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Should Tipping in American Restaurants be Eliminated?

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Abstract

Tipping in American restaurants has become a social norm deep-rooted into society since the 19th century. Optional gratuity is a multi-faceted standard which is not always met due to a variety of factors. To understand how tipping functions in the United States, a comprehensive study of the origination of this practice, the components which contribute to a tip, and alternatives to the current system need to be explored. The findings discussed in this review provide insight into tipping and provide a stepping stone towards more research on alternatives.

Keywords: Tipping, Gratuity, Restaurant, America, Tipping Alternatives

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Introduction

The purpose of this review is to analyze tipping culture in America as well as other countries around the world. The theory is that comparing different systems and their success may determine whether tipping should remain implemented in American restaurants. Determining whether tipping is seen as an incentive for servers to provide better service or a variable which contributes to their standard rate of pay is explored and analyzed. In addition, alternatives to optional gratuity are discussed in the following research.

Literature Review

History of Tipping in America

When looking back on the history of tipping, one may find that there is not much reliable information available. “The origin of tipping for “service” has been traced back to early English public houses where patrons attached coins to notes that read ‘to insure Promptitude,’” (McAdams & Von Massow, p. 432, 2017), however, tipping in American restaurants can be traced back to the 19th century after the Civil War (Haley, p.172, 2011). As author Andrew Haley states, “Patrons expected quality service, and restaurants and hotels ensured that their waiters were attentive through intense training and constant supervision,” so tips were deemed unnecessary and a “rare reward” (p. 172). After the war was over and wealthy American began to travel once again to Europe the custom of tipping was brought back to the United States. Eventually excessive tipping became synonymous with excellent service. On the contrary, middle-class citizens were not pleased with the emergence of tipping (p. 175). Gratuities became a mandatory offering in order to receive decent servers and some waitstaff in the bigger cities would turn their nose up at small tips and possibly

label middle-class diners as “cheapskates,” (p. 176). This stirred up a social injustice among the middle class.

To ensure guests were receiving adequate attention from servers, the United States government attempted to pass laws in 1910 banning waitstaff from accepting tips, but failed. Several states went on to approve anti-tipping laws between 1910 and 1915, but they were mostly ignored (p. 180). Since eliminating tips was unattainable for the middle class, they began to put stock in technology and hoped that “waiter-less restaurants” would become the new norm (p.184). Though the middle class was not able to enjoy the upscale dining experience, waiter-less restaurants were a trade-off they were willing to make in order to promote equality, but this style of dining would not become the success they hope it would be (p. 191). Even though North America still holds up the custom of added gratuity, most European countries have replaced tipping with flat service charges (McAdams & Von Massow, p. 433, 2017). The norm persists in America simply because most people prefer to choose how much money they wish to give after a meal (Clifton, et al., 2017).

Social Norms.

In the United States, it is considered a social norm for guests to tip food service employees, such as servers and bartenders, for services rendered. Since providing gratuities is optional, the system is not entirely efficient (McAdams & Von Massow, 2017). Factors beyond a server’s control can alter tipping behaviors and result in an unsustainable wage. As Gerald Fernandez states, “Waitstaff derive most of their income from gratuities. If service staff do not earn a high enough income at one restaurant, they will pursue employment with another,” which would result in the restaurant pumping more money into hiring and training new staff (2004). This is neither profitable for the restaurant or the employee.

The problem with adhering to social norms, as opposed to law, is other cultures have different policies and may not be well versed in the American tipping system. Though tipping is a widely recognized practice around the world, how much to tip varies from nation to nation (Lynn, 2003). A collection of average tips from other countries can be found in Lynn's work and ranged from as low as 3 percent of the check in Yugoslavia to 15.85 percent in Mexico (2003). In the United States, tips can range anywhere from 10-20 percent, but most average at 15 percent (McAdams & Von Massow, 2017). However, tips are not always entirely kept by the server and may contribute to a pool in which other staff members claim a percentage. The Fair Labor Standards Act requires that employers pay staff the federal minimum wage, but they may use a "tip credit" and pay as little as \$2.13 an hour as long as minimum wage is met after claiming tips, the employees retain all gratuities, and/or contributes to a tip pool (Thompson, 2017). This system makes it difficult for employees to determine a steady income.

Gratuity Factors.

A debate within established research is what factors actually contribute towards gratuity. Studies have been conducted on whether race, gender, food quality, gender, hair color, service quality, etc. affects the amount a server receives. Though all of the research suggests that tipping is a multifaceted norm, it is not consistent. Presented below is the contributions some of these factors have on gratuity.

Service & Food Quality. Service quality has been a significant factor in how much tip is given to waitstaff, however, performance is difficult to assess because of the different expectations of customers (Banks, et al. 2018) . In some cases, the results have varied wildly making it difficult to determine how much service quality contributes to an acceptable tip. Employees in restaurants have a certain amount of freedom in the way they deliver service to

their guests and are able to directly influence their tip (Brewster & Mallinson, 2009). It is difficult to manage service quality when tips are reliant of the guest. A study which asked servers the impact tips have on their service suggested that a bad tip, or lack thereof, at the beginning of a shift could set the tone for the rest of the day (McAdams & Von Massow, 2017). In addition, factors outside of the server's control can affect the amount of gratuity a guest will leave; "research has shown that ratings of patronage frequency, dining party size, and food quality influence the amount tipped," (Banks et al., 2018). These findings suggest that the server is not always able to salvage a tip from every guest they serve therefore their extra effort may go unnoticed or under-compensated.

Race. In the article, "Racial differences in restaurant tipping: A labour process perspective," the authors analyze a series of, "influential published papers, [in which] Michael Lynn and his colleagues empirically show that African-Americans tip less than their white counterparts because they are unfamiliar with the norms that govern tipping in the USA," (Brewster & Mallinson, 2009). Now this poses the question: if tipping is based on service quality, are servers intentionally giving sub-par service due to race? Lynn and his team must have had the same question because one of their studies used over 1800 real life tipping situations in 28 restaurants controlling for service quality, size of dining party, gender, frequency of restaurant visitation, and cost of food, and still found that tipping norms were drastically different, (Brewster & Mallinson, 2009) but African Americans only represent a fraction of the America's population.

Over a thousand servers were asked to take an internet survey about how demographics have an effect on their income. The majority of these servers identified Asians and Hispanics as poor tippers (Lynn, 2013). Correcting this problem does not have a simple answer. Studies can attempt to track tips from these demographics and compare it to servers' performances, but the waitstaff has so much leeway in customer service it could be difficult to determine

whether the customers or the servers are the issue (Lynn, 2013). The research on these demographics is scarce, but one study revealed that Asians and Hispanics adhere less to the social norms of tipping in the U.S., but they are more easily influenced by service quality (Lynn, 2013).

Rivalry. Servers not only have to compete for their tips, but every aspect of their job can be seen as a rivalry. Based on the aforementioned research, servers often hold preconceptions about guests who will tip well. Animosity can grow between servers if an employee is seated with multiple parties of the same size, ethnicity, and/or gender one right after another (McAdams & Von Massow. 2017). Tension can also arise if managers use tip information as a method of scheduling servers. For instance, if a server is consistently receiving poor tips, they may be moved to a less desirable shift or section, thus lowering their inclination to perform well even more (McAdams & Von Massow. 2017). However, tips cannot always be an accurate measurement of performance as demonstrated in the other factors associated with gratuity.

Alternatives to the Current System

There appears to be only three alternatives to gratuities that have research to support them. One, which was mentioned previously, is the pooling of tips. This has been deemed by some research as the “least just” of the tipping cultures due to the ability of some employees to perform poorly and still receive the same amount of pay as everyone else (McAdams & Von Massow. 2017).

The second and third alternatives are imposing service charges based on percentage or build the tip into the menu price. Results have shown that a raise in menu prices correlates to uninterested patrons because they may not be aware that tip is included in the price of their food (Fernandez, 2004). When an automatic gratuity percentage was to be added to the bill,

the perceived value from the customer went up. On the other hand, any service charge exceeding 15 percent was not well-received by the participants in the study (Fernandez 2004). Fernandez suggests that if a larger tip for staff is desired, part of the tip can be built into the menu price (2004). The downfalls to both alternatives are similar: servers may be less inclined to provide quality service when they know they are guaranteed tips.

Methodology

Given the information that over 2 million servers in the United States rely on their tips to earn a living wage, the alternatives should be explored in order to decide if there is a better system (Whaley, et al. 2019). Most research on this topic focuses on why people are compelled to tip which has many variables. Understanding why people tip is only the first step into discovering other ways to pay this particular workforce and if another system would be beneficial. Some of the data found in this study has suggested that servers prefer to be tipped rather than receive a raise in hourly pay or switch to a service charge model (McAdams & Von Massow, 2017). Regardless of how servers feel about the issue, other factors suggest that moving away from tipping may be the best option, but more studies need to be implemented to make a more decisive course of action.

Findings

Though George Banks and his colleagues support the notion that tipping, as it is now, is not an effective system and restaurants should consider moving towards other models (2018), there is not much to support this decision in terms of research. Since the 19th century tipping has been ingrained into society. When it first emerged, the workforce spoke up and tried to eliminate the culture and failed. This alone stands to support keeping the current system. “Restaurants that choose not to allow voluntary tipping of their staff have two alternatives—to add service charges automatically to the bills or to implement service-included menu

pricing,” and there is not much research supporting establishments in this situation. Too many factors contribute to tips and the server only has a certain amount of control. What may be the most surprising is that the majority of waitstaff would prefer to keep the current system rather than move over to a service charge model. It is possible that changing the service model may exacerbate some of the issues tipping currently causes instead of mending them.

Limitations

There is not an abundance of scholarly articles which specifically call for the elimination of tipping. Most research focuses on the motivation behind tips and the differences between cultures. Throughout this analysis, identifying alternatives to the current structure was nearly impossible due to the lack of studies on the subject. In addition, most of the research which pertained to this topic was organized by the same author: Michael Lynn. The author of this research also holds personal bias which could have had an influence on the research discussed within the literature review.

Implications

Further research is needed on alternatives to the current tipping culture before The United States can move away from the current model. Changing over to a new service model would not be easy considering the long history tipping has had in this country (Lynn, 2013). More focused studies should analyze the alternatives to tipping before a decision could be made to eliminate the current system. Even though this reviews touched on some of the factors which contribute to gratuity, there are many more which were not discussed. The information presented is meant to be a stepping-stone for future research on tipping substitutes.

Conclusion

Changing a norm so established in American society will not be easily removed (Haley, 2011). Not only would Americans and travelers need to learn the new norms, but social judgement would need to be set aside from the servers and patrons of restaurants for the system to be perfected. Unfortunately, this is something that is unachievable. An alternative model may improve upon what is currently in place, but until more encompassing studies are made, there is no way to make an informed decision. The current tipping system appears to be something that will endure for a while longer before something potentially better comes along.

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