

TIPS OR SALARIES: THE EMPLOYEE PERSPECTIVE

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Ian Horne

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Tips or Salaries: The Employee Perspective

Ian Horne

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Abstract

In this original, exploratory research, an employee perspective was taken in an effort to quantify the propensity of employees in the restaurant industry to desire a salaried pay scale as opposed to the current model of often lower wages and tips. A survey was conducted among front-of-the-house restaurant employees regarding their attitudes toward the predominant tipping model. An online data collection yielded 259 responses. The responses from this survey were then used in an ordered logistic model to determine, based on various characteristics, the propensity of the employees to choose a salaried model over the current alternative utilizing a small hourly wage plus tips. The results demonstrated that, on average, respondents who had been in the industry longer and were more financially responsible were more likely to want a salaried model of compensation.

KEYWORDS: (Tipping, Hospitality Industry, Survey Research)

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Introduction

Tipping practices vary from country to country world-wide. In East Asia, tipping is generally frowned upon and is essentially nonexistent. In the United States and Canada, tipping is ubiquitous, however, and one can expect to add 15-20% to every restaurant and bar check. As a result, the overwhelming number of U.S. front-of-the-house restaurant employees, such as waiters, bussers, and bartenders, are paid on a wages plus tips basis. Thus, waitstaff income is derived directly from two distinct sources: their employer and their employer's customers.

Because of the additional income received from gratuities, tipped workers are allowed to work for a much lower minimum wage standard than non-tipped workers. For example, in Rhode Island, although the state-mandated minimum wage is \$9.60 per hour, the minimum for tipped employees is \$3.39 per hour. As of January 1, 2016, the tipped wage in Colorado is \$5.29, while the regular minimum wage is \$8.31. These are, however, just two examples in a very complex and broad spectrum of state tipping laws. Such laws vary widely in their fairness to the employee. They range from Georgia, which does not specify any minimum wage for tipped employees, to Alaska, which requires tipped employees to be paid the full state minimum wage. In the vast majority of jurisdictions, however, minimum wages are lower for tipped employees, and tipped employees tend to be paid at the lower minimum wage.

Although the customer may view tips as discretionary, for a waitperson, tips are clearly not a mere discretionary supplement to their compensation. Rather, they are an essential part of their income. Even the Internal Revenue Service assumes that tipped employees will make up the difference between minimum tipped wage and minimum wage. Tax regulations mandate the payment of FICA (social security), Medicare insurance and federal tax withholding be based on the employee's wages plus 8% of check totals (IRS). While restaurant employees have the reputation of not fully reporting tip income (Azar 2007), a particular employee who makes tips which average less than 8% of check totals reported by the employer actually ends up paying taxes on income that does not exist.

There are several prominent voices in the restaurant industry that say that the current wage plus tips method of compensation is a system that is highly inefficient for the employees in the industry. Arguably the most prominent is that of Danny Meyer, the C.E.O. of Union Square Hospitality Group, a major New York City restaurant group. This group owns a variety of noteworthy establishments, from the fast casual juggernaut Shake Shack to the Michelin starred Gramercy Tavern. As a result of his beliefs that tipping is a problem in the restaurant industry, Meyer introduced a plan in late 2015 to increase prices, increase employee salaries and do away with tipping in all 13 restaurants in the hospitality group (Wells, 2015, Oct 16). Meyer's action comes in quick succession and in an intriguing lock step with the passage in 2015 by the cities of Seattle and San Francisco of legislation to raise municipally-mandated minimum wages to \$15/hour for all employees by the year 2018.

It is not just from within the restaurant industry, however, that there are calls for change in the system at hand. Noted labor scholar and director of the Food Labor Institute at the University of California-Berkeley, Saru Jayaraman, has made calls to end the practice of tipping in this country. He argues that it is, among many things, a large contributor to the gender pay gap and that it has been kept alive in the United States through the decades largely through racism (Jayaraman 2015, Oct 15). According to the food service employees' advocacy organization, Restaurant Opportunity Centers United, women make up about two-thirds of the food service workforce (RocUnited). Additionally, Brewster and Lynn find that black waitstaff earn significantly less in tips than white waitstaff (Brewster and Lynn 2014)

The question this thesis attempts to answer is how restaurant servers view the current and proposed alternative pay schemes. More specifically, this thesis attempts to determine what characteristics explain why some front-of-the-house restaurant employees favor the existing method of compensation, while others state they prefer the proposed "new" system (i.e., new in North America) which substitutes a consistent, higher salary for the wage plus tips model. Under the latter system, restaurant patrons would be affected, either through a service charge added to their final bill or through a service fee bundled into menu prices (see Wang and Lynn 2014 discussed below). The conditions for implementation of this non-tip model and the subsequent reactions of consumers are interesting issues but beyond the scope of the current research, however.

Literature Review

Tipping is a strange social construct. The idea of voluntarily paying a theoretically arbitrary amount for a service that has already been rendered is a rather odd concept, especially to *homo economicus*, who would likely question the existence of an obligation to pay what was not a previously agreed price. One commonly accepted theory is that there is an implied contract that requires the diner to add x% to the total check if satisfactory service is provided. This implied contract theory is prevalent enough for the Internal Revenue Service to conclude that tips will occur at a rate of at least 8% and mandate the collection of taxes based on that assumption.

Alternatively, it might be suggested that tips are, in essence, paying it forward. The idea behind this theory is that the good service will continue during future visits. Azar and Tobol (2008) demonstrated that tipping is in fact a strategic investment in service quality with research showing that regular customers tip, on average, 1.05% more than the average customer. (Azar and Tobol 2008)

Tipping got its start, however, as simple bribery. Bodvarsson and Gibson (1997) discuss game theory behind restaurant tipping, formulating their “game” based on the historical development of the tipping practice. They write, “In English pubs many years ago, patrons began bribing servants with small tips at each encounter to receive better service. Those who did not compete received poorer service than if no one tipped at all.... The incentive is to tip. If someone else begins to tip, the incentive for others is to adopt the practice. We expect such situations have occurred many times and in many

places.” Their game, which is not dissimilar to the prisoner’s dilemma, portrays a situation where the more people tip, the more incentive there is for an individual to not tip under the assumption that everyone is getting good service so the individual won’t have to pay. That premise does not hold if many do not tip; instead, the incentive is to tip as you will receive better service.

Conlin, Lynn and O’Donahue (2003) refer to an “efficient tipping contract” as one that increases the level of service. However, while they discuss this contract, their empirical research ultimately does not support this efficient tipping contract. They suggest that tipping behavior does not result from an explicit contract, but instead depends upon the level of compliance with the social norm of tipping. This is consistent with the game theory work cited above (Bodvarsson and Gibson 1997).

There are other potential social explanations for tipping besides the need or desire to conform to social norms. These include guilt about not treating the server fairly and, relatedly, empathy for the food service worker in question. Alternatively, tipping behavior might be related to a desire to demonstrate wealth and power (Lynn and Lynn 2004). In addition, there are a variety of altruistic reasons people tip, including a simple desire to show gratitude. For example, Greenberg (2014) showed that tipping increased during the winter holiday season when people are constantly reminded to be generous through the mantra that “it is better to give than to receive”.

In her paper, “Restaurant Employees’ Perception of Tipping Systems Across Country Differences,” Ingrid Y. Lin uses the cultural tipping differences in two different countries (the United States and Taiwan) to compare employee preference for five

different tipping and tip sharing scenarios ranging from full tip sharing to a guaranteed 15% gratuity charge. Her results suggest that a scenario where servers keep all of their tips to themselves would be perceived as most fair (Lin 2014), while systems in which tips are distributed amongst all staff were viewed much less favorably. In a counter argument, Namasivayam and Upneja (2007) conduct a very similar study amongst 206 people in which they found that servers would perceive a system in which the waitstaff receive a percentage of a service charge with the guarantee of a minimum salary if sales were not strong (Namasivayam and Upneja 2007) to be more favorable. This system is similar to the proposal put forth by Danny Meyer which was referenced above. Service charges create another complication for both restaurants and diners, however, as they are very used to the percentage tip system. Wang and Lynn (2014) found that “a shift from percentage service gratuity toward dollar service gratuity reduces the surcharge evaluability. Consequently, consumers will perceive a larger difference in 12 deal value between 12 and 18 percent gratuities than will consumers given the same gratuity levels expressed in dollar terms.” They also found that consumers’ evaluations of automatic tip amounts/service charges change depending on the incremental percentage level. At 15%, they saw a preference reversal from preference for automatic addition of the tip at levels lower than 15% to preference for service included prices at levels above 15%. This uncertainty suggests another potential sticking point in the potential for restaurants to change systems.

Servers’ desire to choose wages and tips versus a salary model essentially boils down to risk taking behavior. A salary provides a very stable daily/weekly income upon which one can rely, week after week. With wages and tips, on the other hand, servers

have the potential to experience wild swings in income. If a large party of businessmen is seated in a server's section and has a large meal resulting in a sizeable tip, one table can change his or her whole week. Alternatively, circumstances such as bad weather and other events outside of the control of the restaurant could drastically impact the number of diners, resulting in waitstaff working many hours for very little pay. It could be argued that employees are often sent home when business is slow, so they gain time by not working. If an employee is dependent on weekly income to pay living expenses, however, a bad week at the restaurant is the same as temporary underemployment. While the employer faces risk from slow business, these risks are partially offset because employers are only responsible for what is often a relatively small proportion of waitstaff income even if servers are required to be present just in case customers come in. The waitstaff, therefore, bears significant risk related to the success of the business but, unlike the owners, is not likely to share in the success of the business other than through continued employment.

However, this preference for the wages and tips model could also involve a relationship between skills and risk seeking behavior. Pirinsky (2013) finds that confidence is directly related to income and that the more increased confidence results in riskier economic behavior. With regards to the wages and tips situation, this tendency could lead to an increase in a servers' desire to have a wages and tips model if he/she is more confident in his/her skills as a waiter/waitress. Those who have less confidence in their own skills (and, perhaps, less confidence in the success of their employer) would prefer the greater certainty of a salary model.

One factor that would inhibit the desire for a salary model is the ability of waitstaff to acquire additional benefits by under reporting their real incomes to the tax authorities (Azar 2007). Assuming an average of \$91 in tip income per shift over five days a week for 49 weeks of work per year yields \$22,295 in tip income. If we assume this income averages 15% of total checks and that the average server claims only 8% of total checks for tax purposes, this practice results in approximately \$10,400 in income that is unreported. Even if the server's ultimate tax rate is low, the savings from the 6.2% share of FICA alone would be \$645. The rate of tax compliance of waitstaff is not known and many probably comply or nearly comply with the law. However, the impossibility of monitoring tips paid in cash does provide a lack of an incentive not to cheat.

Methods

Survey

The data for this research was collected through an online survey using Amazon's Mechanical Turk platform ("M-Turk"). M-Turk creates a market through which workers and those with tasks that can be accomplished remotely, such as data collection, can interact. While M-Turk respondents are not a true random sample, they provide a good source for those who need convenience samples for exploratory work (Paolacci, Chandler and Iperiotis 2010). In addition, participants were screened for recent (within the last year) front-of-house, tipped, restaurant experience. This screen is likely to help produce a sample that is not significantly different from a nationally representative sample of tipped restaurant employees.

The survey (a copy of which appears in the Appendix) was constructed using both attitudinal as well as behavioral questions in an effort to quantify behaviors and behavioral intentions, as well as the attitudes behind those behaviors (Lynn, Unpublished). Due to the exploratory nature of this research both types of questions were employed, but an attitudinal question was chosen as the dependent outcome because there are very few servers working under a salary model who would be able to answer behavioral questions about it. The survey also included several controls for factors that affect tip size from American patrons (Conlin, Lynn and O'Donoghue 2003). These included the category of restaurant (casual versus fine dining) and the average check size for a table of two (including food, drinks, and taxes).

Sample Characteristics

530 people responded to the request for participation. Roughly half of the respondents were eliminated because they had not worked as a tipped restaurant employee in the previous year. The final sample contains 270 largely completed responses from front-of-house restaurant employees; because between 1% and 5% of the individual question items were missing, these were removed by item for analysis. The sample skewed very slightly female which is consistent the arguments presented by Jayaraman presented above. About three-quarters of the sample reported that they were waiters or waitresses while slightly more than 20% indicated they were bartenders. As shown in Table 1, the majority of respondents were between the ages of 25-34, with the 47.9% of the total, but representation of slightly older workers was also evident.

Please select the appropriate age category

	Frequency	Percent
Under 18	1	.4
18 - 24	59	23.0
25 - 34	123	47.9
35 - 44	45	17.5
45 - 54	19	7.4
55 - 64	9	3.5
65 +	1	.4
Total	257	100.0

Table 1

The majority of respondents had completed some college and the respondents trended toward being even more educated than that, as shown in Table 2 below.

What is your highest level of formal education?

	Frequency	Percent
Some high school	5	1.9
Completed high school	38	14.8
Some college	86	33.5
Associate degree or certificate program	36	14.0
Bachelor degree	76	29.6
Graduate degree	16	6.2
Total	257	100.0

Table 2

The sample respondents had varied levels of experience in the food service industry. More than 20% had five or more years' experience, versus over 40% who had been in the industry less than two years. See Table 3 below.

For how many years have you worked in food service?

	Frequency	Valid Percent
0-2	111	43.2
2-5	92	35.8
5+	54	21.0
Total	257	100.0

Table 3

As might be expected, a positive correlation exists between the level of food service experience and the average amount received in tips ($r=.18$, $p=.04$). Also as expected, tips varied according to the restaurant type. This is seen in Table 4 below.

Restaurant Type and Tips

	Frequency	Valid Percent	Avg. Tips/Shift
Fast Food	18	6.8	\$73
Fast Casual	47	17.9	\$102
Casual Dining	176	66.9	\$84
Fine Dining	22	8.4	\$138
Total	263	100.0	\$91

Table 4

The average total tips-per-shift was \$90.84, but the standard deviation of 72.31 indicates a high level of variance. This would indicate an average of nearly \$500/week in tips alone, if, a five day work week can be assumed. As seen in Table 5, most respondents were wholly responsible for themselves financially, followed by partial financial responsibility, with full financial responsibility for others rounding up the rear.

Please select your level of financial responsibility

	Frequency	Percent
Completely financially responsible for myself	122	47.5
Partially financially responsible for myself	74	28.8
Responsible for self and partially financially responsible for others (for example, spouse, parents, children)	45	17.5
Responsible for self and completely financially responsible for others	16	6.2
Total	257	100.0

Table 5

Results

Given the nature of this data, it was essential to use an ordinal logistic model. An ordinal model captures the effects of a variable that is discrete but in an ordered manner. In this sample, the explained variable, which will be called salary agreement, is given in a 5 point Likert scale from strongly agree to strongly disagree. Salary agreement had a mean of 2.55 with a standard deviation of 1.27. The variable describing the number of years someone has worked in the industry was ordinal as well with categories of recent (0-2 years), moderate (2-5 years), and veteran (5+ years). Tips per shift is a continuous variable that had a minimum of 0 and a maximum of 358 with the mean being 90.84 and the standard deviation being 72.31.

That the values are ordinal disqualifies salary agreement from a traditional linear regression, as they are ordered like a continuous variable but are still discrete. This makes it very difficult for a non-ordered model to capture the actual effects of each independent variable but just captures the direction of their significance and the direction of that significance. While this is helpful, a simple ANOVA correlation matrix is a more effective and accurate method of doing just that. Essentially, an Ordinary Least Squares Regression makes the assumption that the gaps between each category, Strongly Agree, Agree, etc., are the same. The ordered Logit, however, for a five category variable would run four separate binary equations, constraining the effects of the independent variables across all four equations (Fullerton and Dixon 2010). By holding the independent

variable constant across all equations, one can calculate the probabilities of each category of the dependent variable being selected based on the responses to the independent variable. These probabilities were calculated as follows

$$P(y = j | x_1, x_2, \dots, x_{15}) = \frac{\exp(\tau_j - \beta_1 x_1 - \beta_2 x_2 - \beta_3 x_3 - \dots - \beta_{15} x_{15})}{1 + \exp(\tau_j - \beta_1 x_1 - \beta_2 x_2 - \beta_3 x_3 - \dots - \beta_{15} x_{15})} - \frac{\exp(\tau_j - \beta_1 x_1 - \beta_2 x_2 - \beta_3 x_3 - \dots - \beta_{15} x_{15})}{1 + \exp(\tau_j - \beta_1 x_1 - \beta_2 x_2 - \beta_3 x_3 - \dots - \beta_{15} x_{15})}$$

Equation 1

Where y represents the categorical variable of salary preference in categories of 1-5 and x1, x2 etc. represent each explanatory variable (Selivanova and Cramm 2014). Finally, the variable τ represents the error term.

While the ordered logit model solves the problem of continuity, the logistical nature of the model prevents the betas from being interpreted without some adjustment. This adjustment was achieved through looking at the marginal effects of the ordered logit. The formulae for these effects for categorical and continuous variables respectively are as follows (Selivanova and Cramm 2014).

$$P(y = j | x_1, \dots, x_{14} = 1, x_{15}) - P(y = j | x_1, \dots, x_{14} = 0, x_{15})$$

$$\frac{\partial P(y = 5 | x_1, x_2, \dots, x_{15})}{\partial x_1}$$

Equation 2

The goal behind this model was to try to understand respondents' desires to have a salary model. Right out of the gate, it was impressive just how many respondents wanted such a system, with a cumulative percentage of 55.4% of people stating that they either agree or strongly agree that they would prefer to work in a salary based system (the distribution of responses is shown in Figure 1 below).

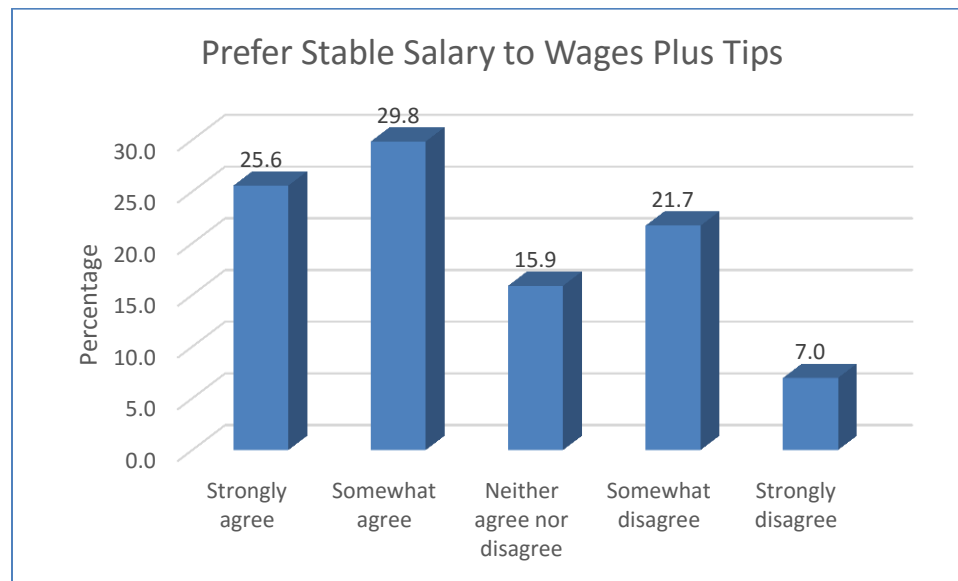


Figure 1

With this in mind, the model was created in an effort to establish who those people were who were so interested in this system. To do this, the model included many variables intended to control for the various demographics of people that could be in the restaurant industry. Variables such as age and gender were the two main demographic variables designed to pick up generational differences as well as gender differences. The second group of variables included in the model was those that attempted to capture respondents' situation in life. Because of Pirinsky's (2013) conclusions about income and

risk taking, it became important to try to quantify people’s station in life because their responses to the question of salary vs. wages and tips would be dependent on their degree of financial responsibility (whether they are responsible for themselves and/or for others), the number of years spent working in the industry, and their level of education. Finally, the third group of variables relates to the restaurant in which the respondents worked. A waiter at the French Laundry in Napa Valley, where a meal starts at \$620 for a couple and only increases from there, most likely has a different take on tipping than a waiter at a local T.G.I. Fridays where a thrifty couple could have dinner for \$18 total. With this in mind, the variables of the average check size for two, the average tips per shift, and an ordered categorical variable for the type of restaurant were included in the model.

One important question involved the level of awareness of the proposed new model of payment for restaurant servers. Table 6 shows that while almost two-thirds of respondents had heard of this type of payment system, only 10% were aware of restaurants that actually used this type of system. In addition, just over a quarter of respondents had no awareness at all of the proposed model.

Awareness of Proposal to Move From Wage + Tips to Salary

	Frequency	Valid Percent
I have never heard of this	68	26.2
I have heard that some restaurants do this but do not know of specific restaurants	165	63.5
I know specific restaurants that do this	27	10.4
Total	260	100.0

Table 6

Since a description of the salary based compensation system versus a wage plus tips system was provided, all survey participants answered a question about their attitudes toward the new scheme.

	Delta-method					[95% Conf. Interval]
	dy/dx	Std. Err.	z	P> z		
tipsershift						
_predict						
1	-.0007843	.0002967	-2.64	0.008	-.0013659	-.0002027
2	-.0002081	.0000897	-2.32	0.020	-.0003838	-.0000323
3	.0001687	.0000744	2.27	0.023	.0000228	.0003146
4	.0005513	.0002022	2.73	0.006	.0001551	.0009475
5	.0002723	.0001158	2.35	0.019	.0000453	.0004994

Table 7

	Delta-method					[95% Conf. Interval]
	dy/dx	Std. Err.	z	P> z		
industryyears						
_predict						
1	-.0495522	.0298988	-1.66	0.097	-.1081527	.0090484
2	-.0131447	.0086513	-1.52	0.129	-.030101	.0038115
3	.0106607	.0065932	1.62	0.106	-.0022618	.0235832
4	.0348295	.0211683	1.65	0.100	-.0066595	.0763186
5	.0172067	.0110744	1.55	0.120	-.0044988	.0389121

Table 8

The marginal effects of the ordered logistical model (see tables 7 and 8 above) revealed that the majority of the explanatory variables were insignificant in people's proclivities to want a salary or to work for tips. It was found that the variables of the average amount of tips per shift and the number of years working in the industry were significant in determining people's likelihood to desire a salary as opposed to preferring a wage plus tips model. The marginal effects coefficient represents the change in the probability of each category of the explained variable for each instant change in the explanatory.

The results of the model showed that the variables with significant effects on respondent's propensity to choose one preference category over another are tips-per-shift and years in the industry for some categories. Of these two variables, tips-per-shift had the largest effect, with the marginal effects showing that each unit change in tips resulted in a -0.078% change in likeliness to strongly agree with a salary model and a -0.021% change in likeliness to agree with the categories of neutral, disagree and strongly disagree being positive and similar in magnitude. This is consistent with the notion that the more someone makes in tips the less likely they are to want to work for a salary where their earnings on a per shift basis would be a set amount; that is, those individuals have, potentially, the most to lose. This is consistent with the literature regarding risk taking, as the greater the reward, the greater the degree of risk that can be tolerated to achieve that reward. In this case, the higher the tips-per-shift, the more likely it is that a respondent would take the riskier approach of wages and tips over the stable but potentially lower salary option. Less intuitive, but having larger effects, was the number of years in the industry. Each unit increase in the number of years in the industry resulted in a -4.96% change in the likelihood of strongly agreeing with a change to a salary model and a -1.31% change in the likelihood of agreeing with the same switch. Similar to the tips-per-shift variable, the categories of neutral, disagree, and strongly disagree were positive and similar in magnitude to the other categories. This suggests that the longer someone is in the industry, the more they have a chance to advance to higher positions (i.e., head waiter) or develop techniques that result in increased tips. In addition, the longer people are in the industry, the more used to a system they are and this may be an impediment to converting to another system.

In addition, there may be less risk involved in sticking with the current system. While respondents preferred the idea of a stable salary by about 2:1, they were less clear about their willingness to leave their current restaurant to move to another offering that type of pay scheme. Figure 2 indicates that approximately 46% agree they would consider switching employers, with a third disagreeing with the idea. Although less pronounced than the direct question about preference for the new system, the fact that almost half of the respondents would consider leaving is a substantial sign of how strongly this concept resonates with waitstaff.

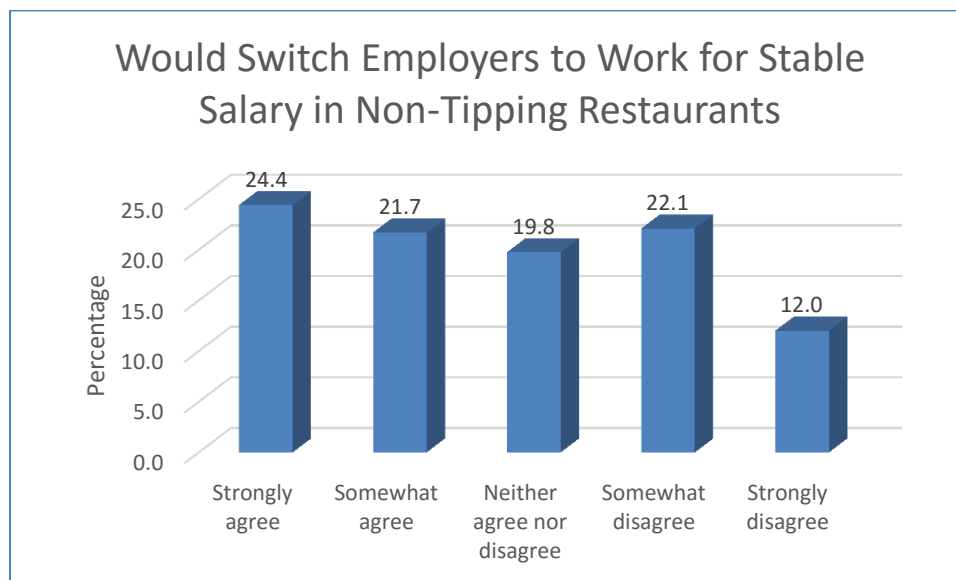


Figure 2

It is interesting to note that even while they indicate preference for a non-tipping model, respondents were aware that service levels might fall in accordance with the “efficient tipping contract” (Conlin, Lynn and O’Donohue 2003). Figure 3 below shows a modal response of slightly agreeing with the statement that service would suffer under a non-tipping scheme.

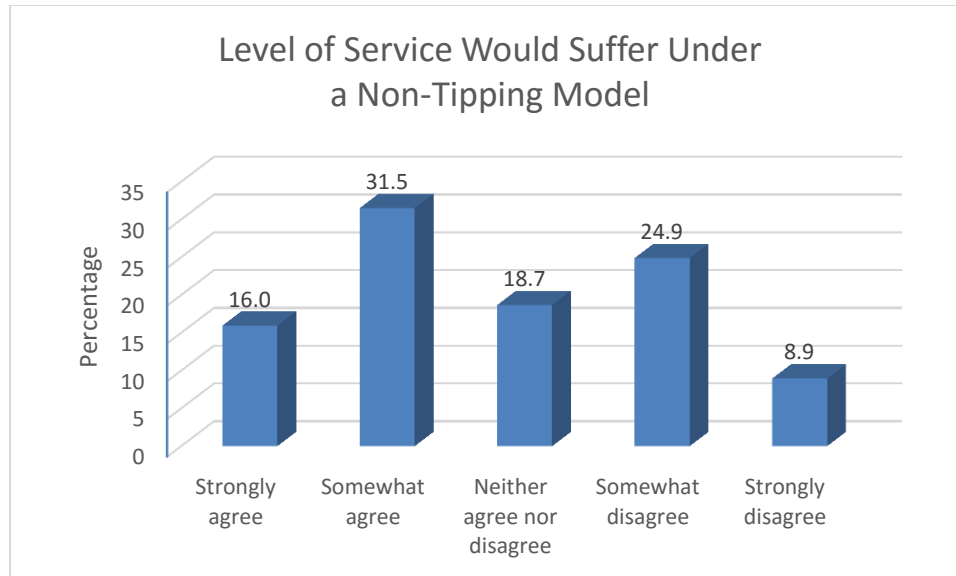


Figure 3

Additional data from the study is available to test support for the efficient tipping contract hypothesis. One survey item asked for level of agreement with the statement “If I don’t think a table will tip well, I don’t pay as much attention.” The distribution of responses is shown in Figure 4. If the efficient tipping contract holds, then strong agreement could be expected. Instead, just over a quarter agree and nearly half (48.3%) disagree. Although seen from the supplier side versus the customer’s side, the result is consistent with the findings of Conlin, Lynn and O’Donahue (2002).

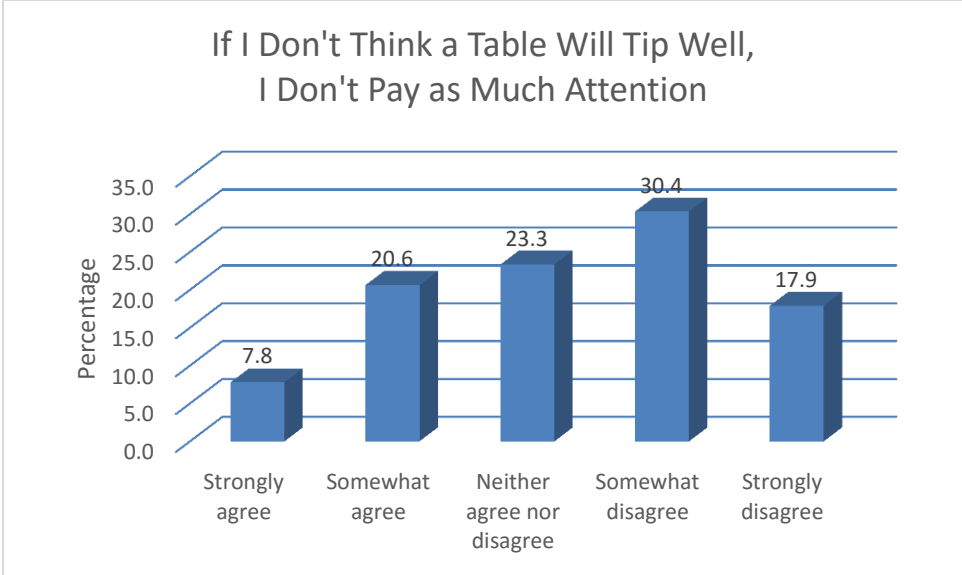


Figure 4

Discussion

Although these results portray a potential profile of the waiter or waitress who would choose a salary model over the more prevalent wage and tips scheme, the profile they reveal is not as complete as was expected. The results show that a more experienced person in the food service industry who makes more money than average on tips is significantly less likely to want a salary model. While this makes sense, it tells us very little about the type of person who would want to work under the salary model, other than that the more experienced, higher tip earning servers are the people who would not choose the salary model. This means that determining who would want this salary model is a much more speculative process. What one can take away from these results, however, is that a tremendous amount of people would want to be employed under a salary system, with only 28.7% of respondents disagreeing or strongly disagreeing with a desire to work for a salary.

That the demographic variables were insignificant in the model shows that there is not one specific type of person interested in a salary model. Rather, it is in fact a system that seems appealing to all. The appeal of the salary system appears to be mostly academic, however. Less than half of all respondents, 46.3%, responded that they actually would switch jobs for a waitstaff job with a salary. This indicates a large gap between attitudes and behavior and, as a result, opens the door for further research on the topic.

One possible explanation for this difference in attitudes and behavior is a combination of a lack of knowledge of the existence of the new compensation model, perceived fairness, or concerns about increased taxes. A very significant portion of respondents, 26.2%, were unaware that there were restaurants in which the waitstaff worked under a salary system. It is difficult to conceive of switching jobs when the alternative is a concept you have never heard of before. Another potential reason for the divide between thought and action is a scenario similar to that found in the study performed by Namasivayam and Upneja (2007) where respondents see the salary system as the most fair in a distributive justice sense and would prefer to have a stable salary but would not actually take the risk to make it happen.

Conclusion

The aim of this study was to establish an understanding of waitstaff employees' perceptions of a relatively new, to the United States, salary model of compensation versus the established wages and tips model. While it was successful in exhibiting a surprising amount of support for the new system, the research is exploratory in nature and thus has some limitations. One limitation of the survey method used is the sample provided by Mechanical Turk. For the purposes of this paper, it was assumed that the respondents of the survey were a truly representative sample of front-of-the-house restaurant employees. Paolacci, Chandler, and Ipeirotis (2013) report that M-Turk can be a reliable source of data, but there is no way to know whether or not the sample actually is a representative sample and, therefore, the responses must be taken with a grain of salt. An additional limitation is the lack of knowledge of the salary system in more than a quarter of respondents. It is difficult to form an accurate opinion about something about which you know next to nothing.

This lack of knowledge does provide an avenue for future research, however. As the issue of tipping becomes more and more prominent, the ability to research this subject will grow. For example, as the "hospitality included" system Danny Meyer has implemented at some of his restaurants is implemented at the remaining 12 restaurants in his high powered restaurant group and at other restaurants around the country, there will be more press, more knowledge and, eventually, more employees who have worked

within both systems who would be able to comment on the similarities and differences, as well as the pros and cons of each system, providing the academic world with a more complete picture into the employees' preference for each. In addition, there are further opportunities for future research into the views of other affected parties, such as restaurant management or the consumer, on the topic.

In summary, there appears to be some evidence that the salary-based system has some appeal from the waitstaffs' point of view. Realistically, however, the preferences of labor are just one consideration and, often, it is one that is not prioritized. In order to implement a new system, there would need to be supporting evidence that there was a net positive (or at the very least a neutral) impact on profitability. Restaurant owners, too, can be risk averse and would need to have the positive impact of a change to a salary based compensation model proven before they would be willing to switch to that model.

The proof required to make such a change will require the systematic study of consumer behavior with respect to changes in the way restaurant and bar offerings are priced. The fact that models exist in different parts of the world where tipping is minimally used, demonstrates that there clearly is no unmovable structural impediment to change. In India, for example, restaurants run and diners are served, while tips are minimal. The market forces of competition drive good service. And even in the United States, private clubs often have service automatically included in the check.

Aside from some early work on consumer preferences (for example, Wang and Lynn (2014)), we can only speculate as to the likely reactions of consumers to potential changes in the way they pay for hospitality experiences. As a cultural phenomenon,

tipping behavior is deeply embedded in our lives. Change is possible, but change of social norms tends to take time and the interested parties, the restaurant owners, the waitstaff and consumers, need to be mostly on the same page to have this change occur.

Tables

```

Ordered logistic regression      Number of obs   =      257
                                LR chi2(8)       =      27.47
                                Prob > chi2         =      0.0006
Log likelihood = -377.01956     Pseudo R2      =      0.0352
  
```

salarypreference	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
tipsershift	.0043529	.0016416	2.65	0.008	.0011355	.0075703
avecheck	.1309363	.134398	0.97	0.330	-.1324789	.3943515
typeofrest	.2006331	.1683852	1.19	0.233	-.1293957	.530662
age	.0014808	.1249566	0.01	0.991	-.2434297	.2463913
gender	.2634759	.2352619	1.12	0.263	-.197629	.7245808
education	-.0943961	.0961535	-0.98	0.326	-.2828535	.0940614
industryyears	.2750131	.1672083	1.64	0.100	-.0527091	.6027353
finresponsibility	.3420204	.1252555	2.73	0.006	.0965241	.5875167
/cut1	1.265716	.7359747			-.1767678	2.7082
/cut2	2.643403	.7485613			1.176249	4.110556
/cut3	3.400913	.7601507			1.911045	4.890781
/cut4	5.168203	.8027426			3.594857	6.74155

		Delta-method					
		dy/dx	Std. Err.	z	P> z	[95% Conf. Interval]	
tipspershift							
_predict							
	1	-.0007843	.0002967	-2.64	0.008	-.0013659	-.0002027
	2	-.0002081	.0000897	-2.32	0.020	-.0003838	-.0000323
	3	.0001687	.0000744	2.27	0.023	.0000228	.0003146
	4	.0005513	.0002022	2.73	0.006	.0001551	.0009475
	5	.0002723	.0001158	2.35	0.019	.0000453	.0004994
avecheck							
_predict							
	1	-.0235923	.0242132	-0.97	0.330	-.0710492	.0238647
	2	-.0062583	.0065698	-0.95	0.341	-.0191349	.0066182
	3	.0050757	.0053008	0.96	0.338	-.0053137	.015465
	4	.0165827	.0170393	0.97	0.330	-.0168137	.049979
	5	.0081923	.008521	0.96	0.336	-.0085087	.0248932
typeofrest							
_predict							
	1	-.0361503	.0301849	-1.20	0.231	-.0953116	.023011
	2	-.0095896	.0084943	-1.13	0.259	-.0262382	.007059
	3	.0077774	.0066289	1.17	0.241	-.0052149	.0207698
	4	.0254096	.0213204	1.19	0.233	-.0163777	.0671968
	5	.012553	.0108824	1.15	0.249	-.0087761	.033882
age							
_predict							
	1	-.0002668	.0225146	-0.01	0.991	-.0443945	.0438609
	2	-.0000708	.0059732	-0.01	0.991	-.0111778	.0116364
	3	.0000574	.004844	0.01	0.991	-.0094367	.0095515
	4	.0001875	.0158254	0.01	0.991	-.0308297	.0312048
	5	.0000926	.0078183	0.01	0.991	-.015231	.0154163
gender							
_predict							
	1	-.0474734	.0422615	-1.12	0.261	-.1303045	.0353577
	2	-.0125933	.0117395	-1.07	0.283	-.0356023	.0104157
	3	.0102135	.0093152	1.10	0.273	-.008044	.0284709
	4	.0333684	.0298091	1.12	0.263	-.0250564	.0917932
	5	.0164848	.0150622	1.09	0.274	-.0130365	.0460062
education							
_predict							
	1	.0170084	.0172409	0.99	0.324	-.0167832	.0508
	2	.0045118	.0047942	0.94	0.347	-.0048846	.0139082
	3	-.0036592	.0037724	-0.97	0.332	-.0110529	.0037345
	4	-.011955	.0121981	-0.98	0.327	-.0358627	.0119528
	5	-.0059061	.0061246	-0.96	0.335	-.01791	.0060979
industryyears							
_predict							
	1	-.0495522	.0298988	-1.66	0.097	-.1081527	.0090484
	2	-.0131447	.0086513	-1.52	0.129	-.030101	.0038115
	3	.0106607	.0065932	1.62	0.106	-.0022618	.0235832
	4	.0348295	.0211683	1.65	0.100	-.0066595	.0763186
	5	.0172067	.0110744	1.55	0.120	-.0044988	.0389121
finresponsibility							
_predict							
	1	-.0616256	.0224959	-2.74	0.006	-.1057168	-.0175345
	2	-.0163475	.0069936	-2.34	0.019	-.0300547	-.0026403
	3	.0132582	.0054312	2.44	0.015	.0026132	.0239032
	4	.0433158	.0157141	2.76	0.006	.0125167	.0741149
	5	.0213991	.0088941	2.41	0.016	.003967	.0388312

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Appendix A

Tipping Survey

In the last year have you worked in front of the house food service (Waiting tables, Bartending)?

- Yes
- No

How would you describe your position?

- Waiter/Waitress
- Bartender
- Other

Do you work for tips?

- Yes
- No

Do you share your tips with others, such as your busser or barback?

- Yes
- No

How would you describe your current or last restaurant at which you worked?

- Fast Food
- Fast Casual
- Casual Dining
- Fine Dining

What is the approximate average check amount for a table of two (both food and drink) at your place of work?

- less than \$20
- \$20-\$40
- \$40-\$60
- \$60-\$80
- \$80-\$100
- More than \$100

Approximately how much are you paid (not including tips) per an hour? _____ Hourly wage

On an average shift how much do you make in tips? _____ Tip Income per Shift

There are a few sit down restaurants in this country where the waitstaff is compensated by a weekly salary as opposed to wages and tips. Which of the following statements comes closest to describing your awareness of this?

- I have never heard of this
- I have heard that some restaurants do this but do not know of specific restaurants
- I know specific restaurants that do this

Please rate your level of agreement with the following questions.

	Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree
I would prefer to work for a stable salary versus wages and tips.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I feel a no tipping system would benefit every employee at your restaurant.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I feel that a no tipping system would benefit a restaurant as a whole.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I would consider changing restaurants to work for a stable salary at a no tipping restaurant.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other servers would react positively to a switch from wages and tips to a salary model.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please rate your level of agreement with the following questions.

	Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree
I feel that customer service would suffer if there was a no tipping system at a restaurant.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Customers would like a system where the price on the menu includes the tip and is the price they would pay (before taxes).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
With a no tipping system, customer satisfaction would decrease.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
If I put in more effort with a table it reflects in a larger tip.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
If I don't think a table will tip well, I do not give them as much attention.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

For how many years have you worked in food service?

- 0-2
- 2-5
- 5+

Approximately what is your age?

- Under 18
- 18 - 24
- 25 - 34
- 35 - 44
- 45 - 54
- 55 - 64
- 65 +

What is your gender?

- Male
- Female

What is your highest level of formal education?

- Some high school
- Completed high school
- Some college
- Associate degree or certificate program
- Bachelor degree
- Graduate degree

What statement comes closest to describing your living situation?

- Completely financially responsible for myself
- Partially financially responsible for myself
- Responsible for self and partially financially responsible for others (for example, spouse, parents, children)
- Responsible for self and completely financially responsible for others

Thank you very much for your time!