

A STUDY OF PERSONNEL PRACTICES AND TRENDS
IN LABOR COSTS AMONG SUCCESSFUL
RESTAURANTS

Thesis for the Degree of M. A.
MICHIGAN STATE UNIVERSITY
George D. Bedell
1963

THESIS



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ABSTRACT

A STUDY OF THE PERSONNEL PRACTICES AND TRENDS IN LABOR COSTS AMONG SUCCESSFUL RESTAURANTS

by George D. Bedell

Body of Abstract

The study covers the experience of 427 restaurants with a total seating capacity of over 85,000 seats, employing more than 24,000 people. A total of 116 questionnaires were returned from 404 mailed. The 116 questionnaires covered the operating experiences of 427 restaurants since several of the businesses were operating more than one unit.

The industry survey covered five objectives:

1. Identification of major personnel problems.
2. Turnover among restaurant employees.
3. Training offered in the industry.
4. Information on wages, salaries and fringe benefits.
5. Labor costs in the industry.

Getting employees of satisfactory caliber is the major personnel problem. Motivating employees to do a satisfactory

job is ranked as the number two problem, and development of supervisory personnel is the number three problem. Weaknesses of supervisory personnel were pointed out to be their ability to motivate employees, their ability to organize the work of employees and their ability to plan.

Personnel shortages are identified as a shortage of qualified workers rather than quantity. The shortage of personnel exists primarily with skilled food preparation workers and supervisors.

Communications between employers and employees is mainly through supervisory talks, employee meetings, counseling and complaint systems. Only a minor number use merit rating systems and interviews.

Turnover in the restaurant industry is at a very high rate--six out of ten employees are replaced each year. Of these workers 33 per cent leave the industry voluntarily and 27 per cent are replaced because of unsatisfactory service. The restaurant industry is held together by about 40 per cent of its employees who are loyal and motivated by the business.

There is a disparity in what operators say they think of training and their actual practices. Six out of ten say they think training is very valuable, three out of ten consider it to be fairly valuable, while one out of ten say it has no value. Only half of those surveyed reported any on-the-job training, and only 25 per cent reported complete training programs. A complete training program was indicated as more

than on-the-job training or an orientation program for all employees. More and more restaurants are using outside training agencies as a source of employment.

The average labor cost of all the restaurants surveyed was 33.7 per cent. Fringe benefits offered by the restaurants ranged from 6 to 15 per cent of the sales dollar. Considering the fringe additions the true cost of labor would average close to 40 per cent.

Almost a quarter of the operators stated that over the past ten years they have given wage increases to motivate workers to do a better job. About the same number have given increases to obtain better quality employees. Twenty per cent reported giving wage increases to meet competition from outside the restaurant industry and 15 per cent granted increases to meet competition from within the industry. Ten per cent of those reporting gave increases to meet union demands.

The one resource in the restaurant industry which has not been effectively developed is personnel. These problems are not going to solve themselves. Management must assume its responsibility of creating more efficiency in the business. The development needs to start with top management. From this point, the greatest effort should be exerted in the development and training of supervisors who can help share the management burden. Only when these phases are accomplished can proper attention be focused on the workers and concentration be pinpointed to training the employee for maximum productivity and efficiency in the restaurant.

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AND TRENDS IN LABOR COSTS
AMONG SUCCESSFUL RESTAURANTS**

By

George D. Bedell

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CHAPTER I

INTRODUCTION AND THE SURVEY METHOD

In the past, successful restaurant operation has been identified with, and based on the constants of good food, good service, pleasant atmosphere and proper pricing. Present day economics dictate a realization that the variables in successful restaurant operation go far beyond these four basic fundamentals. It is recognized by all associated with the food service industry that more is known about failure in this field than about success. Many publications deal with failures and the causes, but few spell out in a specific way why restaurants offering similar services and prices both succeed and fail within close proximity to each other.

The restaurant industry is a huge complex, dwarfing in size such industries as steel, automotive, electronics, and many others, yet the typical unit in the industry is a small business. Over three hundred thousand of these individual businesses make-up the complex which is known as the restaurant industry.¹ It has long been a fact that the individuality of America's small business entrepreneur creates a considerable barrier to the exchange of information leading to the development of principles in business. Nevertheless, a study in this

¹National Restaurant Association, Marketing Report (Washington, D. C., May 16, 1961), p. 3.

industry which employs more than a million and a half people and which now occupies such an important place in the marketing of food in America should produce a profile and be helpful in identifying basic practices in the industry.¹

This study is devoted primarily to a better understanding of the philosophy of management in the industry as it is reflected in personnel practices. Personnel practices and labor costs, which are completely inter-related, are of paramount importance to successful restaurant operators. It is increasingly more evident that in the restaurant industry the first need of management is sound personnel policies and practices which lead to greater human efficiency and more significant control of labor costs. This study, therefore, is undertaken with the following objectives in mind:

1. To identify the major personnel problems of the industry.
2. To examine the turnover problem among restaurant employees.
3. To study the training offered in restaurants.
4. To compute information on wages and salaries.
5. To examine labor costs in the industry.

For many years the restaurant operator has been caught in the squeeze between rising labor costs and a rather inflexible sales price ceiling.² Because the industry is highly

¹U. S., Bureau of Labor Statistics, Employment Outlook in Restaurant Occupations (1961), p. 730.

²J. Terry Radigan, The Restaurant Industry (Washington, D. C.: National Restaurant Association, 1961), p. 1.

competitive, increased costs are only slowly passed on to the customer. The restaurant operator feels that his customers will accept price increases on almost every product which he buys, but will not accept increases in restaurant prices. The operator, being fearful of loss of business, is more apt to offset additional labor costs by attempting to reduce other costs than he is to increase prices.

The technology of the restaurant industry is only slowly developing. The fact that labor costs are rising five per cent per year indicates that the productivity of each employee is not rising commensurately with wage and salary increases.¹ Workers in the restaurant industry differ little from those in other industries.² Though their motivation and attitudes have never been studied satisfactorily, there is little reason to doubt this statement. What they lack are the tools and other devices to raise their own productivity. This study is not concerned with this particular phase of the problem. It's major concern is with the human organization and the techniques used by operators to manage people. The heart of the personnel problem is management's ability to direct the efforts of its people and increase the worker's efficiency.

This study is based on information obtained from a questionnaire consisting of twenty basic questions and on an

¹National Restaurant Association, Washington Report (Washington, D. C., September 11, 1961), p. 1.

²William W. Finlay, A. Q. Sartain, and Willis M. Tate, Human Behavior in Industry (New York: McGraw-Hill Book Co., 1955), pp. 201-212.

appendix covering the background of the respondents. The questionnaire was mailed to 404 selected restaurant businesses throughout the country. Broadly speaking, the information sought through the questionnaire included the following:

1. Identification of the type of business, their managers and employees.
2. Personnel problems that are common in the industry.
3. Turnover in the industry among various classes of employees.
4. The types of training presently offered in the restaurant industry.
5. Wages, salaries and fringe benefits.
6. The broad problem of labor costs.

Table 1 is a breakdown of the total sample mailed. Approximately 28 per cent of the questionnaires were completed and returned. The returned samples were carefully checked for completeness and validity. Certain questions provided a cross-check on the accuracy of the information supplied. The information from 116 usable questionnaires is included in the tabulated results. The information found in this study is based on a cross-section of types of successful businesses, based on years in operation, and their practices. The data comes from independent small operators as well as the presidents of large chain restaurant organizations. A deliberate attempt was made to obtain information from many of the most prominent members of the restaurant industry. Replies were received from highly respected firms who have a known reputation for sound management. Some of America's foremost restaurant operators cooperated in supplying the information.

TABLE 1
GEOGRAPHIC DISTRIBUTION OF SAMPLE
QUESTIONNAIRE MAILED AND RETURNED

Geographic Distribution	Percentage of Total Mailed	Percentage of Total Returned	No. of Restaurants in Operation*
1. New England	12.4	8.6	19,545
2. Mid Atlantic	17.4	12.9	76,670
3. South Atlantic	19.8	12.9	36,741
4. North Central	30.9	30.2	113,215
5. South Central	4.9	14.7	44,793
6. Mountain	4.9	8.6	14,151
7. Pacific	9.7	12.1	39,625
Total	100.0	100.0	344,740

*1958 U. S. Census of Business

Table 2 is a breakdown by restaurant types of the 116 returned usable questionnaires. The restaurant industry can be subdivided into perhaps 25 identifiable types but few restaurants offer a single type of service. Most offer two or more related but different types of service to their customers. Nevertheless, to assure that the sample covered a wide cross-section of the total industry, questionnaires were mailed and replies were received from cafeterias, table service, specialty houses, fast food service, industrial catering, lunch counters, drive-ins, snack bars, and others.

TABLE 2
DISTRIBUTION OF 116 QUESTIONNAIRES COMPLETED
AND RETURNED BY SERVICE TYPES

Types of Restaurants	Percentage of Sample
Cafeterias	18.9
Table Service--Independent	21.3
Table Service--Multi unit	10.9
Specialty Houses	12.6
Fast Food Service--Drive-In	11.5
Industrial & Executive Feeding	5.6
Clubs	6.5
Sandwich--Lunch Counters	1.9
Snack Bars	1.9
Coffee Shops	1.9
Employee Canteen	3.5
Dairy Lunches	3.5

Identification of the Respondents.

It is, of course, impossible to identify respondents to a questionnaire in a composite summary. Each of the individual respondents has been assured that the information supplied by them would be held in confidence. Nevertheless, discussing certain characteristics of the businesses included in the sample will be meaningful to the reader.

Table 3 indicates that the organizations included in the

TABLE 3
YEARS AS A BUSINESS ENTERPRISE

Years in Business	No. of Restaurants	Percentage of Sample
51 or more years	9	7.7
41 to 50 years	6	5.2
31 to 40 years	11	9.5
21 to 30 years	12	10.4
11 to 20 years	42	36.2
6 to 10 years	26	22.4
5 years or less	10	8.6
Total Sample	<hr/> 116	<hr/> 100.0
Range 1 to 83 years		
Average years--21		
Median--25 years		

sample are mature businesses. Two out of three of the organizations supplying information for this study had ten or more years of business history. Only 8.6 per cent of the sample had less than five years of business experience. Collectively, the sample group reported over 1500 years of business history. This last figure should impress the reader with the fact that the practices reported upon in this survey have been tested in times of labor surpluses and extreme labor shortages. Since no single year in the last twenty can be called typical or

TABLE 4
SEATING CAPACITIES OF THE SAMPLE GROUP

No. of Locations	No.	Total Seats	Average Seating
Single Address	31	6,321	204
Two Addresses	24	4,405	184
Three Addresses	28	5,599	200
More than 3 Units	344	68,800	200
	—	—	—
TOTAL SAMPLE	427	85,125	199

average, the views expressed by the sample group become much more meaningful with this in mind.

An identification of size of the businesses whose experience is reflected in the sample is supplied in Table 4. The 116 questionnaires cover the operating experiences of 427 restaurants with a total seating capacity of 85,125. Three hundred seventy-two of these restaurants were in groups operating in three or more locations. Thus the sample is biased toward the experience of chain organizations. Yet the entire study is justified on the basis that chain organizations are usually the leaders in applying the latest management techniques. Independent operators usually pattern their practices after those of the chain organizations. Furthermore, it is the chain organization that is subjected first to unionization and the effects of federal and state control.

Since these people are leaders in adopting personnel practices and since the independent competes with the chain, their practices are of immense interest. The average restaurant as is indicated in Table 4 had 199 seats.

There was very little variation in the size of the restaurants reported upon. All fell within the narrow range of 184 to 204 seats. Twenty-four thousand, two hundred fifty-two regular employees are used in the operations of these 427 restaurants. An additional 3,473 employees are used on a seasonal basis. The typical restaurant in the sample employed 59 regular employees and 3 on a seasonal basis.

TABLE 5

UNION VS NON-UNION--NON-MANAGEMENT EMPLOYEES

Representation	Percentage of Total Sample
No Union Contract	55.3
Completely Union	18.9
Some Union	25.8
Total	100.0

UNION VS NON-UNION REPRESENTATION
NUMBER OF EMPLOYEES

Union	15,165
Non-Union	9,087
Total	24,252

Table 5 indicates that 55 per cent of the sample group had no union contract. Of the remainder, nearly 20 per cent

(13.9%) were completely union and 25.8 per cent had contracts on one or several classes of employees. Of the total number of regular employees reported upon 15,165 belonged to unions. Nine thousand eighty-one were non-union.

There were no questions included in the questionnaire requesting information on investment in the restaurant unit. In a previous study the figure of \$1,000 per seat per seat was estimated as the average cost in building a modern restaurant. On this basis, the sample group invested \$3,389 in order to provide a job for one employee.¹ Since compilation of this data, estimates on average cost per seat have increased to \$1,500.²

In studying this report, the reader should always bear in mind that the sample taken was first of all from very successful restaurants with long years of experience in the field. The vast majority of the restaurants reported upon were chain units. No claim is made that these restaurants are better operated, more profitable or have better employee relations than the independents. However, chain organizations tend to have rather uniform and standardized operating policies and procedures. Because of this, the study of their personnel practices is easier and more practical. A rather large group of employers and their practices is reported upon in the chapters which

¹Donald Greenaway and Gertrude Blaker, A Study of the Merchandising Experience in Five Classes of Successful Restaurants (White Plains, N.Y.: General Foods Corp., 1958), p. 16.

²Interview with Sam Horwitz, President, Equipment Mfg. Co., Chicago, Illinois, November 19, 1962.

follow. Chapters II, III, IV and V report and discuss the data compiled and tabulated from the questionnaire.

CHAPTER II

IDENTIFYING THE PERSONNEL PROBLEMS OF THE INDUSTRY

Overwhelmingly, people connected with the restaurant field state emphatically that there is an ever present and growing shortage of satisfactory employees in the industry. In personal discussions with management, the pattern of their comments is remarkably consistent. Regardless of geographical area and regardless of the size of the operation, presidents, general managers and supervisors say the same thing.

Managements' views of their personnel problems are set forth in Table 6. An overwhelming majority of the respondents identified a shortage of employees of a satisfactory caliber as the first personnel problem. Motivation of employees ranked second. Actually, this is a restatement of the first premise. Dissatisfaction with present employees here is stated as low motivation. Management's answer would be that if satisfactory employees could be found, the motivation problem would disappear. Again, viewing industry's problems through management's eyes, the development of supervisors ranks third in order of importance. A close examination would indicate that the first three problems are interrelated. Management views the development of supervisors as a difficult problem since they measure supervisory ability in terms of developing a staff and motivating workers. Since employees of satisfactory caliber cannot

TABLE 6

**MANAGEMENTS' VIEWS OF THE PERSONNEL PROBLEMS
OF THE RESTAURANT INDUSTRY RANKED BY IMPORTANCE**

Identified Problem	Rank	% Selecting Each Problem
Employees of Satisfactory Caliber	1	74.2
Motivation of Employees	2	63.8
Development of Supervisory Personnel	3	46.5
Training of Non-Management Personnel	4	34.3
Selection of Supervisory Personnel	5	27.7
Turnover (Food Prep. Personnel)	6	24.1
Turnover Among Service Personnel	7	13.5

be found, those supervised cannot be properly motivated and thus the problem continues. Training of non-management personnel is a function of supervision. Turnover often is attributed to poor supervision. Thus, the entire table and the ranking of the problems is symptomatic of the same thing. Poor selection, poor training and poor motivation are blamed for the continuing and never ending shortage of qualified personnel at all levels.

No survey so far undertaken has indicated that there is a quantitative shortage of personnel. Every job is filled, but management continues to seek highly qualified operating personnel at all levels. The implication here is that the shortage is qualitative rather than quantitative. The search

for qualified executives, supervisors and skilled people continues unabated during periods of peak prosperity as well as during periods of recession. Almost every company reporting in this survey indicated that they would hire highly skilled, highly motivated cooks, bakers, food supervisors, assistant managers and managers if they could be located.

Up to this time, it has been difficult to measure the quantitative needs for personnel in the restaurant field. An annual addition of 35,000 skilled and supervisory personnel is perhaps a conservative estimate.¹ The present level of training offered in the industry and through education is evidently not meeting the needs.

In connection with the development of supervisory personnel, it is interesting to note what management thinks about the weaknesses of their present supervisory staffs.

Table 7 identifies the weaknesses, and ranks them in the order of their importance to management. The ability to motivate the employees ranks as the first problem. Frequently, discussions with management people produce comments to the effect that present day employees do not care to work and are not interested in their job. It is apparent from Table 7 that a part of the blame for this attitude is assessed by management to lack of ability on the part of the supervisors. The second and third major weaknesses of supervisors is the same thing:

¹McKinsey & Co., A Research Study to Improve the Supply of Cooks and Bakers for the Benefit of the Hotel Industry (Buffalo, N.Y.: The Statler Foundation, 1955), p. 5.

TABLE 7

IMPROVING PRESENT SUPERVISION WEAKNESSES
OF PRESENT SUPERVISORY STAFFS

Identified Weaknesses	Rank	% Choosing as Most Important Weakness
Ability to Motivate Employees	1	31.0
Ability to Organize Work of Employees	2	29.3
Ability to Plan Work	3	14.6
Overall Job Knowledge	3	14.6
Carrying Out Company Policies	4	13.9

lack of ability to plan and organize the work of employees. Any management, whether in the restaurant field or in other industries, would probably say the same thing about their supervisors. Lack of job knowledge ranked equally with the lack of ability to plan work and ranked as the third identified weakness. This tends to indicate that restaurant supervisors in the main know their job but cannot plan and organize the work of employees and motivate them to do their jobs. Also, this tends to point up the fact that supervisors' greatest problem in the restaurant field is mainly in the area of managing people rather than in the need for further development of a high degree of technical skill. It would seem that the restaurant industry's supervisors are oriented upward toward their bosses in management and that they do conform in general to company policies. This is borne out by the fact that failure

to carry out company policies ranks down the list as the fourth weakness, and not a major one at that.

If these views of management are typical of the industry, then it can be assumed that the supervisory talent now in the industry has sufficient job knowledge and is able to carry out company policies but lacks the ability to plan the work of employees and motivate them to do a good job. One reason for this has already been pointed out as the continuing and never ending shortage of skilled people from which to select the best. In management's eyes, the best certainly includes people with built-in self-motivation.

Earlier it was stated that a qualitative shortage of qualified personnel is the major personnel problem of the industry at this time.

Table 8 tends to bear out this statement. It can be seen that the shortages referred to exist among skilled food preparation workers (cooks, bakers, salad makers) supervisors of all classes and service workers. Almost half of the respondents (48.8 per cent) identified the first two classes as the areas of greatest shortage. Only about 14 per cent of the sample reported a shortage of service workers. Nearly 12 per cent of the sample reported shortages of office workers and 12 and 1/2 per cent of the sample reported difficulty in finding sanitation workers. There is obviously little shortage of unskilled people.

It is interesting to note that the shortage of skilled food preparation workers continues unabated as a world-wide

TABLE 8
PRIMARY PERSONNEL SHORTAGES

Shortages by Types	% of Sample
Skilled Food Preparation Workers	26.4
Supervisors	22.4
Service Workers	13.8
Office Workers	11.5
Sanitation Workers	12.8
Unskilled Food Preparation Workers	6.9
Others	6.5
Total	100.0

shortage. The Statler report stated that hotel managers and executive chefs tend to think of this shortage in terms of the difficulty of finding experienced, versatile and highly trained chefs who had been brought up in the European tradition.¹ Actually, however, the need for highly skilled people cuts across all food preparation jobs in the kitchen. The need at the time of the Statler report was for top chefs, cooks and beginners. This report contained an estimate that there were 360,000 cooks and bakers employed in the hotel and restaurant industry in 1950. Of these, 320,000 are employed in restaurants. This report estimated that 18,000 trainees were needed annually for these skills alone. The level of skill of the

¹Ibid., p. 2.

cooks and bakers in the restaurant industry determines to a great extent the quality which America's restaurants can build into their products. A large segment of the restaurant industry constantly faces the problem of replacing over-aged skilled people with unskilled beginners or with employees with little training.

More and more the restaurant industry is learning to rely upon the skill of the supervisor for the maintenance of quality food, for productivity, for satisfactory service, for human motivation of employees, for cost control, for record keeping and myriad other duties. Thus, the need for more highly skilled, experienced and capable supervisors. Dissatisfaction with present supervisors indicates that if anything the shortage is qualitative here more so than in other areas. More supervisors are being used today in the industry than ever before, yet the development, training and retaining of this class of employee has been studied very little by management.¹ There are special schools and college level programs for managers and numbers of training programs for skilled type personnel, but very little attention has been given to this problem area.²

Table 9 supplies the answer to a series of interesting questions. The basic question is: "Who is responsible for the selection of the people employed in the restaurant?" The answer supplied in Table 9 is probably not typical of the industry.

¹Donald Greenaway, Developing Strong Food Staffs (Chicago: National Restaurant Association, 1962), pp. 3-4.

²See partial list of programs in bibliography.

TABLE 9
PERSONNEL RESPONSIBLE FOR
SELECTING EMPLOYEES

Company Official	% of Sample
Chief Executive or Proprietor	44.8
Personnel Director or Interviewer	20.7
Supervisor	43.1
Others	10.3
	<hr/> 118.9*

*Sample totals more than 100 per cent since some employers use more than one individual to select employees.

This table indicates that the chief executive, the proprietor, the personnel director or an interviewer share the responsibility about equally with supervisors and others in the selection of employees. In the typical chain organization, company executives select managers; managers select supervisors and apparently about one-half of the other employees. The supervisors select the employees under them in about half of the cases. Since there are few companies that employ a full time personnel director and/or interviewers, it becomes obvious that most of the employees selected for the industry are selected by people who normally have little formalized training in the processes of selecting employees.

Unfortunately the restaurant manager competes in a diminishing pool of trained people with the department store, the

industrial operation and others in the community on an unequal basis of skill in selecting the right person for the job. Because the restaurant manager is busy operating the restaurant, meeting customers, talking to sales people, handling personnel problems, taking cash, doing accounting and many other tasks, it is doubtful whether he has good sources of employees. Furthermore, he is apt not to be able to conduct an interview and hire the right person for the job. If he is skillful, it is probably because of his long experience in dealing with people and his intimate knowledge of the job. It can be assumed therefore that one of the basic problems of the restaurant industry could be aided by more attention by management to the fundamental techniques of selecting employees.

An interesting view of the background of the executives supplying information for this survey is found in Table 10 and Table 11. The typical executive responding to the questionnaire has been in the business nineteen years. It can be assumed from Table 10 that our informants were mature experienced people. Their judgments of people and their ability cannot be questioned in view of their background. Yet, throughout the study it will be shown that even executives of the industry would benefit from further formal or informal studies of their own businesses. A tremendous dividend would result from a further study of personnel problems and management techniques which have evolved in the more highly organized industries. Not surprisingly, almost two thirds (64%) of the people who answered the questionnaire came from other fields

TABLE 10
BACKGROUND OF EXECUTIVES
IN THE RESTAURANT INDUSTRY

Experiences	No. of Years
Worker Level	2 + 4 months
Supervisory Level	3 + 2 months
Management Level	6 + 6 months
Executive Level	7
Total Years	<u>19</u>

TABLE 11
PREVIOUS BUSINESS EXPERIENCES--
OTHER FIELDS

	% of Sample
Other Business Experience	64.0
Only Restaurant Experience	<u>36.0</u>
	100.0

to the restaurant industry. Another 36 per cent of the sample had all of their working experience in the restaurant field. Sixty-four separate fields of endeavor contributed executives, managers and supervisors to the restaurant field. Most of the background fields however, were other small business fields. Very few professional people leave their fields to enter the restaurant business. Many of today's restaurant managers started in other fields as workers. Many others were

supervisors or minor executives and a few were skilled workers.

Integrating the information found in Tables 10 and 11, leads to the conclusion that the typical respondent probably had little experience as a worker in the restaurant industry and not much experience as a supervisor before moving to a management or executive position. Because these people did not experience being "bossed," but were bosses from their entry into the field may indicate why the gap in understanding exists between management and unskilled workers in the industry.

In a later table, it will develop that it requires as much as 500 hours of training to develop a supervisor or assistant manager and up to 5,000 hours of training to develop a manager. Table 10 tends to verify that these estimates are conservatively correct. Today's restaurant managers are more apt than not to come from some other industry and to spend only a short time as a worker or supervisor before moving into a manager's position. Typically, their background is liable to be weak in supervisory skills and personnel handling. Because of this gap in career development, they are apt not to be skilled developers of supervisors.

Frequently, it is suggested that better communications would solve such problems as employee motivation, training, acceptance of policy, etc. Table 12 indicates that the most common methods of communications between employers and employees in the restaurant industry is through supervisory talks, employee meetings, complaint systems, etc.

Surprisingly, a sizable number of these highly organized

TABLE 12
FINDING OUT WHAT EMPLOYEES THINK
ABOUT THEIR JOBS

Method Used	% of Sample
Employee--Supervisory Talks	39.6
Employee Meetings	33.8
Employee-Counselor Talks	33.6
Complaint Systems	12.9
Merit Rating Talks	11.2
Attitude Surveys	3.4
No Policy	25.9
Total	165.4 [*]

*Since respondents use more than one method, total adds to more than 100 per cent.

businesses make no attempt to find out from their employees what they think about their jobs. Only a minor number of those reporting indicated that they use merit rating systems and interviews afterward with their employees. Yet the vast majority of the employers in the 427 restaurants do meet face to face with the employees to discuss their job, working conditions, hours, etc. In a very real sense, this table is encouraging because it reflects a shift in management's thinking from the day when the employee never spoke to the boss about his job to the present when most of the employers sit down with their

employees at some time to evaluate him as an employee and his performance on the job. Table 13 is a further extension of the information supplied in Table 12.

TABLE 13
INFORMING THE EMPLOYEES
ABOUT THE BUSINESS

Method	% of Sample
Bulletin Boards	44.0
Personal Contact	44.0
Employee Meetings	42.1
House Organ	17.1
Suggestion--Systems	16.4
Others	6.9
Total	170.5%*

*Total of % of sample more than 100 per cent because respondents use more than one method.

Through bulletin boards, personal contact and house organs, information is being passed downward from management. An evaluation of both tables would indicate that communications in the restaurant industry have moved out of the "dark ages" and more nearly approximate the level of employer-employee communications in highly organized businesses.

CHAPTER III

TURNOVER IN THE RESTAURANT INDUSTRY

Among the generalities frequently discussed by restaurant men is the statement that turnover among restaurant employees is very high. Guesses are frequently made that the turnover rate is 100% in the industry every year. Of course, such guesses cannot be supported by facts for no official figures are available on the total industry. Nevertheless, because the rate of labor turnover is both a measurable evidence and an expression of unrest and because turnover raises the cost of doing business, it is apparent that some information is desirable on this question. The cost of hiring, separating and replacing employees is not insignificant in any business. Some turnover is inevitable and even desirable. A small turnover when bringing new blood into the industry for example can be very desirable. High turnover on the other hand, can in itself be a serious problem to the individual business man and to the industry. Today more and more employers are becoming conscious of the direct cost of turnover because of the nation-wide program of unemployment compensation and the establishment of merit rating provisions in all states.

If the experience of the sample group is representative of the whole industry, then six out of ten employees are replaced each year. The information in Table 14 of the total

TABLE 14
 TURNOVER AMONG EMPLOYEES
 BOTH UNION AND NON-UNION

Representation	Total Employees	Replacement	% Turnover
Union	15,165	9,551	62.9
Non-Union	<u>9,087</u>	<u>5,262</u>	<u>57.9</u>
	24,252	14,813	61.0

group of employees bears out this statement. It is interesting to note that the separation or replacement rate is nearly the same for union and non-union employees. Non-union employees were replaced at the annual rate of 58 per 100 and union employees at the rate of 63 per 100. This is a staggering figure when the total size of the industry is considered. Furthermore, this figure points out the immense job of management in the restaurant field in finding, retaining and replacing their staffs. On the surface, at least, it would seem that there is great unrest and dissatisfaction among restaurant employees. Highly organized industries requiring a great number of skilled workers could not stand and would not tolerate a turnover rate of such immense proportions. However, further light is thrown upon the whole subject of turnover in the restaurant industry when Table 15 is considered.

Respondents to the questionnaire were asked to give the reasons why over the last ten years they had found it necessary to replace workers. Disregarding employees who were added on

TABLE 15
PRIMARY REASONS GIVEN FOR REPLACEMENTS
OR ADDITIONS TO STAFF-TEN YEAR'S VIEW

Reasons	% of Sample
To Replace Workers Who Leave	37.9
Additions to Staff-Business Expansion*	23.3
Terminated, Discharged, Etc.	27.6
Increased Volume of Sales	11.2
Total	100.0%

*Sample does not include those who are added on a seasonal basis.

a seasonal basis the sample group reported that four out of ten of the replacements (37.9 per cent) were replacements for workers who left voluntarily. Three (27.6 per cent) out of ten of the replacements were necessary because of termination of employees for unsatisfactory services. Twenty-three per cent of the new people brought into the industry were added because of expansion of the restaurant plant and an additional 11 per cent were brought in because of increased sales volume. Thus, of the people who are brought into the restaurant industry each year 38 per cent replace workers who leave and 27 per cent replace workers who are discharged.

It should not be concluded that all who leave a particular business voluntarily or who are discharged ultimately leave the industry. Many reasons compel workers to leave their jobs

voluntarily. Many of the workers in the industry are women. They enter the field, leave it and then return to it during various periods in their life. Young women marry, have families and then later return as a part-time or full-time employee. Others find it necessary to augment the family income and still others return to the industry because they find it to their liking. However, the tremendous number of people who are hired to replace those who are discharged, indicates that finding employees of a satisfactory caliber, training them and retaining them in the industry is indeed a major problem. A single restaurant worker such as a cook may change jobs frequently in the same community and be rehired and discharged by the employer a number of times. There is no central clearing house for personnel records of restaurant workers. Through personal experience of consulting with managers of restaurants, it is evident that in many cases the work records and references of workers are not checked before hiring. Thus, unsatisfactory employees are not permanently weeded out of the industry. The U. S. Bureau of Labor Statistics indicates that the types of personnel most frequently discharged or replaced are the unskilled people.¹ Those with skill in food preparation and service, supervisors and managers, are stable employees and remain with their employers over long periods of time.

Table 16 tends to verify the fact that many restaurant workers remain with a single employer for a relatively long period of time. The managers of the 427 restaurants reported

¹U. S. Bureau of Labor Statistics, Occupational Outlook Handbook, Bulletin No. 1300-86, 1961, p. 731.

TABLE 16
YEARS OF EMPLOYMENT
AVERAGE TENURE WITH REPORTING COMPANIES*

Average Time on the Job	% of Sample
0 to 1/2 Year	8.7
1/2 to 1 1/2 Years	10.3
1 1/2 to 2 1/2 Years	10.3
2 1/2 to 3 1/2 Years	13.8
3 1/2 to 4 1/2 Years	15.5
4 1/2 to 5 1/2 Years	13.8
5 1/2 to 6 1/2 Years	12.1
6 1/2 to 8 1/2 Years	8.7
8 1/2 to 10 1/2 Years	1.7
10 1/2 to 12 1/2 Years	3.4
Above 12 1/2	1.7
Total	100.0%

*Sample based on experiences of 427 restaurants with 24,252 employees. Averages arrived at by dividing total regular employees into total service time.

that the average length of service of their employees was relatively high. About 30 per cent of the sample reported averages of 2 1/2 years, or under. Forty-two per cent of the sample had between 2 1/2 and 5 1/2 years average service. Twenty-one per cent of the sample had 5 1/2 to 8 1/2 years of experience, and surprisingly nearly 7 per cent of the sample had between

8 1/2 and above 12 1/2 years of service. Considering that these averages based on the service records of over 24,000 employees recorded by 427 employers, it can be seen that a high percentage of restaurant employees remain continually in the industry, but that an even higher percentage have been in it and with one employer only a short period of time.

It can be concluded from the data that the restaurant industry is paying a high penalty with labor turnover for its failure to solve the personnel problem. It can also be concluded that the restaurant industry is held together by 40% of its employees who are loyal to the industry, loyal to their employers and motivated to do their best in the interest of the business which provides them a living. It is true that the turnover rate in the restaurant industry is very high for many, many reasons. It cannot be doubted that the industry is probably not considered to be a good place to work by a great number of its "alumni" who inevitably transfer to other fields of endeavor. Unfortunately, the data developed in this questionnaire does not delve into the reasons why so many people enter and ultimately leave the industry. Perhaps it is because they were not particularly fitted for the industry in the first place. Perhaps it is because they were given too little training and leave the industry early in their careers, before they became adjusted to their jobs. In any event, employment in restaurants is thought of as temporary employment by a vast number of workers.

Included in this category are the illiterates, teenagers and female workers who in most cases can easily qualify

for the unskilled or semi-skilled jobs in the industry. The illiterates tend to be job drifters or are replaced by more qualified personnel in times of a plentiful labor market. The youths are influenced into other industries by higher hourly wages or more attractive hours of work. Female workers leave employment because of marriage and family responsibilities.

CHAPTER IV

TRAINING OFFERED IN THE INDUSTRY

Over the past fifteen years, the restaurant operator has become conscious of the importance of training for his employees. Apparently, as will appear in this chapter, training has a variety of meanings to those in the industry. To some, training means merely hiring an employee, telling him where to hang his coat, where his work is located and then expecting the employee to reach efficiency within the first few hours on the job. On the other hand, some restaurants offer an hour or so of orientation covering the simple things that should be known about the restaurant, such as procedures, policies (if such are written), etc. Still others offer a plan of integration into the work program and a step-by-step increase in the amount of information supplied to the employee. Many offer orientation training, job descriptions, policy manuals, directed training, daily training and refresher programs. A few restaurants offer formalized class sessions in which the learner is exposed both to a little theory and some practice in order to increase his efficiency.

In the main, restaurant operators attempt to employ people with previous experience in the jobs for which they are hired. The operator expects and assumes that efficiency, motivation and understanding comes built-in with the employees

because they are experienced. Today there are several vocational, trade and specialized schools offering skill training for restaurant employees. Several colleges and universities are offering training for future supervisors and managers. However, these people enter the business with a further need for training in their future jobs. Thus, training in the restaurant industry is widely talked about, widely misunderstood, not too often planned and often regarded as the panacea for all of the ills of the industry. Training is necessary, desirable, worthwhile and profitable and every employee in every establishment does receive some kind of training either negative or positive. It can be stated that those companies who plan their training usually offer the best food, the best services and are in the long run the most successful. The widely accepted value of training is reflected in Table 17.

TABLE 17
ESTIMATE OF VALUE OF FORMALIZED TRAINING

Degree of Value	% of Sample
Very valuable	58.6
Fairly Valuable	31.1
Limited Value or No Value	10.3
Total	100.0%

Here, when the question was asked as to the respondent's estimate of the value of training, the overwhelming majority (almost 90 per cent) indicated that they considered training

to be very valuable or fairly valuable. Only 10.3 per cent of the sample believed that training was of limited or no value. Thus, it can be seen that restaurant operators are firmly sold on the idea that training can help them in handling their personnel problems. However, when the data in Table 13 is examined, it can also be seen that many operators do not carry out their convictions into actual practice.

Only one out of four (24.2 per cent) of the sample group admitted to having complete training programs. For purposes of this survey, a complete training program means more than on-the-job training or an orientation program for all employees of the establishment. It can be argued that busboys, warewashers, vegetable preparation workers and janitors do not require training. But in the sample group where complete training is offered, it is offered to all classes of employees regardless of position. Another 17.2 per cent of the sample had orientation training only and 51.7 per cent of the sample offered only on-the-job training. It can be concluded from Tables 17 and 18 that restaurant men are sold on training but as yet they do not have a very clear picture as to what kinds of training are needed and how much of it would benefit them. If this information were known, operators would be on their way to determining the best kinds of training for a given situation. In this respect the information supplied in Table 19 may well prove to be the most important contribution of this study.

The respondents to the questionnaire were asked to closely estimate in terms of training hours required in order

TABLE 18
KINDS OF TRAINING OFFERED EMPLOYEES

Types	% of Sample
On the Job Training	51.7
Complete Training Program	24.2
Orientation Training Only	17.2
No Training	6.9
Total	100.0

TABLE 19
ESTIMATED TIME NEEDED
HOURS OF TRAINING NEEDED TO REACH
EFFICIENCY ON THE JOB

Job Title	Range in Hours	Median
Manager	300 to 5,000	300
Assistant Manager	150 to 500	150
Supervisor	40 to 480	240
Hostesses	10 to 80	33
Cashiers	3 to 40	24
Waitresses	10 to 96	18
Cooks (Trained)	40 to 80	24
Cooks (Untrained)	125 to 400	220
Waiter	16 to 24	16
Dishwasher	3 to 21	3
Busboy	3 to 24	16

to produce an efficient employee in various job classifications. Their estimates are expressed in this table. Depending upon the complexity of the operation, it requires from 300 to 5,000 hours of training to produce a self-sufficient manager. Bearing in mind that a manager of a small business must have knowledge of each employee's work, it can be seen that he needs many more than 300 to 5,000 hours of training. If the manager rises through the ranks from unskilled to skilled, from supervisor to management, along this path a composite total of training needed assumes astronomic proportions.

The reader must bear in mind that those who responded to this questionnaire were in the developmental period of their own careers approximately twelve years before they reached the management level. These people have a natural tendency to believe that it is difficult to short-circuit training time and to produce a skilled manager in fewer years than they themselves needed to reach the management role. Thus, in part, the industry's problem in finding managers can be explained by the attitude of its present management toward the problem of training people for executive roles. Successful companies are attacking the problem of finding worthy candidates and moving them rapidly ahead through specialized training to positions of responsibility. This suggests that the restaurant industry can profitably concentrate more attention on the training of assistant managers and supervisors who will inevitably be the managers and executives of the future. For broadly speaking what capabilities these people

have, their level of understanding of their specialized field and their ability to learn greatly determine how rapidly the industry can expand and whether or not it can be highly centralized.

In the past, assistant managers and supervisors have been selected from the skilled working group. This is a natural place to turn for people who can supervise the work of others. These people already have demonstrated their own skill and their ability to lead people. However, it does not necessarily follow that a skilled worker always makes an able supervisor, for the supervisor works through people rather than with things. Beyond this it must be remembered that the industry is further worsening its overall personnel problems by thinning-out the ranks of skilled workers. Thus, the never ending shortage of skilled personnel in this gigantic industry.

There is no particular pride evident on the part of skilled workers in the industry in becoming skilled craftsmen. There are a limited number of societies or groups providing a social outlet and a status uplift for the skilled workers in this industry. The trade associations primarily exist for supervisors and management people. Only the unions offer an outlet for the workers. Bearing in mind that the judgments reflected in Table 19 are those of mature, skilled managers in the industry, it can be seen that the misunderstanding of the word "training" and its implications touches every facet of the personnel problem of the industry.

Table 20 offers further reflection upon the attitude of

management in the restaurant industry especially toward the whole subject of training. It is encouraging to note that 43 per cent of the sample frequently used outside training agencies as a source of employees. Thirty-four per cent of the sample used these agencies occasionally and only 24.2 per cent of the sample have never used such agencies. Apparently there is growing understanding within the industry that schools, (private and public), colleges and universities can be a source of trained employees. If there were more schools of this type serving the industry, the figure for those that use the schools would probably be higher. If there were trained employees available through public employment agencies this would also have been reflected in the table. Considering the limitations facing the operator in finding a source of trained employees, it is interesting to note that restaurant operators are becoming increasingly aware of agencies outside of the industry that can help.

TABLE 20

FREQUENCY OF USE OF OUTSIDE TRAINING
AGENCIES AS A SOURCE OF EMPLOYMENT

Use of Agency	% of Sample
Frequently	43.1
Occasionally	34.5
Never	22.4
Total	100.0

It is difficult to avoid generalities in speaking of problems of an industry which employs a million and a half people. Careful observers tend to believe that the shortage of skilled personnel will continue to worsen in the years ahead. During the next twenty years or so, the supply of individuals whose ages range from 25 to 45 will diminish even though the population increases tremendously.¹ At the same time, the needs of the industry will grow as more units are built in order to serve America's millions. The three classes of employees presently of concern are managers, supervisors and skilled personnel. As a result of the strange phenomena of a decreasing supply in an increasing population, the restaurant industry's problems will worsen unless an attack is made on these problems on a broad front by educational institutions and the trade associations.

Management education is of prime importance because if management is not trained there will be no strength to filter down to supervision and the employees. Education and training, a responsibility of management, is only now realizing the benefit of outside training sources to improve their internal programs.

¹U. S. Department of Labor, Manpower: Challenge of the 1960's, 1960, p. 6.

CHAPTER V

WAGES, SALARIES AND LABOR COSTS

In any study of the personnel practices of an industry, the subject of wages must inevitably be considered. In order to arrive at conclusions as to whether the wage and salary policies of the industry are sound, first considerations must be given to the function which the industry performs and where it fits into the general economy. Restaurant operators both defend their present practices and, at the same time, decry their inability to pass on more of their sales dollar to their employees. In general, the industry is extremely sensitive on the whole subject of salaries and wages. A popular misconception of the restaurant industry in the minds of many people, who do not know the true facts, is that the industry in general underpays and over-works its employees. This makes it easy to explain why employees of satisfactory caliber cannot be found, trained and retained in the industry. This type of reasoning often is used when statements are made to the effect that the industry attracts the untrained, the over-aged, the maladjusted and the unproductive of other industries.

Throughout modern business history, it is conceded that the consumer will pay more for a manufactured product than he will for a service. This is easy to understand, for the consumer has little idea of the cost of producing an automobile,

but a very real sense of the cost of a pound of hamburger. The price of a cup of coffee in America is probably the most stable among all of the things that the consumer buys, and consumer resistance to price fluctuation is greatest where he knows, or thinks he knows, the product. Thus, the restaurant man feels that regardless of the level of his operation from the 15 cents hamburger to the \$5.00 dinner, he is always under the watchful eye of the consumer.

Small businesses are always closest to the consumer. Their managers and operators feel the effect of the consumer's evaluation of price more readily than do the operators of big businesses. In general, the public is little aware of the factors which make-up restaurant costs other than the cost of food. But they are very much aware of the spread between the cost of the steak and the ultimate cost of the steak dinner.

On the average, the consumer will pay restaurant prices which are two to three times higher than the cost of the ingredients which go into the meal, but price resistance increases in direct proportion to the basic prices as the consumer knows them and the price the restaurant charges for the meal. Like the law of price in economics, the market decreases rapidly as the price increases. Only a few brave souls violate these simple laws of economics and, those that do, usually try to provide the consumer more atmosphere and more service to offset the increased price. The restaurant market is a sensitive price market, and the restaurant man knows that the American consumer is extremely fickle in granting favors.

The last quarter of a century has witnessed a dramatic rise in the portion of the sales dollar that is passed on to the employees, and concomitant with it a decrease in the portion of the sales dollar spent for raw materials (food).¹ In the restaurant industry all that is left of the sales dollar above 70 to 75 cents spent on food and labor must be carefully protected. Overhead costs, other than food and labor costs, account for 15 to 18 cents of the sales dollar. All restaurants that fail, do so because they cannot make a profit. In 99 per cent of these cases, food and labor costs push beyond this imaginary barrier, with the results that profits are eliminated and the businesses fail.² Business failures in the industry can be said in large part to result from inability to control costs. Today the most difficult cost to control is the cost of labor. Yet, in the face of these specific economic laws of the industry, the restaurant operator continues to question whether he is doing the right thing for his employees; or more specifically, whether he can survive if the delicate balance between labor costs and profits is destroyed. The current relationship between sales and labor cost in the 427 restaurants reporting is found in Table 21. The median for the entire sample was a 34.0 labor cost. About 75 per cent of the sample group reported labor cost above 30 cents of the sales dollar. Surprisingly, nearly 25 per cent of the sample

¹Donald Greenaway, What's Coming in the Future? (Chicago: National Restaurant Association, 1961), pp. 15-16.

²National Restaurant Association, Marketing Report (Washington, D. C., April 27, 1961), p. 4.

TABLE 21
CURRENT RELATIONSHIP
BETWEEN SALES AND LABOR COSTS

Labor Costs in Relation to Gross Sales	Percent of Sample Reporting
20-25% *	6.9%
25-30%	18.9%
30-35%	29.3%
35-40%	22.4%
40-45%	13.9%
45-50%	8.6%
	<hr/> 100.0%
Average Labor Cost 33.7%	
Median Labor Cost 34.0%	

*Many reported fringe benefits of 6-15 per cent of sales. Some in sample failed to include salaries of managers and supervisors.

reported labor costs ranging from 40 cents to 50 cents of the sales dollar. All costs reported are basic dollar costs without consideration of fringe additions. These additions in the sample group were reported to range from 6 to 15 cents of the sales dollar. If the lower figure is accepted as an average for the industry, and there is some justification for accepting this figure, it is apparent that in this very large group of restaurants real labor costs in three-fourths of the cases ranged from 36 cents to 56 cents. Considering fringe additions the median closer to forty cents and even the restaurants

reporting the lowest labor costs would have true costs greater than 25 cents of the sales dollar. This table offers compelling evidence that time is running out for the inefficient, poorly managed, under capitalized, low volume operation. It also provided fair warning to even the biggest and the most efficient that poor organization, inefficient personnel and low motivation can quickly turn modest profits into net losses.

The restaurant operator's dilemma is neatly wrapped up in the story told in this table. How to pay more and at the same time get more in human efficiency. Heavy industry raises productivity per employee through better machines, better industrial engineering, more careful planning, elimination of wasted motion, supervisory training, staff planning and dozens of other devices. But what can the restaurant operator do to get more sales dollars with fewer but higher paid employees? The need for a technical break-through, for better management, and for employees of a higher caliber no longer is desirable-- it is a must.

The gap between the efficiency of the partially or completely automated heavy industries and the machineless service industries is ever widening. The restaurant operator cannot solve this problem by himself. He must count upon the technical and business researchers encouraged by his trade association with allied support from an increasing group of interested suppliers of the industry. He is further dependant upon the technical and basic research conducted by the government and schools to solve his problems.

Most restaurant operators understand the foregoing material. They too, clearly see what can happen as more of each dollar of sales is directed toward raising the level of salaries and wages in the industry. Restaurant men resist lowering the quality and quantity of the food served. They clearly understand that a labor cost of 50 cents means that only 25 cents can safely be spent on food. Thus, the restaurant man feels hemmed-in by the labor costs, prices and the profit squeeze.

The search for efficiency in the service industries inevitably centers upon securing intelligent, highly motivated and skillful personnel. In order to retain such people in the industry, they must be well paid and be well supervised by people who are dedicated to good management. Further, as their personal efficiency rises on the job, they expect that their monetary reward must be increased. It would appear therefore that the industry dare not fall too far behind in providing a living wage without serious consequences of a vanishing skilled labor market and lower employee productivity. A further extension of the labor cost problem is reflected in Table 22. Employees in all industries now measure their wages in total take home pay and fringe benefits. As can be seen from the table, meals on the job and uniforms are the two most common fringe benefits offered by the restaurants whose experiences are shown in this study. Beyond this nine out of ten (87.9 per cent) offer paid vacations, (75.8%) offer hospitalization plans, nearly three-fourths (72.4 per cent) launder

TABLE 22
FRINGE BENEFITS OFFERED BY
SAMPLE GROUP

Benefits	Per cent of Sample
Meals "on the job"	100.0
Uniforms	100.0
Paid Vacations	87.9
Hospitalization Plans	75.8
Uniform Laundry	72.4
Paid Holidays	67.2
Group Insurance	64.6
Sick Leave	48.2
Pension Plan	29.3
Others	17.2

uniforms for their employees, two-third (67.2 per cent) offer paid holidays and (64.6%) offer group insurance. Sick leave is granted in about a half (48.2 per cent) of the establishments and 29.3 per cent offer pension plans. Among the other benefits offered by a small percentage of the sample (17.2 per cent) were such things as small loans, profit sharing, disability insurance, Christmas bonuses, birthday gifts, service pins and watches, birthday pay, discount on foods, small loans and annuity payments upon retirement.

The total fringe benefits offered in these successful restaurants, in the main, compare with the fringe benefits

offered in the retail field. The all industry average of fringe benefits in 1961 was 24.9 per cent of payroll.¹

It is difficult to place a rigid dollar value on several of the benefits. But it can be safely assumed that the total value of the benefits offered cost the restaurateur several hundred dollars per employee. At a very minimum, meals alone add \$250.00 to \$500.00 a year to the employees' real wages. Vacations cost the employer from \$100.00 to \$250.00 a year per employee. Hospitalization, group life insurance, paid holidays and uniforms also probably cost about \$200.00 a year per employee. Thus, it can be seen that fringe benefits add from \$500.00 to \$1,500.00 a year to the employee's real wage and take from 6 per cent to 15 per cent of the sales dollar.

The trend over the past several years has been to increase the basic dollar wages as well as the fringe benefits.² Of the two, the cost of fringe benefits is now rising more rapidly than the cost of the basic dollar wage. There are few employees in the restaurant business today who receive less than \$50.00 a week. Skilled personnel, supervisors and managers receive from \$75.00 to \$250.00 per week. These people have a real wage of from \$100.00 to \$300.00 per week. Those below the level of \$75.00 per week are unskilled or tip

¹Chamber of Commerce of the United States, Fringe Benefits (Washington, D. C., 1961), p. 5.

²National Restaurant Association, Washington Report (Washington, D. C., September 17, 1962), p. 3.

employees.¹ It is difficult to estimate on a factual basis the number of employees in this industry who fall in the latter two classes. This highly diversified industry has never been fully analyzed from the point of view as to the number of employees in each classification. However, it is reasonable to assume that 50 per cent of the employees in the industry are service (tip) employees or unskilled. Table 23 offers an interesting estimate by the reporters for this study of the value of tips and gratuities received by their employees in relation to their earned income. As reported by these successful

TABLE 23

ESTIMATED TIPS & GRATUITIES—
RELATIONSHIP TO EARNED INCOME

	None%	10%	25%	50%	Over 50%
Management Personnel	100.0	0	0	0	0
Supervisory Personnel	100.0	0	0	0	0
Preparation Personnel	100.0	0	0	0	0
Hostesses	63.8	20.7	15.5	0	0
Headwaiters	34.6	20.7	25.8	8.6	10.3
Waiters & Waitresses	17.3	25.8	29.3	17.3	10.3
Bus Boys	60.3	17.3	8.6	13.0	0
Others	100.0	0	0	0	0

¹Restaurant employees who receive a part of their income from the general public in terms of gratuities.

operators, none of their managers, supervisors and skilled preparation personnel receive additional income from tips. Six out of ten (63.8 per cent) of the reporters estimated that their hostesses received no tips; 20.7 per cent of the sample of the group estimated that their hostesses receive 10 per cent additional income from tips; 15 per cent of the sample group estimated that their hostesses received 25 per cent above their income in gratuities. It might be expected that the estimates by management of the amounts received by waiters and waitresses in tips would run considerably higher than the sample indicates. Only a small percentage of the total sample estimated that their waiters and waitresses received more than 50 per cent of their total income in gratuities. It is emphasized that the estimates set forth in Table 23 are at best rough guesses. They are not based on studies nor on concise estimates. In any event, the table clearly points out that the real income of three classes of employees in the industry is not visible and is not measurable, and that the take home pay of most classes of employees in the industry compares favorably with others of a similar level of skill in the service and retail fields.

A final question of considerable interest asked in the questionnaire was the reasons why wage and salary increases have been granted during the last ten years.

Table 24 recapitulates what the employers gave as their reasons for increasing the basic pay of their employees. Two primary reasons induced employers to raise wages. First, to

TABLE 24
WAGE INCREASES GRANTED DURING
LAST 10 YEARS

Reasons Given	% of Sample
To motivate workers to do a better job	24.7
To obtain better "quality" employees	24.2
Meeting competition from outside of field	20.1
Meeting competition from restaurant field	15.0
To meet demands of union	9.7
Required by union contract escalator clauses	6.3
Total	100.0%

motivate their employees to do a better job and second, to obtain better employees. An important third reason given was "meeting the competition from outside the restaurant field as well as the competition within the industry." Apparently union demands and escalator clauses in union contracts were far less important than competition in moving employers to grant wage increases.

It can be concluded from Table 24 that six out of ten of the employers inevitably affected their overall wage scales. They reported that competition from outside and within the field for better quality employees was an irresistible force pushing their salary and wage schedules upward. One out of four reported that they had used monetary rewards in order to

motivate their workers. One out of seven of the employers reported that union demands had made the difference in their wage and salary cost. In brief, the competition for employees and the attempt to motivate employees are the two most compelling forces which have caused management to share more of the sales dollars with their workers.

Since the competition for employees will not decrease and the number of available satisfactory employees will not increase, there is little likelihood in the future that labor costs will decline. Human efficiency obtained through better supervision and better management is now and will be an absolutely essential ingredient in continuing success in the restaurant business. There is a tremendous reward available to any organization which can help the restaurant industry solve its personnel, labor and labor costs problems. There is an ever present need for better understanding by management of the forces with which it is dealing. Machines and new devices require capital additions. The investment per dollar sale and the investment per hour of labor used must both increase. The continuing pattern found throughout this study is that management has placed its finger squarely on the heart of the problem when they state that employees of satisfactory caliber is the first personnel problem of the restaurant industry.

CHAPTER VI

SUMMARY AND CONCLUSIONS

The five primary objectives of this study, as previously stated were:

1. To identify the major personnel problems of the industry.
2. To examine the turnover problem among restaurant employees.
3. To study the training offered in restaurants.
4. To compute information on wages and salaries.
5. To examine labor costs in the industry.

As viewed by management, the three major personnel problems are a shortage of employees of satisfactory caliber, lack of motivation of employees, and the development of supervisory personnel. To further identify the problem of supervision, it was pointed out that supervisor's weaknesses included their inability to motivate employees, their inability to organize the work of employees and their inability to plan work. Personnel shortages are most critical among skilled food preparation workers and supervisors of all classes. Shortages of all types of qualified personnel are qualitative so that there is a never ending search for employees.

The employee turnover rate is a very serious problem to the industry and a very costly one. Six out of ten employees are replaced each year. Thirty-eight per cent of those taking

jobs in the restaurant industry each year replace workers who leave and 27 per cent replace workers who are discharged. Even with 40 per cent of the industry's employees remaining on the job as long term employees, the efficiency of a restaurant is affected seriously by constant change of the majority of personnel.

Almost 90 per cent of the respondents stated that they considered training to be very valuable or fairly valuable. However, the restaurateur's convictions of training were not put into action. Only 24 per cent had complete training programs in their organization. This condition, undoubtedly, is the reason why experience is so much sought after in hiring an employee.

Wage rates have advanced during the past ten years in the industry primarily to motivate workers to do a better job and to obtain better quality employees. Meeting competition from outside and inside the industry was also significant. Another important factor is the percentage of fringe benefits which have to be added to real wages. Fringe benefits were reported to be 6 to 15 per cent of sales. The minimum figure added to the average labor cost of 33.7 per cent, brings the actual cost of labor to 40 per cent of the sales dollar. Labor cost has been increasing at the rate of 5 per cent per year and there is not an apparent let-up in the near future. Many restaurants will be forced to increase the employee's productivity and, perhaps, operate with fewer employees.

There is no answer which can be offered as a cure-all

for the enduring long range and daily problems which exist in the restaurant industry. Each individual management must determine the cures for its own operation, since the differences between restaurants make policies and methods variable.

Management must assume the responsibility of creating a highly efficient business. In most instances this cannot be achieved by holding to old traditions of operation in these days of increasing costs and decreasing profits. Now, more than ever, the individual's skill in management is his greatest asset. These skills and abilities can be acquired, for they can be taught. The individual can be taught to be more flexible, to be more understanding, to be more skillful in the use of management tools.

Managers must recognize that they are limited in their efficiency by their lack of knowledge of the science of management. There is a vast difference between the skills used in the restaurant business and management in the restaurant business. Management training is not training in how to perform the tasks of the business; it is training in directing, controlling and coordinating in a more intelligent and purposeful way, those who perform these tasks.

Top management must recognize the necessity for acquaintance with the dimension called "management." It is not enough simply to know the problems, or to understand and be worried by the symptoms of the problems. The important factor is action by management to pursue management training.

The one resource in the restaurant industry which has

not been effectively developed is personnel. The development needs to start with top management. From this point, the greatest effort should be exerted in the development and training of supervisors who can help share the management burden. Only when these phases are accomplished can proper attention be focused on the workers and concentration be pinpointed to training the employee for maximum productivity and efficiency in the restaurant.

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APPENDIX

SURVEY ON PERSONNEL PRACTICES AND PROBLEMS IN THE RESTAURANT FIELD

This survey grew out of an earlier survey in which your organization may have participated in the Fall of 1956, which touched on a number of different problems and practices in the restaurant field. In the results of that study, several questions were raised with regard to personnel matters: this survey is intended to find out more about what restaurants do in these areas of employee relations.

This is a confidential survey; the aim is to come up with an over-all description of personnel practices in successful restaurants, not to identify individuals or particular establishments or firms. Organizations of all types and sizes are being asked to participate.

By filling out the questionnaire carefully and completely, you can contribute greatly to the knowledge of how the restaurant industry handles its personnel problems. Most of the questions can be answered simply by a check mark or a number in the appropriate space -- others give you an opportunity to express more fully your opinion on various kinds of restaurant personnel matters.

You will receive a copy of the report as soon as it is available.

Thanks for your help.

* * *

1. In the 1956 survey, many restaurants indicated that they had problems with some of the following personnel matters. Please check the three on the list which you feel are among the biggest problems of the restaurant industry today.

- () Getting employees of satisfactory caliber
- () Labor turnover among service personnel (Dining room or counter workers, except supervisors)
- () Labor turnover among preparation personnel (Kitchen workers, except supervisors)
- () Selection of supervisory personnel
- () Development of supervisory personnel
- () Training of non-management personnel
- () Union relations
- () Employee grievances
- () Motivating employees to do their best
- () Keeping employees informed about the business
- () Other (Please specify: _____)

IN THE 1956 SURVEY A NUMBER OF RESTAURANTS INDICATED THEY HAVE HAD PROBLEMS IN GETTING QUALIFIED PERSONNEL. THE NEXT FEW QUESTIONS ARE ON THIS SUBJECT -- RECRUITING.

2. How many full-time and part-time people do you employ in your organization, including management, supervisors, and workers? (If there are large differences between your lowest level and your peak, please write both numbers in.)

_____ Number of full-time employees

_____ Number of part-time employees

3. a. Please indicate the average length of time your present employees have been with your organization. (Please write in the number.)

_____ Years

- b. How many new employees has your organization hired in the past year to replace others who left, voluntarily as well as involuntarily.

_____ (Please approximate the number.)

Please write here any comments you may have on these questions:

4. a. Are your non-management employees represented by a union? (Please check one answer.)

() No
 () Yes, all of them
 () Yes, some of them (About what percentage? _____ %)
 () Other answer (Please specify: _____)

- b. If yes, are your hiring practices spelled out by your union contract(s)?

() Yes
 () No

Comment _____

5. Who makes the final selection of employees to be hired in your organization? (Please check every answer that applies.)

() Proprietor or chief executive
 () Personnel director or interviewer
 () Individual supervisors, for their own work groups
 () Other answer (Please specify: _____)

_____)
 () Don't know

6. In your experience over the last ten or so years, what have been the two most usual reasons for needing to hire new workers in your organization? (Please check two answers.)

() Increased business because of expanded facilities
 () Increased business without expanded facilities
 () To replace workers who leave
 () Seasonal increase in business
 () Other reason (Please specify: _____)

_____)
 () Other reason (Please specify: _____)

_____)

7. Considering the restaurant industry as a whole, in your opinion what kinds of qualified personnel are in the shortest supply today? (Please check three kinds.)

() Supervisors

() Service workers (Dining Room or counter workers)

() Skilled food preparation workers (Chefs, cooks, bakers, salad makers)

() Unskilled food preparation workers

() Sanitation workers (Dishwashers, porters, etc.)

() Office workers (Including cashiers, secretaries, bookkeepers)

() Please check here if you have no trouble getting qualified workers of any kind today

() Please check here if you don't know or can't answer

8. Over the last ten years or so, how much of the time would you say there has been a shortage of qualified workers of each of the following kinds? (Notice the answers run across the page. Please check one answer for each category.)

	<u>Shortage most of the time</u>	<u>Shortage up to half of the time</u>	<u>Seldom or never any shortage</u>
Supervisors	()	()	()
Service workers	()	()	()
Skilled food preparation workers	()	()	()
Unskilled food preparation workers	()	()	()
Sanitation workers	()	()	()
Office workers	()	()	()

Comment _____

THE NEXT FEW QUESTIONS ARE CONCERNED WITH THE QUALIFICATIONS AND TRAINING OF RESTAURANT EMPLOYEES.

9. In your organization, which practice do you follow in hiring people for the following kinds of positions? Would you hire completely untrained people and plan to train them? Trained people only? Or both? (Please check an answer for each kind of position.)

<u>Type of Position</u>	<u>We would hire:</u>		
	<u>Fully Trained Only</u>	<u>Both Untrained And Trained</u>	<u>Only Untrained And Train Ourselves</u>
Supervisors	()	()	()
Service workers	()	()	()
Skilled food preparation workers	()	()	()
Unskilled food prepara- tion workers	()	()	()
Sanitation workers	()	()	()
Office workers	()	()	()

10. If you were judging the most important needs for improvement of the supervisors in your organization, how would you rank the following? (Please put a number 1 in front of the biggest need, a number 2 in front of the next biggest, and so on.)

_____ Ability to plan

_____ Ability to organize

_____ Success in carrying out policies

_____ Ability to motivate employees

_____ Knowledge of the over-all job

11. Some restaurant organizations have formal classroom or other off-the-job training programs for some or all of their personnel. Does your organization have anything like this? (Please check one answer.)

- ```
() Yes, we have a formal program.....(Please go on to question 12.)
() We have on-the-job training only...(Please skip to question 15.)
() We orient our new workers, but
 have no training beyond that....(Please skip to question 15.)
() No, we do no training.....(Please skip to question 15.)
```

12. Please list the kinds of jobs for which your organization has a formal training program, and next to each one, write in about how many hours an employee would spend in it, from beginning to end.

[illegible]

13. In your training program, do you use any help from outside your organization?

- ( ) Yes, continuously  
 ( ) Yes, occasionally  
 ( ) No, not at all

If yes, please describe what kind of outside help you've used (such as trade schools, universities, trade associations, consultants, books, magazines, etc.). Please make your comments as specific as you can.

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14. How valuable -- how useful or effective -- has your formal training program(s) been?

- ( ) Very valuable  
 ( ) Fairly valuable  
 ( ) Of limited value  
 ( ) Not at all valuable  
 ( ) Can't say

Please add any comments you'd care to make about your training program, for instance, whether specific ways of gauging the success of the program have been set up: \_\_\_\_\_

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THE NEXT FEW QUESTIONS ARE ON PAY, FRINGE BENEFITS, AND TIPPING

15. Your organization has undoubtedly raised wages in the past ten years. For which of the following reasons were raises given? (Please check every answer that applies.)

- ( ) In order to meet competition for workers from other restaurants  
 ( ) In order to meet competition for workers from other fields  
 ( ) To meet union demands  
 ( ) Union contract "escalator" clauses  
 ( ) Desire to get better quality workers  
 ( ) In order to motivate workers to do a better job  
 ( ) Other reason (Please specify: \_\_\_\_\_)

- ( ) Other reason (Please specify: \_\_\_\_\_)

16. Which of the following fringe benefits does your organization provide to some or all of your employees? (Please check one answer for each benefit.)

|                                     | <u>Provide<br/>Ourselves</u> | <u>Provided Through<br/>The Union(s)</u> | <u>Not Provided</u> |
|-------------------------------------|------------------------------|------------------------------------------|---------------------|
| Group insurance                     | ( )                          | ( )                                      | ( )                 |
| Hospitalization plan                | ( )                          | ( )                                      | ( )                 |
| Pension plan                        | ( )                          | ( )                                      | ( )                 |
| Paid vacations                      | ( )                          | ( )                                      | ( )                 |
| Paid holidays                       | ( )                          | ( )                                      | ( )                 |
| Sick leave                          | ( )                          | ( )                                      | ( )                 |
| Meals                               | ( )                          | ( )                                      | ( )                 |
| Uniforms                            | ( )                          | ( )                                      | ( )                 |
| Uniform laundry                     | ( )                          | ( )                                      | ( )                 |
| Other benefits:<br>(Please specify) |                              |                                          |                     |
| _____                               | ( )                          | ( )                                      | ( )                 |
| _____                               | ( )                          | ( )                                      | ( )                 |
| _____                               | ( )                          | ( )                                      | ( )                 |
| _____                               | ( )                          | ( )                                      | ( )                 |

( ) Please check here if patrons are requested not to  
tip, and skip to question 18.

17. Approximately what percentage of their income do you think your employees make in tips? (Please try to estimate, even if it is only your "best guess.")

|                       | <u>No<br/>Tips</u> | <u>Less<br/>Than<br/>10%</u> | <u>Between<br/>10% &amp;<br/>25%</u> | <u>Between<br/>25% &amp;<br/>50%</u> | <u>Over<br/>50%</u> | <u>Don't<br/>Know</u> |
|-----------------------|--------------------|------------------------------|--------------------------------------|--------------------------------------|---------------------|-----------------------|
| Waiters or waitresses | ( )                | ( )                          | ( )                                  | ( )                                  | ( )                 | ( )                   |
| Headwaiters           | ( )                | ( )                          | ( )                                  | ( )                                  | ( )                 | ( )                   |
| Hostesses             | ( )                | ( )                          | ( )                                  | ( )                                  | ( )                 | ( )                   |
| Busboys               | ( )                | ( )                          | ( )                                  | ( )                                  | ( )                 | ( )                   |
| Preparation Personnel | ( )                | ( )                          | ( )                                  | ( )                                  | ( )                 | ( )                   |
| Supervisory Personnel | ( )                | ( )                          | ( )                                  | ( )                                  | ( )                 | ( )                   |
| Management Personnel  | ( )                | ( )                          | ( )                                  | ( )                                  | ( )                 | ( )                   |

18. Considering your total sales of all kinds, how many cents of your sales dollar goes to pay labor costs, including fringe benefits? (Please write in the number.)

\_\_\_\_\_ cents of each sales dollar

THE FINAL QUESTIONS DEAL WITH COMMUNICATIONS BETWEEN MANAGEMENT AND EMPLOYEES

19. What practices, if any, do you now use or plan to use to keep your employees informed about the business? (Please check an answer for each.)

|                                     | <u>NOW</u><br><u>Use</u> | <u>PLAN</u><br><u>To Use</u> | <u>Neither Use</u><br><u>Nor Plan To</u> |
|-------------------------------------|--------------------------|------------------------------|------------------------------------------|
| Personal Contact                    | ( )                      | ( )                          | ( )                                      |
| Bulletin Boards                     | ( )                      | ( )                          | ( )                                      |
| Employee Magazine or<br>House Organ | ( )                      | ( )                          | ( )                                      |
| Employee Meetings                   | ( )                      | ( )                          | ( )                                      |
| Suggestion System                   | ( )                      | ( )                          | ( )                                      |
| Other: (Please state)               |                          |                              |                                          |
| _____                               | ( )                      | ( )                          | ( )                                      |
| _____                               | ( )                      | ( )                          | ( )                                      |

20. Which of the following policies, if any, do you use to find out how your employees feel about their jobs, supervisors, wages and fringe benefits, and so on? (Please check each practice you use.)

- ( ) Personnel director or other management person "available" for employees to talk to  
 ( ) Suggestion or complaint system  
 ( ) Employee meetings  
 ( ) Regular scheduled talks of employee with his supervisor  
 ( ) Employee talks with his supervisor whenever employee wants to  
 ( ) Attitude surveys  
 ( ) Other practice (Please state: \_\_\_\_\_)

- ( ) We have no policies on this score

SO THAT WE CAN MAKE THE MOST MEANINGFUL ANALYSIS OF THIS DATA (YOUR ANSWERS, OF COURSE, ARE COMPLETELY ANONYMOUS) WE WOULD APPRECIATE THE FOLLOWING INFORMATION:

A. ABOUT YOUR BUSINESS

- (1) What is your present seating capacity? (Please fill in the numbers.)

\_\_\_\_\_ seats, at \_\_\_\_\_ addresses

- (2) Please check each of the following types of restaurant business that your organization operates.

- ( ) Cafeteria  
 ( ) Independent table service restaurant  
 ( ) Multi-unit table service restaurants  
 ( ) Specialty menu  
 ( ) Drive-in or fast food service  
 ( ) Industrial or executive feeding  
 ( ) Other type (Please specify: \_\_\_\_\_)

- (3) How many years has your organization been in business? (Please check one answer.)

- ( ) Five years or less  
 ( ) Six to ten years  
 ( ) Eleven to twenty years  
 ( ) Over twenty years (Please specify the number: \_\_\_\_\_)  
 ( ) Other answer (Please specify: \_\_\_\_\_)

B. ABOUT YOURSELF AND YOUR BACKGROUND:

- (1) This questionnaire was filled in:

- ( ) By a man  
 ( ) By a woman

- (2) Whose present job is primarily:

- ( ) Proprietor  
 ( ) Manager  
 ( ) Personnel Director  
 ( ) Other executive or management job (Please specify: \_\_\_\_\_)  
 ( ) Other (Please specify: \_\_\_\_\_)

- (3) How many years of experience have you had at each of the following levels in the restaurant field? (Please write the number in each space provided -- 0, 1, 2, 3, etc.)

\_\_\_\_\_ Number of years at worker level

\_\_\_\_\_ Number of years at supervisory levels

\_\_\_\_\_ Number of years at executive or management levels

\_\_\_\_\_ Number of years as proprietor

(4) Have you had business experience in fields other than the restaurant field?

( ) No

( ) Yes (If yes, please list the total number of years and the kinds of work you were in:)

\_\_\_\_\_ (Number of years in other fields)

(Other kinds of work: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_)

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