A Fair Wage: Restaurant Owners, Minimum Wages, and the Moral Economy of Low-Wage Workplaces

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Abstract:
Since 2014, over twenty U.S. states and forty localities have increased their minimum wage, directly raising the wages of millions of workers. However, as much as half of the wage gains from these policies result from raises that go beyond legal mandates. This study explores the causes and outcomes of these ripple effects, and finds that they stem from the moral economy of restaurant work. Drawing on 90 interviews with restaurant owners, managers, and workers following increases in Chicago and Oakland, this article shows that mutual obligations and concerns about fairness were cited to explain decisions to raise wages. Owners and managers framed wage differentials as an outcome of their personal assessments, establishing norms that they were compelled to satisfy even after wage floors increased. The expectations that shaped restaurant workplaces drew on perceptions linked to ethnicity, particularly around the work ethic of Latino kitchen employees. This article explores the process of and justifications for raises following minimum wage increases. In addition, it finds that when employers did not raise wages, they faced resistance, complaints, and resignations of workers. While this study finds that minimum wage increases had a broader effect than anticipated, they nonetheless reinforced wage differentials and status hierarchies within restaurants.

INTRODUCTION
Since 2014, 21 U.S. states and 40 localities have increased their minimum wage, directly raising the wages of millions of workers. Economists have debated the net effects of these increases, with most studies finding positive outcomes for wages and little to no decline in employment (Reich et al 2017). However, lost in this discussion about efficacy have been a number of findings showing that despite the financial costs of minimum wage increases, employers actually raised workers’ wages more than was legally mandated (Pollin et al. 2008). The lowest-paid workers were often raised to a wage above the new minimum, and even workers who were originally paid above the new floor received raises. Economists have begun to include these “ripple effects” into their calculations, and some research has indicated that they may equal or
exceed the mandatory component of wage increases (Wicks-Lim 2006; Engbom and Moser 2015). In interviews with owners, managers, and workers, I also found that ripple effects were widespread and preserved wage hierarchies within businesses—a consequential outcome for a policy that aims at reducing social inequalities. Despite clear impact and potential significance for minimum wage policy, ripple effects remain poorly understood, and are all but absent from sociological research on low-wage work.

Most analyses of labor regulations emphasize that they establish a floor on firm behavior that reins in the most abusive or problematic practices (Bernhardt et al. 2013; Weil 2014). Thus, it comes as a surprise that more than half of the wage effect of minimum wage increases is not mandated by the law. I argue that this outcome results from the interaction of regulatory change with the existing norms, rules, and practices that govern work and wages. This article uses minimum wage increases as a lens to examine the moral economies and normative dimensions of low-wage firms (Bolton et al. 2013; Sayer 2007). In particular, it explores the relation between workplace hierarchies and conceptions of fairness, reciprocity, and worth that impose mutual obligations on owners as well as workers. It finds that owners and managers establish hierarchies as a source of motivation and control, but are bound by these logics to go beyond their legal obligations to workers when wage floors rise.

This study therefore challenges the assumption that wage and status differentiation among low-wage workers is being broken down by institutional and ideological forces. One summary of trends in employment wrote that for the quarter of U.S. workers making below $8.70 an hour in 2003, job ladders “have been dismantled, limiting their ability to get ahead in today’s labor market” (Appelbaum et al. 2003). In explaining the rise of “bad jobs,” Kalleberg and others have argued that firms increasingly depend on deskilled, high-turnover jobs that offer
little opportunity for internal advancement (Kalleberg 2011, Tilly 1996). Neither firms nor workers have an incentive to invest in these roles, leading to a “vicious cycle” that traps workers in positions long-term (Newman 1999). The lack of differentiation removes a potential source of “dignity” for working men and women (Lamont 2002). The absence of job ladders is depicted as particularly acute in industries lacking large firms or professionalized human resource practices, with the $780 billion restaurant industry being prototypical in this regard. While this description is undoubtedly true of some cases, I find that wage hierarchies and opportunities for growth were common in low-wage restaurant firms, and showed no signs of being endangered.

In this article, I present an alternative account of low-wage work that focuses on how owners and managers make wage decisions, and their outcome for minimum wage increases. Drawing on interviews from a study of restaurants in Chicago and Oakland, I show the relations between firms and workers included mutual obligations and reciprocity that shapes owners’ and managers’ actions, in addition to economic factors. Building on Sallaz’s call to incorporate economic sociology into studies of low-wage work (Sallaz 2015), I show that wages act as evaluations (Lamont 2012; Espeland and Sauder 2007) and as meaningful forms of exchange that reinforce social relations (Zelizer 2005). I find that fairness, worth, and career growth are central features of the social meanings of wages, and that small differences in pay may have an outsized symbolic effect. In the process, I move towards a fuller understanding of the minimum wage that incorporates the moral economy of low-wage workplaces.

LITERATURE REVIEW

Owners and workers in low-wage work
To reiterate, the outcome that owners would exceed their legal obligations to raise workers’ wages is not anticipated in most research on low-wage work. In their descriptions of low-wage work in the United States, Appelbaum and others have argued that employers have sought to undermine norms that sustain job quality (Appelbaum et al. 2003). Research on the rise of “bad jobs” has pointed to contingent work, subcontracting, and shifting standards for employment practices (Elliott and Long, 2016; Haley-Lock 2012; Kalleberg, 2011; Newman, 1999). Violation of labor law is a widespread problem, and employers pursue flexibility at the expense of workers’ insecurity (Bernhardt et al. 2009, 2013). The movement to raise the minimum wage has also drawn on analyses showing that the declining real minimum wage has contributed to income inequality, as neither markets nor employers have propped up wages at the bottom of the economy (DiNardo, Fortin, and Lemeiux 1996). The underlying argument of much of this research is that labor regulations and, in some cases, worker bargaining power, are the primary factors preventing even deeper declines in job quality. A rise in the minimum wage should raise wages for the lowest-paid workers, but there is little reason in this literature expect that raises would exceed legally mandated amounts.

In contrast, other research has argued that overly rationalist depictions of the workplace underestimate the potential value to businesses of a motivated and engaged workforce. This insight has spawned a generation of sociological research addressing why workers work so hard, which has shown that normative and cultural factors contribute to organizational success (Vallas 2012). For elite workers, research has emphasized personal and professional identities that align with workplace cultures (Kunda 1991) or masculine norms (Cha 2016; Acker 1990). For low-wage workers, answers have looked at “making out” and blue-collar identities (Burawoy 1979; Lamont 2002; Newman 1999). However, the tendency in the literature has been to argue that
firms underestimate the benefits of improved job quality, and to emphasize the role of surveillance and coercion in “motivating” low-paid workers. Recently, economics and I/O psychology have taken a closer look at the role of wages in the workplace (Falk et al. 2006; Tekleab et al. 2005; Yellen 1984). Researchers have found that high wages can lead to higher effort, while low wages can have a disproportionate, negative effect on wages. These social dimensions of wages, which sociology has the theoretical tools to study, have macroeconomic consequences (Bewley et al. 2000). I build on these insights that perceptions of wages can motivate workers, and argue that this dimension of low-wage work has been overlooked in sociological research.

The study of workplace norms and bridges minimum wage research with a resurgent literature on the “moral economy” of work. This research draws on Thompson, Scott, and Polanyi’s discussions of early capitalist societies, in which social norms were often enforced from below (Polanyi 1957; Scott 1976; Thompson 1971). Norms “were binding on local elites as well as poor villagers, and they violated these at their own peril” (Granovetter 2017, p. 50). Recently, the concepts of moral economy and reciprocal obligation have restored attention to the role of deservingness and justice in contemporary economic life (Bolton and Laaser 2013; Sayer 2007). Workers continue to express judgments about fairness and obligations that can lead them to push back against employer demands (c.f. Bolton, Houlihan, and Laaser 2013). However, while morality has been taken up a force in the workplace, it has been studied almost entirely from the perspective of workers, and as a source of resistance. The emphasis in Scott and others on elite reciprocity, mutual obligation, and constraint has largely been lost. In turning the focus to the decisions of owners and managers, this article seeks to show how responsibilities and
obligations continue to be present in low-wage workplaces, even when legal requirements are not present.

**Relative Worth and Wage Evaluations**

To expand on the role of the moral economy and deservingness in wages, this paper builds on the insight that wages are the outcomes of evaluation that distinguish between workers, rather than purely market consideration. Sociological research, particularly on gender and racial inequality, has explored the criteria for worker assessments and evaluations in large organizations with extended internal job ladders (Ridgeway 2014). It argues that the value of workers is the outcome of socially constructed assessments, which are influenced by worker characteristics and manager perceptions. This research challenges the notion that a combination of labor markets and human capital determine wages, and points to the role of managerial assessments in perpetuating inequalities. Nelson and Bridges (1999), for example, find that wage-setting practices at four large organizations were the product of benchmarking practices that had been established through negotiation. While the nature of career progression in small businesses rarely involves formal structures for raises, this article builds on this literature to examine how owners and managers make decisions about workers.

Decisions about wages and promotions are not removed from moral considerations; the perception that evaluations are derived from fair and just rules is a component of organizational legitimacy (Burawoy 2012). Research in both sociology and economics has repeatedly shown that relative wage comparisons and fairness concerns matter within firms and regions—but that within-firm dynamics tend to be most salient (Akerlof and Yellen 1990; Bewley 1998; Card et al. 2012; Jasso 1978, 2001; Kahneman et al. 1986; Scott 2004). However, these studies stop short of discussing how these norms operate within the practical context of the workplace. Research
on comparable worth (England and Dunn 1988) yields insight into the elaborate systems used by organizations to assign value to workers. The precise criteria for decision-making were shaped by social factors within firms—and are consequential to reproducing gender and race wage gaps (Misra and Murray-Close 2014; Nelson and Bridges 1999; Wingfield 2009). However, efforts to make decisions less bureaucratized and more ‘meritocratic’ often have the paradoxical effect of expanding inequality (Castilla and Bernard 2010). The details of assessment affect the inequality of outcomes, even in less formal workplaces, and this article examines the criteria used by restaurants for evaluating workers. In addition, I explore how the legitimacy of value judgements was maintained in circumstances that could challenge whether they were truly fair or meritocratic.

This article therefore argues that norms and the moral economy of the workplace buttress job quality in low-wage workplaces and small businesses. It intervenes in both of these areas by examining the content of wage decisions in low-wage workplaces, and showing how wages and evaluations establish relations between owners and workers. The remainder of the article proceeds as follows: I describe the methodology of the study and key features of restaurant workplaces. Next, I examine how owners and managers describe wages and raises in ways that center their role in evaluating and paying workers. Next, I examine outcomes after minimum wage increases, which acted to preserve and reinforce distinctions in the workplace. I show that the logics of wage evaluations in the workplace imposed obligations on management following minimum wage increases. Finally, I explore those cases where owners did not implement ripple effects, and find that they faced resistance from workers. In the conclusion, I discuss the implications of these findings for the literature on low-wage workplaces and labor regulation.
DATA AND METHODS

In 2015, Chicago and Oakland implemented two of the largest minimum wage increases of all US cities, from $8.25 to $10 (21%) and from $9 to $12.25 (36%), respectively. To examine business responses, I conducted 90 semi-structured interviews with owners, managers, and workers, 4 to 6 months after the increases occurred. The restaurant industry was chosen for its high density of low-wage workers (Reich et al. 2014). The large number of businesses, the majority of which are locally owned, was also a factor in selecting this industry. Owners and managers were recruited through in-person visits to restaurants, a labor-intensive approach that required around 6-7 attempts per interview. However, this methodology produced a large number of contacts and field notes that informed the study. The resulting sample included a range of restaurant sizes, price ranges, and types, and a high proportion of fast food and mid-range full service restaurants. Over 90% of respondents were at independent restaurants or local chains—the large majority of restaurants in both cities. Workers were recruited through flyers and conversations, and were a smaller proportion of the sample (13%) than owners (53%) or managers (34%). While workers offered a valuable perspective, they tended to have less precise information about overall outcome within their businesses than owners or managers.

Interviews engaged respondents on restaurant operations, dynamics, and responses to the minimum wage increase. This approach allowed respondents to identify changes at each restaurant, while developing data around common activities. I asked detailed questions to ensure that I was being given an accurate picture of restaurant responses. In collecting, analyzing, and coding my data, I employed a grounded theory approach (Strauss and Glaeser 1975) that emphasized common themes and emerging patterns. Interviews were transcribed and coded in

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1 City-level data on restaurant type is not available. In the District of Columbia, which is highly urbanized, 17% of restaurants were franchises per the 2012 Economic Census of the United States.
Atlas.ti and coded for common themes. At this stage, fairness and similar rhetoric emerged as an explanation for restaurant decision-making. While I had incorporated questions around raises and ripple effects into my interview guide, the language of fairness and morality emerged organically out of interview responses. Although the logics of decision-making are, by their nature, difficult to verify, an interview-based approach was necessary to examine the thought process of managerial responses to minimum wage increases. The large scale of these increases provided an opportunity to use qualitative methods to illuminate results that might not be noticeable in small, gradual increases.

**Jobs in Restaurant Kitchens**

Before describing my findings, I will briefly describe key features of the restaurant industry in Chicago and Oakland. While quick service fast food dominates the popular conception of restaurant work, most restaurant kitchens reflect traditional models of restaurant work. There is a wide range of incomes in restaurant kitchens. Dishwashers and entry-level fast food workers were consistently paid around the minimum wage. At some restaurants, entry-level food preparers (prep cooks, pizza cutters, etc.) were at or slightly above the minimum. These positions were an entry point into the kitchen job hierarchy, in which the next level up was typically line cooks. These roles emphasized cooking tasks, but line cooks often took part in preparatory work. In larger operations, line cooks might be supervised by sous chefs, salaried employees making more—but not substantially more—than line cooks. The chef who ran the kitchen frequently had an ownership stake or depended on restaurant profits for their wage. However, restaurants also varied around this structure: they might combine dishwasher and prep cook positions, or differentiate among their line cooks. The exception was industrialized fast food restaurants: they
typically had a hierarchy of supervisors above entry-level employees, but promotion to these positions usually involved only a small raise.

Similarly, hierarchies for customer-facing positions in counter service restaurants often started around the minimum for employees such as cashiers, although tips supplemented this income. In full service restaurants, most workers in the front of the house made some variation of the minimum wage plus tips. These tips were originally brought in by individual servers, and restaurants differed in whether servers were responsible for redistributing them, or whether the restaurant would pool tips and then redistribute them. Typically, servers and bartenders made the highest tips, and hosts, bussers, runners, and barbacks were paid smaller amounts. In Chicago restaurants, baseline salaries for these support positions were often slightly above the mandated tipped minimum wage of $4.95, but tips were the main source of income and hence, relative wage hierarchies. Even in Oakland, where all workers were paid a minimum of $9 before the increase, tips were seen by many workers as the majority of their income.

Job segregation was the norm in restaurants. Kitchen jobs were typically Latino men; servers were disproportionately female; bartenders were predominantly male. Although both Oakland and Chicago had large African American populations, they were underrepresented in the industry, and particularly in full-service restaurants (Cantanzarite 2002). East Asian immigrant workers were present in Vietnamese, Burmese, and other Asian restaurants, but less common outside this sub-section of the industry. The patterns of racial and gender composition produced gendering and racialization of jobs that, I found, shaped how owners and managers described these roles and assessed workers.

Positions and jobs in the restaurant industry were also shaped by the precarity of restaurant businesses. Because of low margins and variable customer flows, owner incomes
could vary dramatically from year to year—and maintaining a prosperous business for more than a decade could be challenging. Workers, similarly, had to make decisions about their relation to the industry. It was rare for even experienced line cooks to make much over $30,000 per year without overtime—below the median for a full time worker without a college degree. Owners could provide some pay raises, but only the largest restaurants could offer these workers the ability to jump into higher-paid managerial or chef positions. Owners took for granted that Latino immigrants, because of their constrained job prospects in the rest of the labor market, would provide more stability and work ethic at a low pay rate. Thus, wage structures were very much enabled by the constraints workers faced in their life course outside of the workplace. Yet, at the same time, restaurant kitchens were depicted as a space where people from a number of backgrounds could develop skill and be rewarded. For some, the idea of eventually opening a restaurant appealed; for others, the security and flexibility of the restaurant industry offset the low pay. These positive aspects of restaurant work raise the possibility that, in the future, these jobs could become appealing options for workers without a college degree.

RESULTS AND DISCUSSION

My interviews revealed that minimum wage increases had a far broader array of effects than anticipated, as restaurant management sought to balance the financial pressures of the increase with the normative pressures to maintain wage distinctions. Almost all of the restaurants in which I did interviews (91%) reported raise increases beyond what was legally required. Putting aside for a moment the motivation behind these changes, their effect was to extend the benefits of minimum wage increases to most kitchen and restaurant workers, rather than limiting them to the lowest-paid workers. Compared to estimates in the literature (Welsh-Loveman et al. 2014, Reich et al. 2014), I observed ripple effects that were larger and extended to more workers than
typically incorporated into models (Allegretto et al. 2013). In some cases, even workers who were well above the minimum wage (i.e. at $15/hr.) received raises. In addition, these ripple effects occurred within restaurants—notable because studies have lacked the data to examine whether changes were diffused through labor market or within-firm mechanisms. These raises were a significant expense for owners, who clearly felt it worthwhile to preserve relative wages in restaurants despite the financial cost.

Below, I first show that wage-setting practices established norms and obligations in restaurant workplaces. Owners and managers were not only evaluated workers, they also were directly responsible for pay, making them accountable for workplace distinctions. Next, I describe how these obligations produced ripple effects following minimum wage increases, and examine the content and logics of wage evaluations. Finally, I examine cases where restaurants failed to fulfill worker expectations. These findings build on existing research to show how changes in wage norms—rather than a shift in human capital or labor market forces—prompt these outcomes of minimum wage increases.

“I don’t overlook it:” Owners as a source of distinctions

While in bureaucratic organizations, wages may appear to be the outcome of distant and impersonal processes, restaurant owners and managers centered themselves in talking about wage decisions. Through their narratives, owners established their personal role in setting wages, emphasizing that their personal assessments of workers acted to raise workers above wage floors. Wage increases beyond a workers’ starting salary were framed as an acknowledgement of demonstrated value. One seasoned owner of a Chicago barbeque restaurant related: “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). The owner hinted that wages should not be taken for granted; rather, his sense of fairness was why he did not “overlook” worker effort. Other owners echoed this sentiment: they were obligated to compensate workers who had earned pay raises. Wage distinctions were only possible to the extent that owners were willing and able to reward workers.

Owners emphasized that they were responsible not only for recognizing the value of workers, but also literally for paying for wage gains. The size and ownership structure of restaurants meant that there was a direct relation between workers’ wages and owners’ checkbooks. Rather than obscuring or shying away from this connection, however, owners talked about the link between wages and profits in explicit terms. They spoke of having to “take care of” their workers, despite the financial costs of doing so. Managers who made personnel decisions shared this perspective: they were often evaluated on restaurant profitability, and also identified with the restaurant. Several turned to paternalistic language—two owners even explicitly stated that they saw themselves as father figures to their workers. While these cases were not representative of all owners and managers, many stated that pay above the base rate should be “appreciated” by workers. Higher wages reflected an acknowledgement of worker value, but still entailed financial costs to owners.

Small business owners and managers felt that they could directly see and assess the quality of work being done. As an earlier statement indicated, restaurants were “small places”, and the close quarters of the restaurant minimized the distance between workers and owners. Respondents referenced the frictions of restaurants that could put people almost directly on top of each other, and often used nautical metaphors to emphasize the importance of every worker in this scenario. Former chefs and cooks often stressed their ability to assess workers in the kitchen:
“I can get a pretty good impression of somebody cooking-wise, pretty quickly. Cashier, it’s been more hit or miss” (Chicago owner). The positioning of owners and managers in the restaurant—whether they tended to operate in the kitchen or service area—impacted their sense of certainty about workers’ worth. However, owners stressed the need to oversee workers: even in the above case, the owner noted that he “has really good cashiers now” despite the difficulties associated with assessing them. In larger restaurants, owners often described the experience managers had in evaluating workers, and managers the confidence that owners had in them.

The role of owners and managers as evaluators was established soon after workers started a new job. In a common example, one manager in Oakland stated that: “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). Arrangements such as this one, that offered a semi-guaranteed raise early in a worker’s tenure, established managerial discretion on raises as a feature of the workplace. While they could be perceived as a form of employer learning, these raises tended to be small and almost automatic, indicating a relational rather than economic logic. Similarly, the lack of a raise signaled to workers that they needed to improve—much more than the financial distinctions between making $12.25 vs. $12.50. The constrained finances of restaurants limited their financial ability to reward workers. Instead, raises tended to be on the order of $0.25-$0.50 per hour—enough to add up over time, but small individually.

Owners emphasized that wage decisions reflected distinctions between workers and from baseline wages. These descriptions simultaneously indicated their agency while conflating owner assessments with the value of workers. One owner-manager of an Oakland brunch spot described his approach:
“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).

Here, the owner described how he made decisions around the pay of workers. While concerns about relative status were often described as flowing from worker psychology or even human nature, owners and managers played a clear role in establishing the value of workers in relative terms. This dynamic was a source of pride and status for owners and managers, but also held them directly responsible for maintaining wage hierarchies and the moral economy of the workplace.

*Job segregation and owners’ obligations*

The idea that owners should take care of workers was reinforced by perceptions of Latino workers, who made up the majority of kitchen employees in most restaurants. Owners often claimed that their Latino workers had low turnover, and noted that they had more of a tendency to stay in a position long term. Many echoed the sentiments of a Korean owner quoted in Kim (1999): “If you treat them well, they don’t leave. They think of it as a permanent job.” Owners described Latino workers are more likely to have families, be responsible, and value stability than other restaurant workers. These characterizations normalized low levels of pay, as owners marveled at the frugality of Latino workers and their ability to raise a family at $14 an hour. Owners extolled the work ethic of Latino workers and often mentioned their high skill level—a product of the constrained job prospects facing immigrant workers. Loyalty and reciprocity were valued from all workers, but it was primarily with immigrant Latinos that this was expected to translate into long term employment.
Hierarchies and obligations, then, were shaped and reinforced by larger social inequalities. This pattern bears out Tomaskovic-Devey and Avent-Holt’s (2013) explanations for how “relational inequality” becomes characterized by multiple, overlapping hierarchies (see also Browne and Misra 2003). In this case, although owners acknowledge the work ethic and importance of Latino workers, they also accepted as inevitable that these workers would fill lower-paid roles in the restaurant. Restaurant owners frequently said that they wanted to pay employees more, but “low margins” and “business necessities” held them back. The end result was that the wages in majority Latino positions tended to be lower, and owners often treated these workers differently than other employees (Cantanzarite 2003). The resulting work environment may have led Latino workers to have a higher comfort level in these roles. Several respondents claimed that they Latino workers had declined their encouragement to move into higher paid or service roles, stories that reaffirmed their perception that job segregation was an inevitable outcome. As reported in other studies of ethnic job segregation (Cantanzarite 2002), worker characteristics and owner perceptions generated an iron cage that limited advancement.

After the increase: Fairness and mutual obligation in owners’ responses

These prior decisions established a responsibility for owners to preserve pay differences after wage increases. 91% of respondents reported raising wages for some higher-wage workers. However, there was significant variation and no single way to implement these ripple effects: some restaurants raised all workers by the same amount, while others found this approach too costly and compressed their wage structure. One Chicago café owner—who only heard about the increase a week before it went into effect—put together a complex formula in which raises decreased with distance from the minimum wage. Restaurants had some flexibility in deciding what set of raises reflected their financial and social dynamics, as long as their reasoning was
conveyed to workers. However, missteps or miscommunication in applying raises could prompt pushback and complaints. As a result, owners and managers looked to factors within the restaurant, rather than those outside, when deciding how to respond to minimum wage increases.

Owners and managers referenced fairness and reciprocity in explaining their wage decisions. As the minimum wage increased, the actions undertaken by businesses were motivated by the commitments they had already made to employees. A manager at one Oakland fast food grill described the mix of factors affecting the decision to raise workers:

“[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).

The manager here emphasized the need for the management of the restaurant to maintain the existing raises that workers had already earned. Notably, the decision is described as derived almost entirely from concerns about fairness, with workers having little choice in the matter. Other owners emphasized that workers had “earned” their raises in the past, and that not implementing ripple effects would be tantamount to taking them away. Rather than looking at labor market dynamics, such as whether the same workers could now find higher-paying jobs elsewhere, internal factors such as fairness and morale were the basis for wage decisions.

Owners continued to draw on the rhetoric of fairness and obligation, while acknowledging their direct role in maintaining distinctions between workers. For example, one co-owner of a Chicago bistro explained that the costs of these increases were larger than expected, due to the need to maintain pay gaps between workers with different skills:

“Then we had to raise the back of the house too, I mean 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. So it went up a little bit more than I was actually
expecting it too, but it makes sense. 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).

Owners such as this one accepted the relative distinctions of the restaurant as unchangeable: paying the dishwasher and cook similar amounts would disrupt the order of the restaurant. However, even when the need to “pay your people” was expressed as an obligation, owners made it clear that ripple effects were intended to reflect positively upon them. The cost of maintaining the wage hierarchy—and the positive career trajectories of their skilled employees—fell on them. In some cases, owners complained that they were not being credited enough. Even some workers shared this sentiment. One stated that many coworkers “don’t value what $12.25 is,” and felt a “sense of entitlement” to their higher pay. This notion of entitlements (Kahneman et al. 1986) points to the strain placed by minimum wage increases on norms of pay within restaurants.

The normative aspects of wages were enhanced because the rhetoric of pay decisions emphasized the role of owner and manager discretion. These respondents consistently stated that they were the ones responsible for raising workers’ wages and deciding how much they were worth. The manager above, for example, argued that she was the one pushing for higher wages, even overstating her authority in the restaurant. Other owners framed raises as “rewarding,” “taking care of” or “giving” to workers. This framing echoed the sentiments discussed above that directly linked wage to restaurant finances and profits. While this dynamic established reciprocity between restaurants and workers, it gave owners the responsibility for maintaining wage distinctions after minimum wage increases.

The Content of Evaluations: Maintaining Desirable Distinctions
The justifications used to assess workers and establish distinctions also shaped the
decisions of owners after the increase. Below, I examine the criteria used to evaluate workers.
These findings build on research on the UK national minimum wage increase, which found that
small businesses had substantial “discretion” in how they evaluated workers because of the
informality of wage-setting process, and that “conceptions of fairness” were necessary to
describe outcomes (Gilman et al. 2002). Sociology is particularly equipped to disrupt the notion
that “value” can be taken for granted, and examine “how value in a setting becomes produced
and actualized by particular socio-material arrangements” (Barman 2015).

This approach calls attention to the multiple standards used to establish value and, in this
case, generate norms and obligations in the workplace. In coding my data, I found three primary
narratives for value: (1) skills and roles performed; (2) productivity and level of output; and (3)
tenure and perceived autonomy. These justifications often overlapped, as a more experienced
employee would likely have an expanded skill set and higher productivity level (Stark 2009;
Boltanski and Thevenot 2006). However, these narratives formed the basis for career growth
within a restaurant. The rationales for worker value could shape how owner obligation was
interpreted after minimum wage increases.

Owners and managers emphasized the need to maintain distinctions based on skills and
roles. These skills enabled workers to perform more valued tasks in the restaurant, but also
represented years of accumulated development and skill growth. Knife skills, cooking skills, and
various aspects of customer service were all potential sources of distinction. One owner of a
seafood restaurant described the potential tensions: “you have an unskilled worker 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). Owners were concerned
that if workers did not retain their wage differences, this could be interpreted as an implicit reduction in status. A pizza store owner described a system that explicitly tied pay to the number of roles a worker could perform, and simply shifted this whole system upwards after the minimum wage increased.

Differences in productivity and output could lead owners and managers to raise workers within jobs. These distinctions represented a different form of “skills”—the ability to handle specific tasks quickly and effectively. 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). This case, and others I encountered, saw owners rewarding specific workers for increased speed or drive. However, restaurants varied in whether they emphasized speed and output. The team-based environment of restaurants diminished the value of individual speed. In several cases, I found that distinctions based on productivity were reduced following minimum wage increases. While effective workers were valued, this did not appear to result in a need to maintain wage gaps.

Finally, owners emphasized the value of tenure, loyalty, and autonomy in the workplace. Owners often blended their appreciation of long-term commitment with the idea that workers who had been at a business longer could work with less supervision. Thus, raises linked to tenure were often framed as a market of trust: “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). This approach, which was more common in long-standing restaurants, framed raises as a signal of trust and responsibility, as well as skill. Experience in the restaurant was also valued when things went wrong—the ability to address issues and support other workers prevented problems from getting worse. In one restaurant that
replaced tipping with higher prices, the manager mentioned a staff member making over $25 per hour: “he’s been here for five years … He can fill in as barista, he can work as a busser, he’s one of the hardest working individuals I’ve ever met.” (Oakland manager). The manager went on to say that this worker had helped with the “growing pains” that accompanied the shift away from tipping. This description, which combines several criteria of value, emphases how the worker’s experience in the organization makes him able to fit in and take on additional responsibility within the restaurant. After minimum wage increases, these hierarchies of tenure and responsibility formed the basis of owners’ obligations. Not only did owners value their relations with these employees, but they recognized that minimum wages produced a decline in relative pay.

**Holding employers to their obligations**

In cases where owners did not institute ripple effects, employees often pushed back and, in some cases, left. Unwillingness by owners and managers to maintain the norms that they had established threatened the legitimacy of the business and left workers feeling undervalued. One shift supervisor at a fast food spot expressed disappointment at only being raised from $10 to $10.50: “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 other options” (Chicago worker). The business’s hesitancy to pay out implied unwillingness to fairly compensate workers for their value. In such cases, workers lost confidence that they were being fairly evaluated for their work and progress. Class or race hierarchies reinforced concerns about pay—this worker took the high salary of the college-educated general managers as evidence that the business had money to spend. Even when workers had an absolute pay increase, a decline in relative pay could indicate to workers that an owner would look after herself first, them second.
This pressure from workers could come as a surprise to owners, and could be the most difficult aspect of the minimum wage increase to manage. Two owners in my sample mentioned having done nothing initially, but were pressured into raises by workers who threatened to leave. Owners were often surprised by hearing from more experienced workers—the ones they had the longest relationships with. Higher paid or longer term workers arguably had the most to lose from wage compression, and in many cases were critical to restaurant success. One owner of a small franchise lamented that he lost his two best employees: “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” (Chicago owner). The exit of disgruntled employees could threaten the viability of the restaurant—even more than the direct financial costs of raising wages. While two accounts mentioned workers who had not yet followed through on threats to leave, owners and managers ignored the demands of their most valued workers at their own risk.

DISCUSSION AND CONCLUSION
Minimum wages are, in some ways, the most straightforward of labor regulations. Rather than requiring changes to business operations of reporting practices, they require owners to simply shift the pay of a handful of their lowest-paid employees. Yet, this study and other research finds a pattern of raises that exceed these legal requirements. The mechanisms behind this shift, I have argued above, show that wages in less formal workplaces have moral and narrative dimensions that impose obligations on restaurant owners. The norms of low-wage workplaces, including ideals of fairness and reciprocity, require owner and mangers to extend wage increases to the rest of the hierarchy. While these decisions often matched up with shifts in the market for restaurant
labor, my interviews indicate that restaurant owners were looking to internal factors in thinking about who to raise, and by how much.

These findings have broader implications for the study of low-wage workplaces and labor regulation. They indicate that researchers may have overstated the decline of norms and efforts to motivate workers in low-wage workplaces. While economic precarity, flexible work, and jobs without clear paths for advancement are a growing concern for researchers and policymakers, these issues should not be taken as a complete breakdown in the social order of low-wage work. Research that emphasizes the prevalence of these problems by industry and employer characteristics is a necessary counter to the tendency to label all low-wage jobs “McJobs” (Bernhardt et al. 2013). However, sociological research knows less about positive norms and practices that improve job quality, or prevent it from deteriorating. A more complete representation of low-wage workplaces is urgently needed as local and state governents have expressed increasing willingness to tackle labor problems.

I demonstrate that one key feature of wages is that they generate relative distinctions, and that the justifications for raises defined the terms for preserving gaps between workers. After minimum wages increases, these logics had to be maintained despite their financial cost. Decisions made by owners and managers after the increase referenced these shared norms and understandings, but there was still significant variation among firms. In many cases, I found that owners’ ability to communicate their decisions to workers was as consequential to morale as the decision itself. These findings indicate that moral economy and relational frameworks are necessary for examining the interpretations and outcomes of labor policy (Sayer 2011; Sykes et al. 2015; Zelizer 2011).
Finally, there is a need for more research on the career trajectories of low-income individuals. While raises and wage distinctions are small, they form the basis for the narratives of growth and career development that are even more salient in the absence of internal labor markets (Newman 2008). While this study focuses on owners and managers, the features of wages that it points to provide a basis for examining worker career trajectories. Because of instability and lack of upward mobility at many firms, workers often have to move between firms to maintain or increases their pay. However, it is not clear that such a system is strictly worse for all workers that slow-moving internal labor markets. At the same time, restaurants and similar employers care about retention, and have perceptions of who is committed or temporary that may be shaped by race or gender. Minimum wage increases and other policies could have a number of potential effects on worker trajectories, but most studies of worker outcomes have looked at immediate impacts. Continued study of the norms and realities of low-wage work is necessary to understand what parts of these jobs that are beneficial to workers, to ensure that these are preserved even as their “bad” aspects are addressed.

References:


