Facing dire worker shortages, restaurants add staff perks to the menu

By Richard Morgan
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In November 2021, Joe-Jo Jennings was named employee of the quarter by the hospitality group behind the Grill restaurant, where he works as guest relations manager. His bosses sent him and a guest on a business-class Amtrak ride to New York, put them up at a swanky hotel, and paid for them to see Broadway's "Aladdin" musical and eat at Per Se, the acclaimed three-star Michelin restaurant. "This is as good as it gets," he remembered thinking.

Then came 2022.

Since April, Knead Hospitality and Design, which runs 14 restaurants across the District — including the Grill — has rolled out a pioneering perks package among its restaurants' salaried workers. Jennings is the program's biggest user, having saved a total, Knead confirmed, of $1,651 on dinners, dry cleaning, facials, a gym membership, manicures, massages, parking, pedicures, a Nationals game and a Chris Rock show with his father, and a "Wheel of Fortune" taping with his mother — all reimbursed to varying degrees by Knead.

"It can be therapeutic. This is an extension of mental health. That's what it provides me," Jennings said.

Similarly, David Suarez, a Knead chef, has endured decades of tough kitchen life. Now he has gotten $1,071 of his dinners, haircuts, manicures and parking comped, as well as a comped seat at a Nationals game against his beloved Mets.

"For so many years, I didn't have time or take time or make time to do some of these things, and this is definitely incentivizing doing them," he said. "That's nice. It's better than nice: It's kind. It's very thoughtful."

When people ask how he scored these perks, Suarez answers plainly: “I just tell them that I work for good people.”

That would be Jason Berry and Michael Reginbogin, Knead’s married founders, who are also testing a four-day workweek at one of their restaurants. Their perks program, they said, was inspired by nostalgia for the Cheesecake Factory’s habit of awarding BMWs to managers. Creating perks usually associated with white-collar industries like business, finance, law, lobbying and tech was part of Knead’s plan to be “overly competitive,” Reginbogin said. “We’re a multimillion-dollar restaurant company. Why should our employees be treated subpar only because we serve food instead of paperwork behind a desk?”

The package may yet be a game changer. Or not. Despite its legendary perks program, Starbucks is wrestling with widespread unionization efforts (union restaurant jobs make roughly $100 more per week than nonunion positions, according to federal labor data). Nevertheless, Knead is part of a radical, once-in-a-lifetime shift in the restaurant industry’s business model as it struggles with nothing short of an existential reckoning.

Berry framed it through the ledgers’ lens of retention and cost-cutting, flagging that the hiring of an assistant general manager in 2019 cost Knead $15,000 in recruiting fees and $10,000 in training even before the employee had really started working. Even a server, he said, costs $1,000 to hire and train. “You can spend this money proactively or reactively,” he explained. “So why not do it proactively with intention the way you want to do it, instead of spending $100,000 a year advertising on Indeed and $200,000 in recruiting fees? I’d much rather give that money to our teammates.”

The nation’s 11.6 million food service workers, including managers, earn an average of $18.48 an hour and work an average of 25.7 hours a week, according to May 2022 data from the U.S. Bureau of Labor Statistics. A January BLS report flagged that the restaurant industry’s year-over-year quit rate jumped from 4.8 percent to 6.9 percent — a larger increase than in any other job sector — yet the hiring rate remained steady at 8.1 percent. As a result, restaurant job openings increased from 5.8 to 8.4 percent. At the same time, a May survey by Alignable, a small-business referral network, found that 41 percent of U.S. restaurants couldn’t pay rent that month. A recent report from the American Farm Bureau Federation found that year-over-year food costs had increased by 17 percent. And an April CNBC poll found that 53 percent of Americans had already cut back on dining to save money.

In many ways, the restaurant worker-manager-owner dynamic is now a Bermuda Triangle of lost stability, lost purpose and lost mojo.

“This has certainly been the biggest body blow that I’ve ever seen in my career,” said Danny Meyer, the prominent New York restaurateur and Shake Shack founder. “Things are absolutely going to shift,” he added. “One of the best things that is already happening right now is that this more effectively than any government [action] has begun to impact the compensation structure of our industry, which has been — what’s the best way to put this? — the compensation structure of our industry has not served the people the industry needs to survive."

As a silver lining, he noted that the crisis has accelerated his hospitality group's diversity goals by "at least three or four years." He continued: "I like a new playing field. Everything's up for grabs, and that's been a good thing. That's how innovation happens."

And yet for all its hand-wringing about survival, many of the restaurant industry's wounds that have been laid bare are self-inflicted.

Owners are griping that "nobody wants to work" while still offering jobs that don't pay living wages, let alone offer health insurance, sick days, vacation days, day care, parental leave or pensions. A North Carolina Chick-fil-A recently asked "volunteers" to work for chicken, not money.

"Should we be so surprised [that people are quitting] when mostly what we're trying to do is manipulate them?" former Chipotle co-CEO Monty Moran asked at an industry conference in October. Anyone aching for a return to the halcyon days of 2019 might do well to remember Caffé Vita, the Seattle restaurant that fired employees that year for the "theft" of giving leftover pastries to homeless people.

Of course, restaurants have changed substantially. Even in the unlikely event that they were not directly affected by covid cases, they were seismically shaken by the pandemic, from lockdown to supply chain chaos and inflation. But many prominent industry turnabouts have been superficial and rather basic: venues' sudden embrace of takeout, ghost kitchens, catering, QR codes, credit cards, delivery apps and surcharges.

"Functionality and technology get addressed all the time, but not the systemic core," said Ravi Kapur, chef and co-owner of Good Good Culture Club and Liholiho Yacht Club in San Francisco.

Kapur has transformed his hiring process to include questions such as: What brings you joy? When walking around San Francisco, what do you love about it? And if you were given money and couldn't spend it on yourself, what would you do with it?

"The buy-in is different," Kapur said. "We're looking for a different person. We're not looking for career restaurant workers, necessarily."

Wages for Kapur's kitchen jobs range from $28 to $30 an hour, and front-of-house jobs start at $35 an hour because their shifts are shorter. An across-the-board 20 percent "equitable compensation fee" added to bills is distributed only to hourly staff. The restaurants have exceeded the $80,000 a week in sales needed to support the higher wages.

The reality conceded by restaurateurs of all stripes is that, as much as has changed in the pandemic years — including on the economic and sociological fronts — a 2022 restaurant cannot be staffed by 2019 workers, especially not 2019 managers.

"Gone are the days where you start with the spreadsheet and back into the business," said Roni

Mazumdar, chief executive of Unapologetic Foods, the New York group he co-founded with chef Chintan Pandya to launch Adda, Dhamaka, Rowdy Rooster and Semma. He dismissed, for example, business plans that amount to little more than Chipotle for sushi, Chipotle for poke or Chipotle for shawarma. "Now you have to start with the story," he said. "You start with the conversation. You see how that plays out and how you work the business around it." He continued: "We're not here to sell food alone; if we do that, we're nothing but a transaction. I show up, I pay, I eat, I leave. That's not a restaurant; that's a vending machine."

At Dirt Candy, a vegetarian restaurant in New York, owner Amanda Cohen sighed. "As a restaurateur, it's as hard now as it was going into the pandemic."

Over the pandemic, Cohen, a pioneer in doing away with tips and embracing living wages, reduced her 12-course tasting menu to five to eight simpler courses, cutting food costs from 25 percent of her total budget to 12 percent. She eliminated a de facto kitchen position dedicated to accommodating dietary restrictions and no longer allows alternatives or substitutions.

"That's not the restaurant I dreamt of running," she said. Pre-pandemic, she skated on margins of 1 or 2 percent monthly profit, she said; now she averages 7 percent and even hit 10 percent one month. "Customers ask if we'll bring back the 12-course menu, and no, we won't. That wasn't sustainable. This is. Now I have a restaurant that will be here for the foreseeable future. Isn't that what everyone wants?"

Her higher wages create higher taxes and higher insurance payments. "There's no credit for paying people more. Only punishment," she said. "We have a $90 menu that could be $75, but then I couldn't pay living wages." She recalled with disgust and shame that, pre-pandemic, "I'd ask: 'Are you really sick? If you're not dying, can you come in for half a day?' Thankfully today that is absolutely not even possible as a conversation."

Although she grumbled about the absence of — and lack of political will for — a living-wage tax credit, overall Cohen said she is happier now: "My 2019 self would resent the better sleep I get in 2022."

On the topic of self-care, Jennings, the star manager at Knead, is thinking of upgrading his gym and adding Bikram yoga classes to the mix. "So much of the pandemic and pre-pandemic was why, why, why — why do I have to come in? Why is it run like this? Why this? Why that? Why, why, why?" he said. "Now I work for a company that has laid out a new path forward: Why not? So, yeah, maybe some yoga. Why not?"

Knead spent a total of $54,482 across 77 eligible employees in the perks' debut quarter (including monthly reimbursements) for an average of $707 per employee; its reimbursements max out between $7,000 and $11,900 a year, depending on position and tenure, said a publicist.

The good news for Jennings and Suarez: They still have an untapped $300 quarterly credit on clothing purchases.