

2016

2016 Tacoma Eats - Minimum Wage

Joe Lawless

University of Washington - Tacoma Campus, jlawless@uw.edu

Follow this and additional works at: http://digitalcommons.tacoma.uw.edu/miccsr_case

 Part of the [Advertising and Promotion Management Commons](#), [Benefits and Compensation Commons](#), [Business Administration, Management, and Operations Commons](#), [Business and Corporate Communications Commons](#), [Business Law, Public Responsibility, and Ethics Commons](#), [Entrepreneurial and Small Business Operations Commons](#), [Food and Beverage Management Commons](#), and the [Operations and Supply Chain Management Commons](#)

Recommended Citation

Lawless, Joe, "2016 Tacoma Eats - Minimum Wage" (2016). *MICCSR Case Studies*. Paper 9.
http://digitalcommons.tacoma.uw.edu/miccsr_case/9

This Case Study is brought to you for free and open access by the Milgard Invitational Case Competition on Social Responsibility at UW Tacoma Digital Commons. It has been accepted for inclusion in MICCSR Case Studies by an authorized administrator of UW Tacoma Digital Commons.

TACOMA EATS

[TE Financial Documents](#)

Arguments for an Increased Minimum Wage

[National Employment Law Project](#)
[Economic Policy Institute](#)
[Business for a Fair Minimum Wage](#)

Arguments Against an Increased Minimum Wage

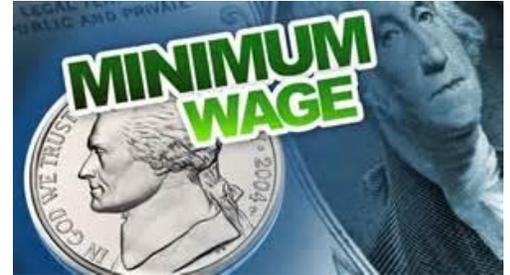
[American Enterprise Institute](#)
[US News](#)
[Forbes](#)

Other Resources

[TNT Article](#)
[15 Now Tacoma](#)
[Washington Restaurant Association](#)
[National Restaurant Association](#)
[Bloomberg Article](#)
[Economic Argument Against](#)

Tacoma Eats – Minimum Wage

Jason Johnson grew up in Tacoma, and developed a love for the community and food at a young age. Attending school locally, he dreamed of opening his own restaurant and contributing to the local food scene in a positive way. As a successful entrepreneur, Jason now owns three of Tacoma's most creative and successful restaurants, and his parent company is named Tacoma Eats.



His philosophy has been “treat everyone like family, and your family will be there for you”. This philosophy has gained him loyal customers and happy, productive employees.

In 2015, voters in the City of Tacoma passed a [new minimum wage law](#) that takes entry level workers from \$9.47 per hour to \$10.35 in 2016, \$11.15 in 2017, and \$12.00 in 2018. Tips do not count as wages, so “front of the house” employees who receive tips will now be much more highly compensated than cooks, dishwashers and other non-tipped positions. Jason has many concerns, but one is the potentially unfair situation this could create between his employees.

Jason has maintained a pre-tax profit of around 4% (industry average) for the past few years, and since his labor costs represent 32% of his expenses, he is concerned about his options for maintaining his margin. He sees his options as follows:

- Decrease the number of hours worked per employee, and hoping that there won't be a decrease in morale and customer service.
- Decrease the number of employees on the payroll and hope for the same outcome.
- Increase prices and hope that the corresponding decrease in volume (due to price inelasticity, and his customer base) doesn't negatively affect the bottom line.
- Develop some new compensation package that lives within the law and is fair and motivating for employees.
- Some combination of the above actions.

There may be other options available to him that he hasn't considered.

Jason's three restaurants are each different and target different market segments, but he has carefully built a reputation based on his three company values:

- Friendly and personal customer service
- Great food at reasonable prices
- Integrity in all you do

Sitting with a group of employees, Jason is having a discussion about tipping, wages, incentives, fairness, and all of the issues that are very important to the welfare and happiness of the people who work for him. There are many opinions, as always, about how to best compensate people for their labor. Needless to say, those making minimum wage are thrilled to be getting a 27% increase in just a few short years. They aren't as happy when they hear their hours may need to be cut. Those making tips have heard of other restaurants going with a [20% service charge](#) that gets evenly distributed to employees, and [eliminates tipping](#). They aren't thrilled.

Jason isn't sure how to proceed, and has asked your group to analyze the current situation, research possible courses of action, and make a recommendation for how he can move forward in a way that is fair to customers and employees, while maintaining (or improving) his market share and profit margin.

You have the next 71 hours to develop your presentation to the panel of judges who will represent Jason and his team of managers. You will have 10 minutes to make your presentation and to convince the panel that your team's recommendations represent the best course of action at this time. The judges will then have 10 minutes to ask you questions about your recommendations. Be prepared to defend your position in a professional manner.

You may use any [publicly available](#) information about the restaurant industry, and trends in corporate social responsibility, especially those trends related to equitable and fair compensation practices. This case is written about a fictitious company in a real industry. As part of the research and recommendation development process, you will be allowed to talk with people in the industry if you desire to do so, keeping in mind that all work on the presentation and recommendation must come from within the team.

This case provides you an opportunity to use your knowledge and research skills to explore the issues related to corporate social responsibility, social justice, and multiple other related topics.

The scope of your work should include Tacoma Eats' human resources, employment, salary and benefits policies. You should consider the economic ramifications of your recommendations as well as the reputation, public relations, marketing and communications implications. You can look at this from a strategic perspective as well as a tactical perspective, but be clear about why you are making the recommendations and what you think the short and long-term implications will be.

This case description and the attached links are presented solely for the purpose of case study discussion. It is not intended to serve as an illustration of effective or ineffective management. Tacoma Eats is a fictional company and any similarity to a real company is by coincidence only.