

The COVID-19 pandemic clearly demonstrated the importance of service industry employees working the frontline to sustain restaurant operations and maintain America's food supply. Without them, grocery store aisles would be empty, dinner could not be ordered, and cocktails could not be energetically shaken. Yet these workers are crashing through the social safety net due to the severe disruption and reduction in the industry workforce in 2020, the poverty wages that are standard in the industry and a minimum wage that has not been adjusted since 1968.

Nationally, American fast-food workers earn an average of \$8.90 per hour.¹ According to the US Bureau of Labor Statistics, the median hourly wage for roles in the food service industry in Oklahoma, excluding head chefs, ranges from \$8.96 - \$13.37.² Working full time (40 hours) all 52 weeks of the year, an employee in the industry makes \$18,636.80-\$27,809.60 per year. Although the average pay for restaurant workers is above the \$7.25 minimum wage, a single parent cannot meet basic necessities making \$8.96 per hour. Sadly, even full-time hours are not enough to compensate for extremely low wages in the service industry. When an individual cannot meet their basic needs, they must rely on government assistance. The families of more than half of the fast-food workers employed 40 or more hours per week are enrolled in public assistance programs, compared to 25% of the workforce as a whole.³ The cost of public assistance to frontline workers in the fast-food industry alone is nearly \$7 billion per year.⁴



The federal minimum wage was established in 1938, as part of the Fair Labor Standards Act (FLSA), to help ensure that all work would be fairly rewarded and that regular employment would provide a decent quality of life. Yet since the late 1960s, lawmakers have let the value of the minimum wage erode, allowing inflation to gradually reduce the buying power of a minimum wage income. When the minimum wage *has* been raised, the increases have been too small to counter the decline in value that has occurred since 1968, when the minimum wage hit its peak in inflation-adjusted terms. In 2018, the federal minimum wage of \$7.25 was worth 14.8 percent less than when it was last raised in 2009, after adjusting for inflation, and 28.6 percent below its peak value in 1968, when the minimum wage was the equivalent of \$10.15 in 2018 dollars.

¹ <https://www.nytimes.com/2014/10/28/business/international/living-wages-served-in-denmark-fast-food-restaurants.html>

² https://www.bls.gov/oes/current/oes_ok.htm#35-0000

³ <https://laborcenter.berkeley.edu/fast-food-poverty-wages-the-public-cost-of-low-wage-jobs-in-the-fast-food-industry/>

⁴ <https://laborcenter.berkeley.edu/fast-food-poverty-wages-the-public-cost-of-low-wage-jobs-in-the-fast-food-industry/>



This decline in purchasing power means low-wage workers have to work longer hours now just to achieve the standard of living that was considered the bare minimum half a century ago. Since the 1960s, the United States has achieved tremendous improvements in labor productivity that could have allowed workers at all pay levels to enjoy a significantly improved quality of life (Bivens et al. 2014). Instead, because of policymakers' failure to preserve this basic labor standard, a parent who is the sole breadwinner for her family and who is earning the minimum wage today does not earn enough through full-time work to bring her family above the federal poverty line.⁵

The following table aggregated by MIT⁶ provides an overview of the poverty and living wage thresholds specific to Oklahoma:

	1 ADULT				2 ADULTS (1 WORKING)			
	0 Children	1 Child	2 Children	3 Children	0 Children	1 Child	2 Children	3 Children
Living Wage	\$10.92	\$23.64	\$29.23	\$36.91	\$18.40	\$22.64	\$25.12	\$28.51
Poverty Wage	\$6.00	\$8.13	\$10.25	\$12.38	\$8.13	\$10.25	\$12.38	\$14.50
Minimum Wage	\$7.25	\$7.25	\$7.25	\$7.25	\$7.25	\$7.25	\$7.25	\$7.25

Poverty wages of industry employees has been an issue for a long time, and as the industry has grown to employ more people, low wages have become a larger issue because they impact more people, placing a greater strain on government safety net programs like food stamps, Medicaid and the Children's Healthcare Insurance Program (CHIP). In the United States, food service is the second most common occupation. Restaurants employ 12 million people nationwide.⁷ In Oklahoma alone, the food service industry employs over 185,000 people (11% of the total job base).⁸ Industry growth



⁵ <https://www.epi.org/publication/minimum-wage-testimony-feb-2019/>

⁶ <https://livingwage.mit.edu/metros/46140>

⁷ <https://www.epi.org/publication/minimum-wage-testimony-feb-2019/>

⁸ <https://www.okrestaurants.com/history.php>



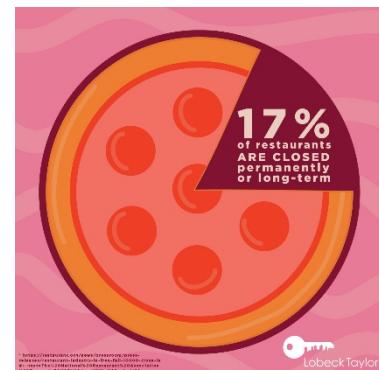
encouraged the increase in employment. In 2016, Americans spent 50% of their monthly food budget eating out.

Fueled by this growing trend, bars and restaurants played a significant role in the country's recovery from the Great Recession. In fact, "the number of food and beverage establishments nationwide increased 17% between 2009 and 2018, making up over 75% of all growth in the leisure and hospitality sector during this time period."⁹

In addition to increasing in volume, the role food service establishments play in our lives has also become more significant. Restaurants have become the lifeblood of many communities and these "third places" have the opportunity to bridge cultural divides and build community in important and integral ways. Mother Road Market, for example, is fortunate to see people from a variety of ages and backgrounds come together over a mutual desire to do good and eat well. They want more than just a meal: they want to be a part of supporting the growth of a local startup businesses in the community alongside others who prioritize the same support. They want to "belong" at Mother Road Market in the same ways they might feel at home, work or among a congregation at a place of worship. The value we place on the food service industry is evident in our spending habits and the position restaurants have assumed in our culture. Unfortunately, the people who are essential for the successful operation of the service industry are not given the same emphasis and prominence.

The COVID-19 Pandemic put the precarious position of industry employees in an even more perilous predicament as restaurant closures and bankruptcies reduce and eliminate employment opportunities for the large low wage industry workforce.

Seventeen percent of restaurants—more than 110,000 establishments—are closed permanently or long-term. The vast majority of permanently-closed restaurants were well-established businesses, and fixtures in their communities. On average, these restaurants had been in business for 16 years, and 16% had been open for at least 30 years.¹⁰



A survey conducted by the National Restaurant Association Research Group reported that "500,000 restaurants of every business type—franchise, chain, and independent—are in an economic free fall, and for every month that passes without a solution from Congress, thousands more restaurants will close their doors for good."¹¹ More specifically, 87% of full-service restaurants report an average 36% drop in sales revenue. "For an industry with an average profit

⁹ <https://www.brookings.edu/research/a-band-aid-on-a-gunshot-wound-how-the-restaurant-industry-is-responding-to-covid-19-relief/>

¹⁰ <https://restaurant.org/news/pressroom/press-releases/restaurant-industry-in-free-fall-10000-close-in#:~:text=The%20National%20Restaurant%20Association%20Research,36%25%20drop%20in%20sales%20revenue.>

¹¹ <https://restaurant.org/news/pressroom/press-releases/restaurant-industry-in-free-fall-10000-close-in#:~:text=The%20National%20Restaurant%20Association%20Research,36%25%20drop%20in%20sales%20revenue.>



margin of 5%-6%, this is simply unsustainable. Even worse, although sales are lower, operating costs have not fallen by a proportional level. Fifty-nine percent of operators say their total labor costs (as a percentage of sales) are higher than they were pre-pandemic. The future remains bleak for restaurants. Fifty-eight percent of chain and independent full-service operators expect continued furloughs and layoffs for at least the next three months.¹²

We have spent a great deal of time, over the course of the last 11 months, discussing innovation in the restaurant industry in hopes of finding new ways of scraping together enough revenue to cover operational costs. Companies providing alternate delivery methods and contactless payment technologies experienced surges of explosive growth, and while technology became an invaluable resource in the industry, the result of implementation and associated “service fees” removed razor thin profit margins facing the industry even before the Pandemic¹³. “The gap between the success of the apps and the pain of the restaurants is striking. Spending at restaurants in recent weeks [June 2020] dropped about 35 percent from a year earlier, while revenue for the delivery services rose about 140 percent, according to data from M Science, a firm that analyzes transaction data.”¹⁴

Beyond technology, restaurants have been trying to find a safe way to operate in a Pandemic environment. In addition to increased costs from to-go containers, plexiglass dividers, masks, gloves and air purification to keep employees safe (and working), restaurants found innovative ways to serve their customers: the innovation has been incredible to watch! Mother Road Market was forced to innovate when our food hall could not safely function as a food hall. To address the elimination of in-person ordering, our team developed an e-commerce platform for retail sales and ungraded food merchants point of sale (POS) systems to allow curbside and patio ordering. We trained staff to serve as food runners *and* bussers. We developed a call and operations center to organize orders from many merchants. Sales increased by double digits (link to BBOT/toast article). Parklets, dining igloos, meal kits, restaurant meal collabs, ghost kitchens, virtual dinner parties, cocktail kits and direct to consumer sales through e-commerce have shown how creative this industry can be when it flexes its entrepreneurial muscles, finding new solutions for unanticipated obstacles!

Although Mother Road Market merchants saw a double digit sales increase after our innovations, sales are still 50% below standard market sales. This mirrors reality for most food service operations. As restaurants are forced to confront the reality of lower sales, the most pragmatic solution is to reduce or eliminate their workforce in order to cut costs or to close permanently.

Either way, low wage workers bear an outsized burden in adjusting to the industry realities. 20% of the service industry is currently unemployed and since the industry pays a poverty wage (in most cases), low wage workers cannot afford basic necessities, meaning they certainly do not have the opportunity to reserve any of their income to support them if an emergency (or

¹² <https://restaurant.org/news/pressroom/press-releases/restaurant-industry-in-free-fall-10000-close-in#:~:text=The%20National%20Restaurant%20Association%20Research,36%25%20drop%20in%20sales%20revenue.>

¹³ <https://www.nytimes.com/2020/06/09/technology/delivery-apps-restaurants-fees-virus.html>

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pandemic) arises. A survey conducted among industry employees in 2020 indicated that most industry workers were primarily concerned with affording the basic costs of living. As restaurants are finding innovative ways to operate, they should also innovate upon the industry standards for employment, and specifically, the low wage paid to service industry workers that does not allow them to afford basic necessities. The industry is too large and the need is too great to ignore this problem any longer.

As an organization that prioritizes doing good and eating well, Mother Road Market has the opportunity to set an example in the industry. The nonprofit's operational funding from Lobeck Taylor Family Foundation allows Mother Road Market to take an innovative approach to industry issues, positioning our food hall as an ideal testing ground for industry improvements. Rob Reich has argued that philanthropic foundations have a special role in discovery and experimentation: As society's "risk capital," they can afford to enable innovation in ways that companies and governments can't or won't. In response to both COVID-19 and to the global call to address racial inequality and exclusion, philanthropy's unique role will be more important than ever.¹⁵

Lobeck Taylor Family Foundation has compiled a list of systemic industry issues in need of innovative solutions within the food and service industries. We believe Mother Road Market and its sister program, kitchen incubator Kitchen 66, are well positioned to test innovative solutions for the industry with the support of philanthropic capital. We will test systemic innovation, and when we find a potential solution to an industry issue, we will share our findings, data and implementation strategy with the industry, in hopes it will spur change that will, at scale, positively impact the industry as a whole.

The first systemic issue Lobeck Taylor Family Foundation and Mother Road Market will address are employee wages in the service industry. Paying frontline employees a wage that allows them to afford their basic needs should not be innovative, but it is. The need for increased wages are clearly outlined on a human level, and the data both before and during the Pandemic clearly demonstrates the burden low wages place on our infrastructure as the industry expands as well as the outsized impact of the low wages on women and people of color.

Since Mother Road Market opened in November 2018, it has compensated employees at a rate more than 20% above the minimum wage in Oklahoma. As of April 2020, all Mother Road Market employees were compensated at \$10/hr or above which is more than 35% above the minimum wage rate in Oklahoma of \$7.25. While MRM employees are comfortably in that range, and our Managers on Duty are above, not all employees at MRM are earning a living wage. Depending on the number of adults working in the household and number of dependents, some of the staff may even find themselves earning a poverty wage. This is not acceptable.

In February, 2021 Mother Road Market announced a pay increase for all Mother Road Market staff with hopes of achieving a living wage (or a path thereto) for all employees at our organization. Where the former hourly wage range for non-tipped positions at Mother Road

¹⁵ <https://press.princeton.edu/books/hardcover/9780691183497/just-giving>



Market was \$10 to \$15, the new hourly wage range for non-tipped employees is \$13 to \$17, representing a 16.4 percent increase across the board.

Prior to the pandemic our tipped positions, bartenders and baristas, were making on average between \$25-\$35/hour and we've seen that dip substantially as a result of COVID and in times of inclement weather or large scale events at other locations (like the OK State Fair). Accordingly, we now audit tipped positions for each pay period to ensure the average hourly rate is in that living wage range. If it is not, we'll pay a wage differential to ensure they meet that threshold.

Increasing employee pay is the first part of a larger Mother Road Market initiative to address the whole person through equitable employment, including an employee's unique needs and opportunities for their individual growth and security. Ultimately, LTFF desires to create a pathway to increase net disposable income (NDI) for our employees. Championed by Paypal CEO Dan Schulman, net disposable income is the amount of money leftover after paying necessary living expenses, such as taxes, food, housing and transportation.¹⁶ Adequate net disposable income helps individuals accumulate savings, invest in retirement and seize opportunities for advancement such as additional education and entrepreneurship. When Paypal adopted a 20% net disposable income across their organization, early findings showed increased enrollment in healthcare benefits and 401k contributions.¹⁷

Beyond employee pay, Lobeck Taylor Family Foundation established an internal fund for Emergency Employee Assistance to support employees in crisis. Any employee of our organization (including Mother Road Market and Kitchen 66) can apply for one time distribution up to \$1000 in emergency support to help meet basic needs. In addition to the increased financial compensation and emergency fund access, it is the intention of the LTFF staff to explore additional benefits for the MRM staff that will increase quality of life.

In 2020, food insecurity increased within the service industry. Although these employees' work is necessary to feed our community, they have always experienced above average rates of food insecurity (16-17%). The fallout from restaurant closures due to the COVID-19 pandemic exacerbated the rate of insecurity among low wage workers, increasing food insecurity within the food industry itself by at least 2-5% nationwide.¹⁸

In addition to increasing hourly pay to support our employees in meeting their basic needs, Mother Road Market also began stocking a staff fridge with healthy food and snacks. Our hourly employees will also receive a monthly meal stipend that can be used to purchase food from Mother Road Market merchants. This meal stipend will insure Mother Road Market employees can enjoy the food they serve, transact, clean, (and smell!) when they are at work

¹⁶ <https://ideas.ted.com/how-can-you-ensure-your-workers-are-not-just-surviving-but-thriving-a-ceo-shares-a-new-approach/>

¹⁷ <https://ideas.ted.com/how-can-you-ensure-your-workers-are-not-just-surviving-but-thriving-a-ceo-shares-a-new-approach/>

¹⁸ <https://hungerandhealth.feedingamerica.org/2020/03/impact-coronavirus-food-insecurity/>



AND provides monthly support for Mother Road Market merchants. Each month, hourly employees are given \$65 to spend with any food merchant they wish!

LTFF and Mother Road Market believe in creating an opportunity for economic prosperity that benefits our employees, our nonprofit food hall, our merchants and the community at large, all while testing the possible benefits of higher wages in the industry. Like Mr. Schulman, we believe “The people who argue profit and purpose are two different things, don’t understand that they don’t really work against each other.”¹⁹ In fact, we believe increased wages at Mother Road Market will attract employees aligned with our values and culture. We believe our employees will feel valued and feel more invested in their work and the organization. Finally, we believe sales will increase because our employees’ customer service, efficiency and management skills will increase when they feel pride in their employer, organization and wages. Indeed, Paypal’s wage increase preceded a record quarter across almost every important metric in our business and the company’s stock price was up 75% since the first of the year.²⁰

If we ever hope to thrive as an industry, the only way to do it is if to have passionate, inspired and financially secure employees on our frontlines.

MIT recalculates the Living Wage data in the first quarter of each year. Lobeck Taylor Family Foundation uses the current year's calculation to budget wages for the subsequent year. Thus, the 2021 wage increase is based upon 2020 data. This year, LTFF will use 2021 data from MIT and make a recommendation for an increase to hourly pay where necessary to maintain a livable wage for an adult working full time.

¹⁹ <https://fortune.com/2020/09/09/paypal-dan-schulman-stakeholder-capitalism-ceo-dail>

²⁰ <https://fortune.com/2020/09/09/paypal-dan-schulman-stakeholder-capitalism-ceo-dail>

