A Fair Wage: Workplace Wage Structures and Minimum Wage Increases

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Abstract: What changes when the minimum wage increases? This study, based on in-depth interviews with over 80 restaurant owners, managers, and workers, reveals that the effects of minimum wage increases (MWIs) are more extensive than previously recognized. I argue that wages are used to define relationships, including those between workers and with employers, and MWIs provide an opportunity to look at how the minimum wage shapes other aspects of precarious work. In this study, I look at the 2015 MWIs in Chicago and Oakland to examine how responses were shaped by beliefs about worth and value, leading to changes that were widespread but differed from restaurant to restaurant. I find that employers and workers place importance on wage gaps as reaffirming distinctions between employees, even at a cost to their bottom line. I focus on two key explanatory factors. The first is the stigma of being paid at the minimum wage, and how it negatively defines workers and jobs. The second is the correspondence between status hierarchies and pay hierarchies. I argue that both managers and workers are invested in maintaining relative distinctions based on status and skill. I find that MWIs affecting lower-paid employees often require readjustments for higher-paid positions as well. I conclude by discussing how the social meanings of the minimum wage contribute to understanding how companies and workers will respond to regulations.

“Yeah, you could make the minimum wage $20 and people would say, I can’t just take the minimum, I’m worth $25, you know what I mean?”

In 2014, 15 states and 6 cities passed legislation to increase their minimum wage, and widespread protests called for a rise to $15 minimum wages. Minimum wage increases would directly increase the pay of nearly 8 million workers by around $5 billion since the start of 2015 (Economic Policy Institute 2016). The increases have made political headway, and have been adopted by one of the two major U.S. political parties.

But what do minimum wage increases look like on the ground? And how can we evaluate them as a tool for improving and changing low-wage work? Through interviews with owners and workers I aim to explicate the changes at restaurants and the sources of decision-making that determine the final outcome. In doing so, I find that the effects of minimum wage increases (MWIs) are not limited to those at the bottom of the wage hierarchy, and even research that predicts secondary wage effects may underestimate the
extent of the increase. Following prior research (Wicks-Lim 2006; Engbom and Moser 2016), this study finds that minimum wage increases have consequences for the pay of most workers, and even higher paid workers often had their wages adjusted beyond the mandated minimum. Based on my data, I argue that it is the social features of wage-setting that explain the level of response to minimum wages and the dynamics of restaurant workplaces before and after the increase.

The approach taken here is one that is distinctly sociological: wages are in part an index of relations between employer and worker. I find that the absolute level of wages is less important than the social meanings embedded therein, and small differences in wages can have outsized importance to workers and owners. This mechanism has important consequences for minimum wage research, as owners, managers, and workers act to maintain and modify hierarchies and relative wages in ways that reflect their social meanings. Among their other consequences, minimum wage increases are a moment that expose the social features upon which wages are based. I argue that the effects of MWIs can only be understood by mapping out the ways economic and social relations are interrelated. This paper examines how workers and owners conceive of wage as referring to ideas of worth and value, and how these understandings are reflected in responses to MWIs.

In taking this approach, I also hope to disrupt a long-standing tendency to see non-wage incentives, job satisfaction, and meaningfulness as less relevant in low-wage settings. I argue that minimum wages have potent symbolic value: they designate a certain type of worker and employment relations, and serve as a point of comparison for the wages of other workers. Following Zelizer (2005), I demonstrate that the pay and
wage levels of the workplace encode social relations. Wages act as indicators of value and enforce distinctions between workers. I examine what types of workers earn the minimum wage, and how this is talked about. I claim that wages reflect not only upon workers, but also on the employment relation, and that owners may also be invested in maintaining above-minimum rates.

This study consists of over 80 in-depth interviews with workers and managers in the restaurant industry in two cities, Chicago and Oakland. Both cities saw large minimum wage increases in 2015, although there were also differences in the policies that had large consequences in the restaurant industry. Oakland voters passed Measure FF, which increased Oakland’s minimum wage from $9.00 to $12.25 (36%) on March 2, 2015. Notably, the state minimum had been $8 until July 2014. Chicago’s city council passed a gradual minimum wage increase from $8.25 to $13, with the first step of this increase being to $10.00 (22%), effective July 1, 2015. Notably for the restaurant industry, Chicago has a sub-minimum wage for tipped employees, which increased marginally from $4.95 to $5.45. Oakland requires that tipped employees are paid the minimum base wage, meaning that the increase was far more expensive for Oakland restaurants. While this difference had financial consequences, it also led Oakland restaurants to re-examine server wages far more than Chicago restaurants did.

Social Approaches to Economic Life

Low Wage Work: Structural Factors and Employment Relations

The study of low-wage work and regulation has developed the concept of the “employment relation,” which has been developed to understand changes in work arrangements over the past several decades. The terms of employment—including
wages—are indicative of the three-way relation between employers, workers, and the labor market (Kalleberg 2011; Kalleberg et al. 2000). In his research, Kalleberg distinguishes between a “market” relation in which workers are constructed as easily replaceable, and an “associational” relation where employers seek to retain employees, rely on employee experience, and pay higher wages to reduce turnover (Kalleberg 2009). The trend towards “market” relations takes its most extreme form in practices of subcontracting, freelancing, and other structures that clearly locate workers as temporary or loosely attached to firms. As others have shown, the growth of such precarious relations has occurred throughout the labor force, and is not confined to low-wage jobs (Crowley and Hodson 2014; Lambert 2008; Kalleberg 2009; Arnold and Bongiovi 2012).

However, this research deliberately highlights formalized “relations” rather than “relationships.” It centers on contractual obligations, skills, and turnover as aspects of given employment relations. Thus, developments such as more part-time work are linked to regulatory and economic shifts, with less attention to how workers relate to their workplaces or are perceived by managers. Notably, this research has a fairly straightforward depiction of workplace interaction—one that does not take into account the complex arrangements typically depicted in ethnographic research (c.f. Vallas and Prener 2012). As a result, it emphasizes legal and economics constraints while de-emphasizing social ones. Thus, while this framework details newly legal forms of work, it does not explain why some businesses use these practices while others do not. It understands wage levels wholly through a financial lens. Importantly for this study, this literature does not show how changes at the margins—for the lowest-wage workers—may be consequential for others within the same organization.
Meanings of Low-wage Work and the Outcomes of Workplace Culture

The primary focus of research on low-wage work has been on decisions made by employers and workers—rather than on the meanings and understandings that shape those decisions. However, some research has noted a link between low wages and job quality. Newman, for example, describes that in fast food jobs “a vicious circle develops, in which low wages are attached to low skills, encouraging high departure rates” (Newman 1999, pg. 94). This research has tied low wages to dimensions of job quality that limit skills and increase turnover, such as non-standard scheduling (Lambert et al. 2012; Henly, Shaefer and Waxman 2006), insecurity (Lambert 2008), and low worker autonomy (Haley-Lock and Ewert 2011). The implication—sometimes made explicit—is that low wages encourage other negative aspects of jobs, by discouraging investments in workers. However, the causal link between wages and other aspects of jobs is poorly understood, and researchers have found numerous cases that defy a straightforward link between wages and job quality (Haley-Lock and Ewert 2011; Bailey and Berhnardt 1996; Appelbaum et al. 2003). Potentially, wages represent a signal of value or source of stigma that may inform other decisions about how to structure workplaces or treat workers. An involuntary minimum wage increase, then, represents an opportunity to explicate these links while also moving towards an approach that takes social relations of the workplace seriously. Wages and other aspects of employment relations, I argue, impact how people understand their jobs and their workplaces to the same extent as more social factors do.

Some research on low-wage workers has argued that workplace culture is central not just the experiences of low-income workers, but also to organizational structure and other outcomes (Leidner 1993; Newman 1999). This is the approach taken in this study,
where I use an interview-based approach that delves into actors’ narratives, values, and decision-making processes. Rodrquez (2014) and Leidner (1993) find managers responding to workers’ definitions of what is, and is not, included in their pay. In his study of casino workers, Sallaz finds that the tipping is linked to higher autonomy and trust, in comparison to the hierarchical style promoted by flat wages (Sallaz 2009; c.f. Paules 1991). Other research finds that workers may place a high symbolic importance on small differences in pay (Newman 1999, Burawoy 1979). In addition, Newman describes how minimum wage work can be a source of stigma, and examines how workers and firms establish counter-narratives to prevailing social accounts (Newman 1999). This research indicates that pay structures can be important for explaining of organizational forms one finds in the restaurant industry and other low-wage workplaces—and perhaps also for understanding how they are impacted by legislative change.

**Economic Relations and Meaning in the Workplace**

This paper seeks to develop a relational sociology approach that focuses on the meanings encoded in economic life, and that has gained traction in studies of welfare policy (Sykes et al. 2015; Edin et al. 2014). For over three decades, economic sociology has demonstrated how economic transactions were “embedded” in social relations.\(^1\) In Granovetter’s succinct description: “the economic action of individuals, as well as larger economic patterns, like the determination of prices and economic institutions, are very importantly affected by networks of social relationships” (Granovetter 1990). In labor markets, these ties impact job-searching and employee success (Granovetter 1985; Burt

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\(^1\) The sociological interest in the social aspect of employment relations goes back to the beginnings of the discipline. Marx argued that “social relations of production” were more empirically useful than wage levels. Durkheim and Weber also argued that work relations were characterized by interdependence and new moral codes.
2004). Employers often are heavily invested in creating workplace cultures, occasionally giving cultural factors primacy in their hiring decisions (Rivera 2012). The structures of the social sphere are central to economic life in ways that shape workplaces and labor markets.

However, this approach relies analytically on the separation between social and economic activity. Instead, I argue that wages can be shown to have both social and economic meanings. I take a relational approach to economic activity, inspired by Zelizer’s argument that:

“In all economic action…people engage in the process of differentiating meaningful social relations. For each distinct category of social relations, people erect a boundary […] and designate certain sorts of economic transactions as appropriate for the relation” (Zelizer 2012).

In Zelizer’s vision, economic and social ties come in and are mutually constitutive. Economic interactions—such as who picks up the dinner tab—simultaneously construct and reinforce social relations. In arguing against the idea that economic and social relations are separate and distinct, she also makes the case that economic activity helps construct the social world (Zelizer 2005; 1997). While Zelizer focuses on personal relations, her framework can be used to examine how compensation shapes worker-firm relationships.\(^2\)

Of particular interest for this project is how jobs and other economic artifacts become the material basis for symbolic boundaries and other distinctions. For instance, Sykes et al. (2015) find that EITC money is spent differently from other sources of

\(^2\)While developing this concept, Zelizer does not specify a terminology for the two-way relations between economic and social relations. In this paper, I will refer to them as “mutually constitutive” or as one “enacting” the other, a term that goes beyond causal relations. For example, cheering for a team as enacting one’s relationship to it.
income even though it is fungible. Because it is perceived as “special” money, it is spent on non-standard purchases with consequences for the EITC’s impact as a policy. Similarly, the fact of earning money becomes central to individuals identities and lifestyles—as research on the effects of unemployment has made clear (Lamont 2009; Smith 1998). The meanings of earned income have consequences in the fast food sector, as Newman shows how businesses would be far less viable if employees did not juxtapose themselves positively against informal economy workers (Newman 1999). However, the valuation literature has largely avoided questions around jobs and wages, instead focusing on relations and valuation in interpersonal or cultural spheres. Instead, this study seeks to understand how the perception of MWIs has consequences that may shape restaurant workplaces.

In applying a relational economic approach, I argue that these meanings are particularly important for understanding restaurant workplaces. In the absence of formal employment relations and standardized business practices, social relationships are essential for maintaining mutual expectations in worker-employer relationships (Ram and Edwards 2003). While researchers have noted the widespread use of perks, such as staff meals or schedule flexibility, as a way of building loyalty, less is known about the perception of wages by either workers or employers (Edwards et al. 2006). However, relative wage levels are relatively transparent in the industry, and so distinctions between workers and with the minimum wage are part of the symbolic structure of a restaurant workplace. This study, then, examines how wages maintain and reflect relationships of the workplace and standards of evaluation. I focus particularly on how wage decisions
reflect the criteria for value that employers put in place, and the hierarchies that develop in the workplace.

Wage Increases in Psychology and Behavioral Economics

Psychologists and others have developed an extensive literature on the psychological effects of wages, as well as the potential workplace benefits of raises and promotions. Researchers have demonstrated that the idea of “fair” wages can have economic consequences. Workers put in more effort at higher levels of wages (Yellen 1984; Fehr and Gachter 2000), and increase their productivity in response to raises (Kuvaas 2006). Researchers have established that firms take these factors into account when making wage decisions (Bewley 2004; Falk et al. 2006). There have also been several studies indicating that the positive effects of increases are linked to their symbolic meaning. Laboratory studies of above-average wages have found that non-monetary rewards lead to higher effort than monetary ones (Falk et al. 2006). Similarly, raises only have positive effects if the evaluation process is seen as legitimate (Kuvaas 2006).

However, while this research has effectively demonstrated the importance of worker impressions of their wages, the concept of “fairness” remains a black box. Indeed, one might expect that norms of fairness may vary by workplaces and even by worker. This study, then, seeks to better understand how fairness is constructed within a specific sector, with reference to wages and other features of compensation.

An Alternative to Quantitative and Economic Approaches

Given the theme of this panel, I will briefly discuss why I believe a qualitative and sociological approach to restaurant work is necessary. Rather than go in with an approach that makes a priori assumptions about the structure of labor markets, interview
methods allow for an inductive approach that emphasizes how owners and workers
describe themselves actually making decisions (Glaeser and Strauss 1967). Better
microfoundations on business decision-making are also necessitated by a lack of
consensus in economics on the correct models, from neomonomopsony to search costs (Card
and Krueger 1994; Manning 2005). I would argue that quantitative methods are
fundamentally unsuited to identifying the right assumptions—and in fact ability to predict
outcomes is a poor indicator of model fit. ³ Especially since the US has few surveys of job
quality, qualitative methods have an important role to play in theory-building and model
development (Edin and Pirog 2014).

DATA AND METHODS

The core of the study is composed of 80 semi-structured interviews with owners,
managers, and workers about the minimum wage increase. The research focused on food-
service businesses, including full-service and limited-service eating places (counter-
service restaurants, fast food restaurants, coffee shops with food, and the occasional bar
and grill). These interviews took place 4-6 months after increases occurred: July to
September 2015 in Oakland, and November 2015 to January 2016 in Chicago. This
timing was long enough for subjects to evaluate how the minimum wage had affected
their businesses, as some changes did not occur precisely on the date that the policy
changed. However, some of the respondents I talked to mentioned that they were still
investigating the financial status of their restaurants at the point where I conducted
interviews. During my interviews, I engaged respondents on restaurant operations and

³ Because model predictions are highly sensitive to how a model is specified, the "right" model may
not match real outcomes if it is not tweaked correctly. Another challenge for quantitative models is
heterogeneity in firms in how they make decisions or react to policy. In the absence of a consensus
on the correct model to use, qualitative methods can serve the roles of theory-building and process-
tracing (Edin and Pirog 2014)
dynamics, while occasionally pressing for more detailed information about responses to the minimum wage. This approach had the advantage of identifying the most meaningful changes for a given restaurant, while also providing extensive information about existing structures within the restaurant. In addition, it allowed respondents to become comfortable with the interview setting, and answer questions in an unguarded manner.

Oakland and Chicago were selected because they had two of the largest increases of major cities in 2015. In addition, the two cities have roughly similar racial demographics and large restaurant scenes. Both had commissioned reports about the potential effects of the minimum wage increase, and had labeled restaurants as one of the most impacted industries. While I had initially anticipated roughly similar impacts in both cities, I found that local institution (such as Illinois’s tip credit) led to substantial differences. The restaurant industry was selected because of its high proportion of impacted workers—63% in Oakland and over 50% in Chicago (ILRE 2014; CPD 2014).

Owners and managers were contacted primarily through in-person recruitment. This involved arriving at restaurants in person, asking to talk to an owner or general manager, and explaining the project. If potential subjects were interested, we would exchange contact information, set up a time or immediately do the interview. Following interviews, I asked for permission to put recruitment materials on worker bulletin boards. Workers were also recruited through direct interaction or recruitment in popular worker locales, and offered $10 to participate. This method of data-collection was labor-

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4 In most restaurants, the first people I met were servers. Since I was assumed to be a customer, I was often met with a look of confusion once I started talking. Quickly asking for an owner or manager helped put hosts at ease by returning to a familiar script. In interactions with owners, I emphasized that I was an academic and not a journalist or salesperson, and that this interview was part of a larger project. In many cases, there was no owner present, but I obtained contact information to follow-up with a short email about the study. While I had the most success when meeting owners face to face, reaching out to a non-public email was occasionally successful.
intensive: around 5-10 restaurants were visited for every one interview arranged. In addition, I made an effort to make it to peripheral neighborhoods in both cities, and to make more attempts at ethnic restaurants where my success rate was lower. I ended up visiting hundreds of restaurants in both cities, often engaging in short conversations about the industry. While these interactions are not data in the traditional sense, they informed my analysis of the restaurant industry in Oakland. Some additional interviews were obtained through emailing, but this approach had lower success rate and resulted in a less varied range of respondents.

This approach had its advantages, as face-to-face contact allowed me to interview owners who may have been harder to reach through other methods. Even if this recruitment strategy does not satisfy the conditions for random sampling, it did lead to a sample where immigrant and non-white owners are highly represented. I devised ways to quickly build trust and reassure skeptical owners who were concerned about confidentiality. Despite this, many owners (around 50%) requested that the interview not be recorded. Even as I reassured owners that that their confidentiality would be protected, I still felt a lingering concern about disclosing details of the restaurant to a stranger. In addition, this method of recruitment led to a sample that was primarily owners (48%) and managers (34%) rather than workers (18%). The worker sample did add a valuable

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5 Even when an interview was arranged, I often had to reschedule due to unexpected contingencies or even forgetfulness. Given the hectic nature of the restaurant business, I greatly appreciate the efforts of everyone who helped out the study.

6 During my recruitment, my status as a younger white male was both a benefit and a hindrance. When I shared the “profile” of a typical customer, it may have rendered my interest in the restaurant less confusing. In some ethnic restaurants, this status may have reduced the willingness of workers to make efforts on my behalf. For recruitment of workers for interviews, my status as a college-educated, white researcher often rendered me doubly distant.

7 Around 36% of US food services employers are minority-owned, per the US Census SBO survey.
perspective to the study, but owners and managers were typically more fully informed about the decisions and changes that had occurred at restaurants.

I used an inductive approach during data gathering where insights from previous interviews expanded and focused my set of questions. As I identified common or interesting responses to the increases, I incorporated them into my interview guide. As I transcribed and coded the data in Atlas.ti, I generated a dataset of restaurants and changes observed. I identified sets of common practices for organizing restaurant workplaces, along with changes observed after minimum wage increases. To establish causal connections, I focus on the narratives that my subjects provide for the changes they identify. To tease out the connections between wages and social meanings, I pay particular attention to the justifications provided for why wages did and did not change—and how these differed amount groups of workers.

**THE MEANING OF THE MINIMUM WAGE**

The minimum wage itself exercises a powerful symbolic impact—workers and owners both noted the extent to which wages differed from the minimum allowed. This association, I argue, explains one of the main surprises in my data: wages often increased by *more* than legally mandated. Wages above the minimum—even if only slightly higher—were interpreted by workers as a sign of worth to one’s firm and progress in the labor market. Managers were aware of this importance and made an effort to keep wages above this level, as suggested by one interviewee:

“[The workers] were scared at first up until they knew I was going to do that [raise everyone a fixed amount]. Because they thought ‘this sucks, the minimum wage increased and we’re going back down to the minimum wage’ and I’m like ‘you’re not’. It’s not their fault that the minimum wage went up. You have to move forward. If the minimum wage is higher you have to make everyone else’s
pay higher who was paid more than the minimum wage.” (Oakland restaurant manager, 2015).

As this quote indicates, owners and managers were motivated to maintain a distance between worker pay and the minimum wage for reasons that were based in worker morale. These distinctions were also important to workers as much as a sign of progress and value as for economic reasons. Paying the minimum indicates that employers are not expecting (or willing to acknowledge) extra effort, an outcome that has been borne out in experimental settings (Falk et al. 2006).

**Who makes (exactly) the minimum wage?**

A few occupational categories in my study consistently made at or only slightly above the minimum wage. Dishwashers and entry-level fast food workers were consistently paid around the minimum wage. While many limited-service establishments paid minimum wages to non-kitchen employees such as cashiers, tips often supplemented this income. At some restaurants, entry-level food preparers (prep cooks, pizza cutters) were paid around the minimum. Servers made the minimum wage plus tips, but are a special category that I will discuss later in more depth. Finally, at some restaurants, entry level workers were paid around the minimum—until they “proved themselves” and moved into a higher wage category. Below, I explore the reasons provided for why these jobs had such low pay.

All of these jobs were described as low-skill, entry-level positions that practically any individual could be trained to fill. This is particularly true of fast-food businesses, which design jobs and systems to enable a high-turnover workforce (Kalleberg 2003, Leidner 1994, Newman 1999). In this context, minimum wages are indicative of a low job-specific skills or discernment in hiring. As one owner described it “I hate to say,
those minimum wage, or near minimum wage jobs are mostly for the people who aren’t coming with a lot of skills to start with. It’s difficult to find people that want to do it.” Minimum wage jobs are typically seen as low-skill, and by setting their fast-food jobs at the minimum wage, firms are demonstrating their willingness to hire anyone with the “right attitude” (Oakland manager 2015). However, staying in these jobs implies a lack of potential for upward mobility. As one franchise owner put it: “you’re not supposed to raise a family on minimum wage. It’s for part-time high school kids and college kids, just to put gas in their car, and a couple of bucks spending money so they can go to a movie, they can go to a party, they can do anything, not raise a family.” The low-wages of these jobs, then, signalled temporariness and limited prospects. While any wage can be a source of identity as a employed worker, most subjects tended to emphasize the potential for upward mobility.

Most restaurant owners I interviewed said that dishwashers were the lowest-paid position in their establishment—and also the least skilled. While they spoke of difficulty of hiring line cooks, servers, and other positions, dishwashing was described as a position that anyone with the right work ethic and a little training could fill. However, here we begin to see a divergence between market rationales for low pay, and social explanations. One manager described the stigma of the dishwasher position: “It’s a thankless job, it’s a dirty job, people consider it the lowest job in the restaurant.” However, it was still a job that required effort on the workers’ part, and many owners had stories of “bad” dishwashers. What made these employees deserve the minimum wage in their employers’ eyes was their inability to move into more well-compensated positions. Owners often created opportunities to move from dishwashing into higher-skilled jobs, but long-term
dishwashers were seen as lacking the ability to move up. Like fast food workers, dishwashers emphasized their work ethic and the value of work, but to the rest of the workforce their low wages signaled a lack of earning potential.

In part due to the stigma attached to it, dishwashing was a job where skill generally went unrecognized even when it did exist. Work ethic up to a certain point was taken for granted in many establishments. One manager stated that dishwashers would be at the minimum wage: “Unless they had been around for a year or more, and really showed their worth, and showed how hard they could work, and do more – then of course, they would be rewarded, as everyone is” (Oakland manager). A Chicago restaurant owner mirrored this narrative: “the dishwashers will start at $10, then if they’re here with us for a long time, or they’re really extraordinary or something, we’ll push them up a little bit here and there as we can” (Chicago owner, 2015). In these cases, certain positions were labelled as inherently unskilled, with wages that accompanied that judgement. Notably, a dishwasher would have to show “extraordinary” ability to receive a raise. While every restaurant owner would, if pressed, acknowledge the importance of effective dishwashing to restaurant operations, few were willing to reward more skilled dishwashers with higher wages. As I would find, the minimum wage was necessarily tied to the lowest-status positions in a restaurant, and it was status—more than value or skill—that tied workers to this wage.

**What does it mean for people to be making the minimum wage?**

For many owners, starting workers at the minimum was also aimed at spurring workers towards self-improvement. While employees might start at the lowest-paid jobs in the establishment, they could transition towards becoming a more valuable worker by...
taking advantage of opportunities for advancement. One owner explicitly mapped this out with a training for getting workers to their “normal” rate: “we start at $10 an hour, then…we give them training manuals…They’re meant to be finished in like three or four months, depending on how smart and driven you are. That will end you at about $12 an hour” (Chicago owner). A manager described giving raises after an initial assessment period: “Actually what I do is when I first hire someone I give them 3 months, 90 days. And depending on how valuable I think they are, or how hardworking they are I give them a raise” (Oakland manager). A temporary stint at the minimum wage is a signal of lack of experience.

In restaurants as well as among communities, then, narratives of growth from minimum wage work to high-status positions were common. Practically every workplace had cooks, servers, or even managers who had started as dishwashers. One worker described a typical trajectory: “you start as a daytime dishwasher… you start to learn some knife skills, you start to learn some cleaning skills, or cleaning food, instead of just cleaning leftover plates. Then you build from there” (Oakland worker). Similarly, national fast food chains emphasize promoting workers into supervisory levels (Newman 1999). Minimum wages, then, were a part of narratives of growth that served to de-stigmatize temporary minimum wage work. Staying at a wage level, however, indicated a lack of willingness or potential for self-betterment. In an illustrative case, an owner described that:

“I’m not going to let anyone stagnate. They’re either going to stay and continue to go from … dishwasher to prep cook to line cook, lead line cook to kitchen manager. If they’re here for that amount of time they’re working their way up to something that’s more than $10.25 over two years.” (Chicago restaurant owner).
Owners typically saw career growth as an offsetting factor to the stigmatization of low wages. For example, this owner insisted that workers take the opportunities for growth that were available, but in doing so sought to push out those who stayed at a given job level. It was partly because of the prominence of this narrative that workers put so much effort on being “above the minimum.” Returning to minimum wage levels meant resetting the positive gains one had made in one’s career.

**Who pays above the minimum from the start?**

While jobs at the minimum wage were stigmatized, being paid slightly above the minimum—even $.50 to $1—was an indicator that workers were skilled and valued by their employers. This acted as both an acknowledgement and an expectation that the employee coming in would be more valuable than a typical entry-level worker. In fact, one notable aspect of the restaurant industry is the extent to which relatively small changes in pay could be indicators of value and respect. Similar to Newman (1999), I found that fast food chains had annual raises as low as $.10 to $.20 per hour, while the $.25 raises that were more common in independent firms were not much more substantial. While the extra $15-30/month would not significantly impact any workers’ financial well-being, they did signal progress, experience, and added worth.

A higher wage was expected to be reciprocated with better work and effort, and vice versa. One owner argued that minimum wages would lead to a lack of investment from employees: “somebody who is getting paid $8 and hour might not care about leaving and checking if the door is locked. Or placing a plate of food better if I’m here than not here” (Oakland owner). While this corresponds to arguments made in the efficiency wage literature (c.f. Falk et al. 2006), the bonds of reciprocity established by
higher wages are more complex than a tit-for-tat exchange. Workers referenced being paid above the minimum as an acknowledgement that they were recognized, even if they were also being paid tips. Workers explained that non-monetary forms of compensation enacted employers’ commitment to workers: one worker expressed gratitude that a paid 30 minute break was not being eliminated despite the increase. There was also potential for a symbolic mismatch between work and wages: one worker griped at the lack of staff meals; another complained about work that was “extra” based on their wage.

For many owners (and workers), paying at the minimum indicates a lack of generosity on the part of the owner. One owner said of the $9 minimum wage prior to the increase: “I can’t believe people were still paying that. I’m glad this remains nameless… I’ve had other restaurants that have called and said we need an extra dishwasher. And then my people are not working because they are only paying $8.25 an hour.” Paying at the minimum wage, then, said as much about the owners as it did about the worker. One owner was more colorful: “if you don’t take care of the fucking dishwasher you’re a fucking douchebag. The dishwasher is essential. Like, if the dishwasher doesn’t show up everything is fucked…The whole structure gets a little shaky” (Oakland owner). Owners who paid their dishwashers more argued not only that it was essential to take care of their employees, and they often referenced a holistic vision of the workplace in which dishwashers were essential to a well-functioning workplace.

A wage that is slightly above the minimum was also a signal that employers are acknowledging workers’ lives outside the workplace—a nod to the challenges of getting by on the minimum wage in high-cost cities such as Oakland and Chicago. A Chicago owner combines the need to demonstrate generosity with a concern about paying a living
wage: “You need to pay your people; I mean sometimes I don’t really understand how they get by making as little as they do” (Chicago owner). One interviewee stated that: “I would always try and pay somebody a little bit over minimum wage, just for the sake of it” (Oakland owner). These owners reference that the minimum wage is an absolute minimum workers should be paid, and they try to stay slightly above this amount. They argued that pressure to cut labor costs should not get in the way of paying a living wage.

There was one notable exception to this trend: workers who could expect to receive tips. Servers, it was noted, made significantly above the minimum wage once tips were included. But at many counter service spots the minimum wage was supplemented by several extra dollars per hour in tips. This income, which was regular enough to be considered by workers as part of their “wage,” distinguished between these jobs and minimum wage jobs. In addition, in some restaurants servers “tipped out” a small amount to the dishwasher. This tip-out reflected the income gaps in the restaurant, but also acknowledged the importance of the dishwasher despite their low base wage. Owners were also quick to emphasize the extra sources of income for workers—an indication that they were paying livable wages.

**How workers interpret the changing minimum wage**

However, my respondents repeatedly emphasized that the minimum wage was a reference point, rather than an absolute value. After the increase, workers spoke of “gaps” between their wage and the minimum. One interviewee mentioned a coworker’s dismay after the increase: “Before there was a bigger gap there, and that showed her – it’s a pride, and it’s a recognition thing” (Oakland worker). This worker had seen a slight boost after the minimum wage increase, but was still frustrated because their relative wage had
declined. Workers and managers referenced similar situations, often maintaining that workers near the minimum cared as much about making above the minimum as about their absolute wage.

One manager argued that the minimum wage was complicating workers’ perceptions of jobs. A job that had previously seemed to confer an improvement in status was now a lateral move or even a downgrade (Edwards et al. 2006). Some saw the moving yardsticks of workers as a moral failing:

“I think that there is a higher sense of entitlement with the higher minimum wage. I think that people don’t value what $12.25 is. I think that less than six months ago, somebody would have thought that $12.25 was a good paying job, and now just based on the fact that it’s minimum wage, they don’t think it’s good anymore.”

Owners and managers had difficulty adapting to the ways workers valued being above the minimum, which often defied their own conceptions of how to pay workers. Some restaurants that had previously paid all workers slightly above the minimum wage, for example, did not maintain a gap once the increase occurred. These owners and managers were mystified when workers challenged this new state of affairs, and argued that they had expected workers to be satisfied with a relative wage. Workers referenced cases where they or coworkers had no longer felt as valued in the workplace. Being back at the minimum meant a return to a stigmatized wage and the reversal of months—or years—of progress.

**RELATIVE WAGE DISTINCTIONS AND WORKPLACE HIERARCHIES**

While the image of the “minimum wage worker” was a significant reference point for restaurant wages, most restaurants put effort into sustaining wage hierarchies between workers. Wage and raise criteria referenced distinctions made between workers on the
basis of individual, task, and job characteristics. This study found that restaurants typically sustained these wage hierarchies after MWIs, even at financial cost to the owner. Rather than only impacting workers making below $10 or $12.25 per hour, restaurants typically increased almost all hourly employees, leading to new base rates above the minimum wage. Shifts in wage hierarchies have been identified as “spillovers” or “ripple effects,” but the reasons for them are poorly understood (Wicks-Lim 2006; Engbom and Moser 2016). This section examines what distinctions restaurants emphasized between workers, and how they maintained them once the minimum wage increased.

**Maintaining desirable distinctions**

Managers sought to maintain systems of rewards that emphasized the “worth” of employees. One owner described his system:

“I pay the servers and some of the kitchen staff just the minimum, $12.25. But then it depends on the workload, their job role, how vital they are to the running of the restaurant. Incrementally I usually pay $2 to $3 over minimum wage, so I pay $15.50 ish to a couple of the kitchen people that are the assistant to the chef. We have a – I wouldn’t call her a kitchen manager, but she basically runs the kitchen for the chef” (Oakland owner).

The owner here emphasizes that some workers are paid more based on how vital they are seen to the running of the restaurant. Another owner describe a system based on a mix of dependability and effort: “50 percent of the job is about coming in and coming on time. Once you get past that, and then the job you’re doing when you’re here, it’s a small place, I don’t overlook it. If you go above and beyond, I’ll give you a raise” (Chicago owner).

There were several bases restaurants could use to label employees as valuable, and below I map out three common sources of distinction.
While practically all restaurants had systems for raises or promotions, they differed in how they justified and framed those increases. In general, I noted three related metrics of worth that distinguished employees—particularly compared to minimum wage workers. Task set, experience, and performance were criteria used to differentiate employees. These wage hierarchies had to be re-evaluated once the minimum wage increased. Owners made decisions about which distinctions to maintain—raising employee above the new minimum wage at direct cost to the bottom line. I found that, where possible, owners sought to maintain distinctions based on experience and tasks. Performance, however, was less likely to lead to “spillovers” because it tended to be framed as absolute rather than relative work. The evaluative frameworks use inflected the outcomes of MWIs.

**Tasks**

Task and job title was an important marker of value. As one owner put it: “it only makes sense. We can’t have the dishwasher making the same thing as the line cook, I mean that’s crazy, that can’t happen” (Chicago owner). The size of the gaps was important: “you have an unskilled worker [dishwasher], making $12.25, and now you have someone who’s been a line cook for 10, 12 years, and they were making $8 more, now they’re only making $5 more“ [Oakland owner]. A large restaurant might have gaps between dishwashers, prep cooks, line cooks, lead line cooks and sous chefs. In fast food restaurants or pizza restaurants, there was typically a hierarchy of roles, each of which came with sets of required skills, that meant a pay increase for the worker doing them. However, occasionally there were workers with an atypical set of skills: a server assistant with coffee experience, or a prep cook who could fill in on the line. In these
cases, owners might compensate the employee higher, recognizing the potential value of an employee able to fill multiple roles if necessary. Practically every restaurant made wage distinctions based on task—but when joined to other distinctions one might encounter relatively small differences in wages.

Performance and Productivity

When I asked restaurants how they devised raises, many referred to them as an acknowledgement of the extra value a worker offered to the company. Managers referenced that workers that expanded their productivity, or went “above and beyond” typical work tasks. Typically, these raises were linked to a regular review that also rewarded experience: “If you’ve been here for nine months and you’ve done a really, really good job, I’ll probably give you a raise. If you’ve kind of plateaued, I’ll wait until one year, for the annual mark, to consider a raise” (Chicago owner). In this case, hard work enabled workers to advance along the raise schedule more quickly. Sometimes, owners put a number on added productivity: “We had a prep cook for a while who was just a beast…she made more than any of the guys on the line, because she was like two people practically” (Chicago manager). When a worker was clearly more efficient and effective than others in their position, they were often paid more in an effort to retain them and reward their higher productivity.

However, distinctions based on performance were less likely to result in spillovers than those based on jobs and skills. When raises were tied to regular reviews, performance was interpreted as learning speed—rather than differences in worth. Often, owners interpreted these raises as an expected feature of workplaces, but did not see themselves as responsible for maintaining distinctions between workers. The exceptions
were cases such as the prep cook described above—workers who were clearly more productive than others doing the same job. In these cases, owners maintained differences based on higher productivity, often to ensure the worker did not test the job market.

_Tenure_

Restaurants often devised systems for regular raises to employees. However, even when these regular raises were based on tenure, owners framed them in ways that had consequences for minimum wage increases. One example was the annual raise, a common (but not universal) practice. Owners saw it as their responsibility to reward employees who had been there longer, and often point out that simply being at a workplace was a form of learning and skill-building. However, owners were unlikely to translate these raises into spillovers after the minimum wage increase. Annual raises—whether framed as “merit” or “experience”—acknowledged tenure but were not seen as representations of worth or value.

In contrast, some employers did frame annual raises as linked to loyalty and familiarity with the business. These owners tended to take the metaphor of care and family as representative of their business. One owner offered: “I kind of treat everybody like family, and everybody considers themselves family.” In these cases, turnover was often low and annual raises were framed as a reward for loyalty. Another manager framed raises as a marker of growing trust and autonomy: “The less I have to tell them to do something the more valuable I think they are…The less I have to deal with day-to-day operations the more appreciative I am” (Oakland manager). When raises were framed as a sign of appreciation, owners would make sure employees were kept above the minimum wage as it increased. In some cases, however, wages were high enough that
they were no longer be seen as “relative.” Some of these employers voiced apprehension at the rising minimum wages, expressing a concern at the shrinking gap between their “generous” wages and the industry norm.

**After the Increase: Workers maintaining pay norms**

Workers were invested in pay gaps, and made an effort to maintain pay gaps following the increase. Several owners I talked to mentioned being confronted by workers following the increase who were expecting a similar raise to those lower in the restaurant hierarchy. One manager described how all of her kitchen employees had approach her, one by one, to ask for an increase. Often, this insistence took managers by surprise: they had not anticipated that higher-paid workers would see the increase in the minimum wage as related to their wages. However, worker efforts were not always successful, as one manager recounted: “[the line cook] wanted more… no it doesn’t work like that. Just because everybody else got a raise…they got a raise because the law said they gotta have a raise” (Oakland manager). Above a certain level, some owners did accept the claim that the minimum wage was a reference point.

Workers were also dissatisfied with raises they saw as insufficient—even if it their wages had increased. One fast food worker expressed displeasure that they had only been raised $.50 above the new minimum: “they don’t want to pay out now, is what it boils down to…it made me rethink some things, like I’m probably going to go home and start looking for maybe other options” (Chicago worker). It was typically the symbolism of a meager raise that caused workers to leave. Small raises showed that an owner was unwilling to acknowledge their worth: “I gave them a little bit more, but not the extra $1.75 that the minions were making. Those guys weren’t minions, so they went
somewhere else. So I lost my two best employees” (Chicago owner). Faced with wages they saw as unfair, and owners they saw as unresponsive to their true value, workers tested the market to voice their displeasure. Notably, these workers has received pay raises, but dramatic reductions in their relative pay.

**Undesirable distinctions**

Owners recognized wage gaps between the servers and the kitchen, and many in Oakland resented that the minimum wage actually increased these wage gaps. Servers were often perceived as less experienced, loyal, and skilled. However, in Oakland they were the biggest beneficiaries of the increase:

“They go from making $9 an hour, now they’re making $12.25 an hour, that’s a 30 percent pay raise. If you raise the prices 30 percent, now they get a second raise, because the sales go up, instead of selling a thousand, you’re $1,300, so now you’re getting tipped on $1,300 instead of a thousand. …The disparity between what the front of the house earns and what the back of the house earns stays at a large gap” (Oakland manager).

Many Oakland owners pointed to the retrenchment of front-back inequalities as an issue with the increase, and even some who supported the increase were critical of this aspect. In Chicago, in contrast, conversation only centered on servers when I made an effort to bring up the topic. While owners referenced the potential for tension between the front and the kitchen, they described the minimum wage as improving inequalities

One Oakland subject described the inequalities of tip-based restaurants in value-laden terms: “[a] 24 year old girl who has 1 year of experience waiting tables [is] making 4 times as much as this 35 year old man with a child, who has been working for 12 years to hone his craft” (Oakland owner). “For owners—many of whom had worked in restaurant kitchens—this inequity was an inversion of their perceptions of value in the
restaurant. Some subtly encouraged servers to increase the tip-out to the kitchen, while others cut back on perks to servers, but not the kitchen. Some owners pushed servers to take on more tasks after the increase, a shift that encountered some resistance. While the tipping system prevented owners from equalizing pay, many pointed out that they did not believe servers deserved the raise.

**Eliminating tips**

The most dramatic response to this change was the elimination of tipping—several of my interviewees had done so, and several others had considered following suit. While some raised prices or charged an automatic gratuity, others went the legally murkier route of paying a percentage of tips to the kitchen. While owners emphasized that this shift allowed them to pay more to their kitchen employees, they also explained that it normalized the employer-worker relationship. One owner who had eliminated tips entirely argued that he offered a different employment relationship: “But if you had a tip-credit in place then it’s more of that sub-contract relationship where it’s a commission based job” (Oakland owner). Another claimed that: “But if I actually charged what it costs what it costs me to do my business everything would be 20% [higher].” These owners made it clear that the issues with the tipping system were not only the inequalities it generated, but also the relations it generated between servers and the rest of the restaurant.

**Conclusion: minimum wages as floors for relative wage system**

Minimum wage increases have ripple effects: they lead owners and managers make decisions about pay, and workers to reflect on whether changes are fair. However, these decisions are not based purely on “market” factors. Instead, the minimum wage,
base wages, and existing distinctions become the basis by which fairness is determined. In this paper, I examined the inter-related questions of how wages can take on symbolic meanings, and how these meanings inflect responses to the minimum wage increase.

I argue that workplace wage structures interact with systems of worth and valuation. In this, I follow other research on how pay structures provide resources for individuals narratives and workplace cultures (Newman 1999; Burawoy 1979; Sallaz 2009). However, even though relational economic sociology has found that money can have meaning (Zelizer 1997), researchers have only recently begun to examine wages or welfare through this lens. Following Sykes et al. (2015), I show that these meanings are highly relevant to low-income settings. Below, I seek to further explain why this finding is important for understanding the impacts of minimum wage increases.

I demonstrate that one key feature of wages as social instruments is that they generate relative distinctions. As a result, I found similar wage adjustment processes occurred in Oakland and Chicago despite Oakland having a higher absolute minimum wage. Gaps in the wage hierarchy were similar across sites, even though prep cooks in Oakland made nearly the same wage as line cooks in Chicago. In addition, wage structures were largely reproduced over time: I saw few indications that workplace organization was radically restructured following minimum wage increases. Because workers often complained when hierarchies were not maintained, there was less variation in spillovers than would have occurred if decisions had been entirely made by managers. However, when wage hierarchies did not match social values—such as with tipped workers in Oakland—some employers began to implement new forms of pay and workplace organization. In addition, one would expect to see lower ripple effects in
industries and firms with a small proportion of low-paid workers. In such cases, the minimum wage would have less meaning as a reference point for workers—and certainly less for managers.

One implication of this study is that the full effects of MWIs can be more accurately predicted with more research into the social meanings of wages. In this research, I found that the minimum wage in the restaurant industry operated as a relative measure of worth in the period around a minimum wage increase. However, as California’s minimum wage increases to $15 (and Chicago’s to $13), it is likely that increasing numbers of workers will be at the minimum wage. Owners will have to respond to this dilemma, and may do so by developing new ways to signal workers’ worth, or by moving towards more horizontal, cross-trained work structures. In addition, rising minimum wages may de-stigmatize earning the “minimum,” which in turn complicates the hierarchies of the workplace. Future research should look at workplace dynamics—rather than simply aggregate employment—for the effects of MWIs.

Relative wage hierarchies and other workplace dynamics can also be used to examine other policies and changes in the restaurant industry. Increasing attention has been placed on the subminimum wage for tipped workers. While the consequences of eliminating the subminimum wage would require additional research, it is clear that a move away from tipping would lead to a radical shift to the organization and meanings of front-of-the-house jobs, and perhaps make these jobs more comparable to jobs in the kitchen. In addition, proposed changes to scheduling and part-time work might be better understood with an in-depth qualitative approach than one that emphasizes financial impacts. An emphasis on subjective experiences of work also calls attention to the
positive aspects of low-wage workplaces, creating the possibility for policies that encourage these features of work. By studying workplace cultures and hierarchies, researchers can understand the problems of precarity and the potential for improving low-income jobs. The questions explored in this study are only the beginning.
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