	1.033	0.268	52
MORAL - No	19	3.77	0.839	0.24	
WORK COMPENSATION - Yes	35	2.07	1.071	**0.006**	52
WORK COMPENSATION - No	19	2.94	1.091	**0.007**	
INCOME - Yes	35	2.32	1.008	0.478	52
INCOME - No	19	2.52	0.971	0.475	
STRESS AND HEALTH - Yes	34	3.7	1.085	0.331	50
STRESS AND HEALTH - No	18	3.4	0.386	0.294	

Yes = Was tipped in the past, but no longer tipped
No = Never tipped

Table 3: Independent Samples t-test					
Current tip pooling practices					
Independent variables	**N**	**Mean**	**Std. Deviation**	**Sig.**	**df.**
MORAL - Yes	12	3.986	1.05	0.149	70
MORAL - No	60	3.541	0.945	0.194	
WORK COMPENSATION - Yes	12	3.416	1.04	**0.005**	70
WORK COMPENSATION - No	60	2.383	1.151	**0.007**	
INCOME - Yes	12	2.916	1.24	0.082	70
INCOME - No	60	2.344	0.979	0.154	
STRESS AND HEALTH - Yes	12	3.257	0.886	0.243	70
STRESS AND HEALTH - No	60	3.632	0.981	0.226	

Yes = Currently being tipped
No = Was tipped in the past, but no longer tipped

Table 4: Independent Samples t-test					
Index statements - Past tip pooling practices **Moral**	**N**	**Mean**	**Std. deviation**	**Sig.**	**df.**
I feel appreciated by my managers and supervisors					52
Tipped in the past, no longer tipped	35	3.31	1.388	0.889	
Never been tipped	19	3.37	1.3	0.887	
I feel appreciated by front of the house employees					50
Tipped in the past, no longer tipped	34	3.41	1.076	0.149	
Never been tipped	18	3.83	0.786	0.114	
I feel good about the work that I do.					50
Tipped in the past, no longer tipped	33	3.73	1.206	0.196	
Never been tipped	19	4.16	1.015	0.177	
Work compensation					
I am compensated fairly for the work that I do					52
Tipped in the past, no longer tipped	35	2.14	1.141	**0.007**	
Never been tipped	19	3.05	1.129	**0.008**	
I am compensated fairly for the hours that I work					52
Tipped in the past, no longer tipped	35	2	1.057	**0.008**	
Never been tipped	19	2.84	1.119	**0.011**	
Income					
Every month I know that I will make enough money to pay all my bills					51
Tipped in the past, no longer tipped	34	2.68	1.273	0.539	
Never been tipped	19	2.89	1.15	0.527	
Every month I have additional money to spend on fun and/or and leisurely activities					52
Tipped in the past, no longer tipped	35	2.4	1.168	0.598	
Never been tipped	19	2.58	1.216	0.604	
I am able to save money for the future					52
Tipped in the past, no longer tipped	35	1.94	1.027	0.577	
Never been tipped	19	2.11	0.994	0.574	
Tip-pooling provided a significant amount of additional income for me					30
Tipped in the past, no longer tipped	29	3.97	1.085	0.571	
Never been tipped	3	4.33	0.577	0.403	

(Table 4 continued) **Stress and Health**					
I am in good health					50
Tipped in the past, no longer tipped	34	3.68	0.976	0.447	
Never been tipped	18	3.89	0.9	0.437	
I worry about how I will pay my bills each month					50
Tipped in the past, no longer tipped	34	3.79	1.122	0.569	
Never been tipped	18	3.61	1.037	0.56	
I worry about how I will pay for an unexpected emergency					50
Tipped in the past, no longer tipped	34	4.15	1.158	0.77	
Never been tipped	18	4.06	0.873	0.75	
I worry about getting scheduled enough hour to maintain my health insurance					31
Tipped in the past, no longer tipped	18	2.11	1.023	0.81	
Never been tipped	15	2.2	1.082	0.811	

Table 5: Independent samples t-test					
Index statements - Current tip pooling practices					
Moral	**N**	**Mean**	**Std. deviation**	**Sig.**	**df.**
I feel appreciated by my managers and supervisors					70
Currently tip pooling	12	3.92	1.165	0.137	
Tipped in the past, no longer tipped	60	3.3	1.319	0.12	
I feel appreciated by front of the house employees					66
Currently tip pooling	10	3.6	1.265	0.928	
Tipped in the past, no longer tipped	58	3.57	0.957	0.942	
I feel good about the work that I do.					68
Currently tip pooling	12	4.33	1.155	0.151	
Tipped in the past, no longer tipped	58	3.81	1.131	0.171	
Work compensation					
I am compensated fairly for the work that I do					70
Currently tip pooling	12	3.17	1.193	**0.065**	
Tipped in the past, no longer tipped	60	2.45	1.213	**0.077**	
I am compensated fairly for the hours that I work					70
Currently tip pooling	12	3.67	1.155	**0**	
Tipped in the past, no longer tipped	60	2.32	1.142	**0.002**	
Income					69
Every month I know that I will make enough money to pay all my bills					
Currently tip pooling	12	3.17	1.403	**0.212**	
Tipped in the past, no longer tipped	59	2.66	1.24	**0.265**	
Every month I have additional money to spend on fun and/or and leisurely activities					70
Currently tip pooling	12	2.83	1.267	0.29	
Tipped in the past, no longer tipped	60	2.43	1.17	0.328	
I am able to save money for the future					70
Currently tip pooling	12	2.75	1.288	**0.019**	
Tipped in the past, no longer tipped	60	1.97	0.974	**0.066**	
Tip-pooling provided a significant amount of additional income for me*					43
Currently tip pooling	12	3.42	0.9	0.112	
Tipped in the past, no longer tipped	33	3.97	1.045	**0.095**	

(Table 5 continued) **Stress and Health**					
I am in good health*					68
Currently tip pooling	12	3.33	1.231	0.294	
Tipped in the past, no longer tipped	58	3.67	0.962	0.384	
I worry about how I will pay my bills each month					67
Currently tip pooling	11	3.36	1.027	0.284	
Tipped in the past, no longer tipped	58	3.74	1.069	0.285	
I worry about how I will pay for an unexpected emergency					67
Currently tip pooling	11	3.73	1.191	0.204	
Tipped in the past, no longer tipped	58	4.17	1.028	0.267	
I worry about getting scheduled enough hour to maintain my health insurance					42
Currently tip pooling	8	2.25	0.886	0.829	
Tipped in the past, no longer tipped	36	2.17	1	0.819	

Table 6: Variable Results								
	Model 3 - Moral (current TP)				Model 4 - Moral (past TP)			
	B	Sig.	Sig. < .05	Sig. < .10	B	Sig.	Sig. < .05	Sig. < .10
Independent variables								
FEMALE	0.282	0.319			0.327	0.331		
TRANS	1.058		0.007		1.023		0.038	
WHITE	-0.042	0.867			0.022	0.944		
TRADE	0.787		0.034		0.827			0.064
BA_EDUC	0.827		0.011		0.743			0.074
CHILDREN	-0.128	0.658			-0.133	0.693		
TIME EMPLOYED	-0.077	0.497			-0.041	0.780		
HOURS PER WEEK	0.004	0.983			-0.051	0.835		
HOURLY WAGE	0.154	0.406			0.136	0.543		
AGE	-0.047	0.704			0.013	0.935		
CURRENT TIP	-0.006	0.988						
PAST TIP					-0.169	0.617		

Table 7: Variable Results								
	Model 3 - Work compensation (current TP)				Model 4 - Work compensation (past TP)			
	B	Sig.	Sig. < .05	Sig. < .10	B	Sig.	Sig. < .05	Sig. < .10
Independent variables								
FEMALE	0.762		0.017		0.674		0.03	
TRANS	0.305	0.465			0.616	0.157		
WHITE	0.651		0.021		0.673		0.023	
TRADE	0.846		0.038		0.977		0.017	
BA_EDUC	0.838		0.019		0.912		0.017	
CHILDREN	0.076			0.81	-0.108	0.722		
TIME EMPLOYED	0.087	0.485			0.238			0.074
HOURS PER WEEK	-0.197	0.348			-0.395			0.082
HOURLY WAGE	0.304	0.139			0.344			0.093
AGE	-0.007	0.958			0.093	0.509		
CURRENT TIP	0.749	0.065						
PAST TIP					-0.406	0.187		

Table 8: Variable Results

	Model 5 - Income (current TP)				Model 6 - Income (past TP)			
Independent variables	**B**	**Sig.**	**Sig. < .05**	**Sig. < .10**	**B**	**Sig.**	**Sig. < .05**	**Sig. < .10**
FEMALE	0.049	0.858			-0.017	0.952		
TRANS	-0.256	0.485			0.206	0.613		
WHITE	-0.006	0.980			0.037	0.890		
TRADE	0.019	0.956			-0.004	0.991		
BA_EDUC	0.469	0.128			0.416	0.235		
CHILDREN	-0.366	0.191			-0.445	0.126		
TIME EMPLOYED	0.210			0.058	0.255		0.044	
HOURS PER WEEK	-0.092	0.614			-0.436		0.044	
HOURLY WAGE	0.284	0.115			0.391		0.045	
AGE	-0.164	0.174			-0.019	0.883		
CURRENT TIP	0.398	0.260						
PAST TIP					0.195	0.449		

Table 9: Variable Results

	Model 7 - Stress and health (current TP)				Model 8 - Stress and health (past TP)			
Independent variables	**B**	**Sig.**	**Sig. < .05**	**Sig. < .10**	**B**	**Sig.**	**Sig. < .05**	**Sig. < .10**
FEMALE	0.232	0.373			0.357	0.253		
TRANS	0.283	0.418			0.142	0.752		
WHITE	-0.211	0.358			-0.353	0.232		
TRADE	0.196	0.555			0.242	0.545		
BA_EDUC	-0.546			0.063	-0.45	0.239		
CHILDREN	0.061	0.818			0.168	0.587		
TIME EMPLOYED	-0.059	0.564			-0.131	0.33		
HOURS PER WEEK	-0.201	0.256			0.029	0.903		
HOURLY WAGE	-0.25	0.149			-0.407			0.064
AGE	0.185	0.121			0.12	0.42		
CURRENT TIP	-0.343	0.306						
PAST TIP					-0.14	0.671		

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