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An Update on the Current Status of Restaurant Tipping in the US

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application:

AN UPDATE ON THE CURRENT STATUS OF RESTAURANT TIPPING IN THE US

The tipped wage continues to be a point of contention among the various stakeholders in this form of compensation. A variety of views exist among consumers, tipped wage earners and operators. Social activists, the federal and local governments and industry associations have all made their positions known. Recent environmental circumstances have exacerbated this situation. This poster provides an update on the status of tipping in U.S. restaurants and illustrates the combined effect of these forces.

DESCRIPTION OF SCHOLARLY INQUIRY

An original five forces were replaced with seven. For the purpose of the word count, they are:

Special Interest Groups	Continue to highlight systemic issues such as gender, racial and economic class inequities while the NRA aggressively advocates to keep status quo.
Industry Change Agents	Tip elimination early-adopters, including pioneer, Danny Meyer, have abandoned the new no-tipping model, succumbing to worker and customer preferences.
Workers	Previous research indicated that tipped employees were risk-takers and financially motivated, preferring the tipped wage. Recent surveys indicate that these same workers now show less preference for a tipped wage. This may be attributed to generational preferences (income stability) or the pandemic (health concerns).
Owners	Prefer the tipping status quo. Many are concerned about the rising costs of operation, while still struggling from lost sales during the pandemic. Others display ambiguity with new regulations regarding pooling and dual positions.
Customers	A large majority continue to prefer the transactional power of direct tipping. They are also eating out far less.
Government	Two major changes made in 2021 that impact tipping: <ul style="list-style-type: none">• The permission of tipping pools for tipped/non-tipped employees.• The reinstatement of the 80/20 Rule mandating that 80% of a tipped worker's duties must be tip-related.



Source: BBC.org

SIGNIFICANCE OF OUTCOME

This information can be used by practitioners as a tool to assess the current and future status of tipping in an effort to provide enhanced planning and operational projections. It can also be used by educators to help describe the current status of tipping in the US.

Cost Implication

Food service operations have traditionally yielded low profit margins. Sales have declined because of the global pandemic. Efficiencies are already maximized and expenses continue to rise. The existing tipping model helps to reduce costs for already tightly squeezed operators and can inform future profit planning.

Food & Beverage Labor

Labor shortages have existed in service industries for some time and have been exacerbated by the pandemic. Understanding the positions held by stakeholders can help operators establish forms of payment and wage levels that ensure they attract a sufficient number of qualified workers.

Technology

Technologies in the service industry have developed quicker and with greater capabilities than originally seemed possible. Establishing payment methods and levels can help operators make decisions about adding expensive new technologies in place of human capital.

OUTCOME

Continuation of the Existing Tipping Model

Tip elimination presents a significant change to a long-standing and familiar business model. The existing tip model is likely to continue for the foreseeable future. Despite prior momentum, forces that were originally identified as being crucial to the development of tip elimination have recently lost momentum.

75% have expressed a desire to leave their jobs because of **low wages and tips**.
53% are considering leaving because of **health concerns/pandemic**.
39% are considering leaving because of **harassment from customers**.
78% would stay in the business if they received a **stable living wage**.
87% said that **tips have decreased** during the pandemic (One Fair Wage, 2021).