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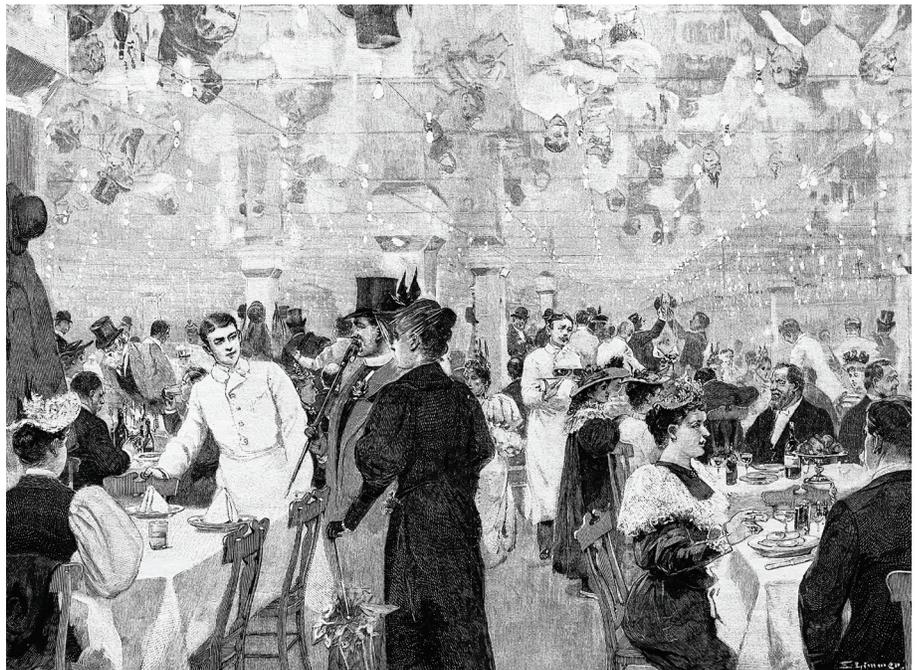
Tipping: From Scourge of Democracy to American Ritual

Over the course of the 20th century, tipping went from rare and reviled to an almost uniquely American custom. We still like to complain about it.

If you feel like you're being asked to tip in more places lately, you aren't alone. According to a Pew Research Center survey released in November 2023, 72 percent of Americans agreed that tipping is now expected in more places than it was five years ago. Social media is filled with stories of customers being asked to tip for all sorts of transactions where that custom previously wasn't the norm: buying office furniture, going through the drive-thru, or even paying for lunch at a self-checkout.

A few factors seem to be driving this trend. A growing number of businesses have adopted more sophisticated point-of-sale payment terminals and software developed by companies such as Square and ShopKeep. Square reports that it processed 4 billion transactions in 2022. In addition to allowing small businesses to easily accept non-cash payments, these point-of-sale devices give owners the option to include a tipping prompt as part of the checkout process.

There is also some evidence that customers increased tipping during the pandemic. Michael Lynn, a professor of consumer behavior and marketing at the Cornell University School of Hotel Administration who has published more than 80 articles on tipping, found that tipping frequency declined at restaurants in 2021 and 2022, but the size of tips went up. In another study of data from Square, Lynn found that the size of tips also went up for quick-service and takeout restaurants in 2020 and 2021. Lynn and others have hypothesized that many Americans felt increased compassion for service workers during



A 19th century illustration of a restaurant in Chicago. Tipping was rare in the United States during the first half of the century but became more common after the Civil War.

the height of the pandemic, prompting them to be more generous. This experience, coupled with the inflation of the post-pandemic recovery period, has given businesses more incentives to ask for tips.

"We're in an environment where there's pretty much full employment," says Lynn. "Businesses are competing for workers, and to do that, they need to pay well. The problem is that it's also an inflationary environment, and businesses don't want to further inflate their prices to increase pay. Tipping is a natural solution to that problem."

Even before this recent episode, the rest of the world has tended to view Americans as somewhat tip obsessed.

One travel guide by Australian airline Qantas advises travelers to the United States that "in America, tipping is optional in name only." In many countries in Europe and Asia, tipping is either not the norm or the size of tips is much smaller. But it wasn't always this way. In America's early years, tipping was rare and faced intense opposition from many who called the practice un-American.

OVERSEAS ORIGIN

Historians aren't entirely sure when tipping began, but it may go as far back as the ancient Roman Empire. In his 1998 book *Tipping: An American Social*

IMAGE: GETTY IMAGES

History of Gratuities, historian Kerry Segrave placed its origin in the Middle Ages. In 16th century England, wealthy travelers who came to stay in a friend's home would give money to the host's servants. These sums of money, known as vails, were intended to compensate the servants for taking on the additional work of caring for the guests on top of their regular duties.

The custom grew quickly. Household servants came to expect and even demand vails, to the growing irritation of travelers. Segrave noted that by the 18th century, even British royalty complained about the rising cost of staying with friends because of the vails. House staff reportedly went so far as to threaten guests who refused to pay. Ungenerous guests might be met with spilled food at the dinner table or an injured horse in the stables. Some nobles reduced their travels to avoid the issue altogether, while others tried to band together to abolish the practice. Such efforts met fierce resistance. A meeting in London in 1764 to discuss the banning of vails was disrupted by servants throwing rocks through the windows of the meeting hall.

Around the same time, tipping also started to emerge in English coffeehouses. Patrons would tip waitstaff to receive better service. This may be where the word "tip" entered the English language, although there is disagreement about its etymology. One popular story is that the word came from a particular London coffeehouse frequented by English writer Samuel Johnson in the mid-1700s. Reportedly, tables in the coffeehouse had bowls with the words "To Insure Promptitude" printed on them, and patrons would drop coins in the bowls to receive better service. Tip is the abbreviation of this phrase. However, Segrave provided evidence that the word was already in use prior to the time of Johnson, calling this origin story into question.

In his book, he suggested that tip may have come from the Dutch word "tippen," which means "to tap." In this context, it referred to the sound of a

patron tapping a coin against a glass to get the server's attention. Segrave also observed that the words for tip in many other languages are related to drinking. "Pourboire" in French, which means "for drink"; "trinkgeld" in German, meaning "drink money"; and "propina" in Spanish, which refers to an invitation to drink. In English, the word "tipple" means "to drink alcohol," so tip may be an abbreviation that emerged from giving gratuities to bartenders.

Whatever the origins of the word, by the late 18th century, it had become increasingly customary in England and other parts of Europe to give tips to servants in domestic and commercial settings. In the early history of the United States, however, tipping remained uncommon and was subject to intense criticism. The practice of giving vails in England was wrapped up in long-standing European class distinctions between the tipper (wealthy aristocrats) and the recipients (servants). Many Americans viewed this practice as antithetical to the country's founding egalitarian principles. A good example of this sentiment can be found in *The Itching Palm*, an anti-tipping book written by author and social activist William R. Scott in 1916.

"In an aristocracy a waiter may accept a tip and be servile without violating the ideals of the system. In the American democracy to be servile is incompatible with citizenship," wrote Scott. "Every tip given in the United States is a blow at our experiment in democracy."

Another reason why tipping may have been slow to take off in America is that, early on, the country lacked many of the commercial establishments where tipping was becoming common in Europe. Stand-alone restaurants were virtually unheard of in America before the Civil War. As Marc Mentzer, professor of human resources and organizational behavior at the University of Saskatchewan, documented in a 2013 article in the *International Journal of Management*, early American hotels were generally small and more akin

to a modern bed and breakfast. They were typically run by a single proprietor with meals included in the price of lodging. Guests would eat together with the proprietor, family style. Mentzer writes that meals at inns and taverns were meant to invoke family meals at home with the proprietor as head of the household, and tipping would be unthinkable in that context. By the 20th century, however, this would all change.

TIPPING GAINS A TOEHOLD

Just as historians don't entirely agree when and where in the world tipping started, there is also disagreement about why Americans started to warm to the practice.

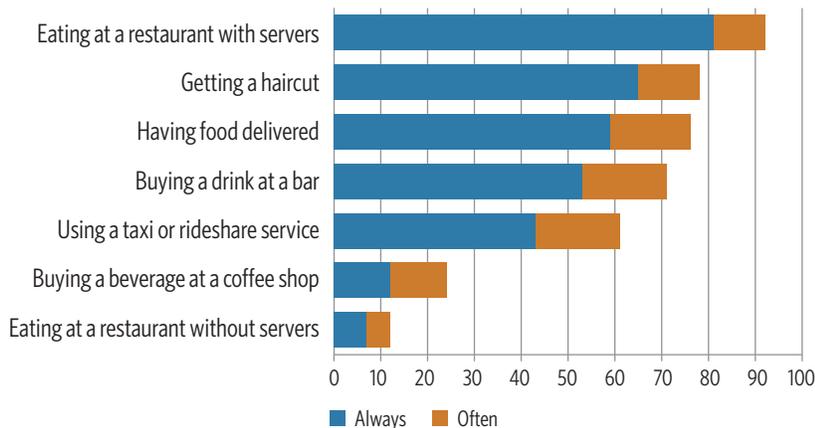
"I don't know that you can just point to one or two things," says Lynn of Cornell University. "Everything that I've read suggests that tipping really took off in this country after the Civil War. Americans traveling to Europe picked up the custom there and brought it back home with them."

Ironically, tipping began to subside in Europe as it took off in America. Segrave noted that by the early 20th century, Europeans complained that American tourists had spoiled the custom by habitually overtipping, priming tip recipients to also expect more from locals. Others have suggested that the end of slavery was an important factor. Freed slaves working service jobs were often paid low wages, making them reliant on tips. For example, the Pullman Company hired Black workers as rail car porters almost exclusively and paid them only \$27.50 a month in 1915 (equivalent to about \$835 in today's dollars). Investigations into the company concluded that its workers could not live on their salary without tips and, knowing this, passengers felt even more compelled to tip porters.

Tipping also began to spread to the hospitality and food service industries as those underwent changes after the Civil War. As cities grew, so did hotels. In his 2013 article, Mentzer documented how the small family meals

When Do Americans Tip?

Percentage of U.S. adults who say they always/often leave a tip when...



SOURCE: Pew Research Center, "Tipping Culture in America: Public Sees a Changed Landscape," Nov. 9, 2023.

presided over by the hotel proprietor gave way to larger dining rooms with waitstaff to accommodate the increased number of guests. Meals were still served family style and included in the price of a room (a practice known as the American plan, compared to the European plan where the cost of meals was separate from lodging). Waitstaff would distribute food to guests from serving trays, and some guests would occasionally try to tip for a better cut of meat or more food. Hotel managers largely discouraged this practice, viewing it as attempted bribery.

According to Mentzer, the start of Prohibition in 1920 changed things. Prior to that, hotels relied heavily on alcohol sales to subsidize food services and even lodging. This left hotel owners with several problems to solve. First, they needed to find a use for hotel bars. Second, they needed to find ways to reduce costs across the board to make up for lost alcohol sales.

"The idea of allowing patrons to leave some extra money for servers became very attractive to hotel owners because it reduced pressure on them to increase wages," says Mentzer. "So, hotel owners started to see tipping as a desirable thing."

Hotels also started switching from the American meal plan to the European plan to further manage costs. Bars were converted into stand-alone lunch counters where food was purchased a la carte. Mentzer argues that tipping came to be viewed as more acceptable in this context, since customers were no longer trying to bribe servers to get more of a shared plate; rather, they were offering something extra as thanks for their individual meal and service.

Still, tipping continued to face fierce opposition as it spread in America. Unions in the early 20th century frequently opposed the practice because they felt it stood in the way of workers being paid fair wages and left them too dependent on the whims of customers. Business owners, particularly hotel managers, also feared that the proliferation of tipping requests would annoy and drive away guests. Some hotels installed something called a *Servidor* in guestroom doors. It was a compartment that could be opened from both sides, allowing hotel staff to leave cleaned laundry that the guest could then retrieve inside the room without meeting the employee face-to-face and being asked for a tip.

Between 1909 and 1915, six states (Arkansas, Iowa, Mississippi, South Carolina, Tennessee, and Washington) took things even further, passing laws criminalizing the solicitation and giving of tips. Violators were subject to fines and, in the case of South Carolina, even jail time. But the laws proved ineffective and were largely ignored; by the 1920s, they had all been repealed (or, in the case of Iowa, overturned by the state Supreme Court).

STAYING POWER

Despite ongoing opposition, tipping endured and expanded as a feature of American life. In restaurants, a 10 percent tip was customary in the first half of the 20th century. By the 1980s, that baseline had risen to 15 percent, and today 20 percent has become increasingly common. This steady rise may make it seem like there are well-established rules governing tipping, but in the 2023 Pew survey, only about a third of respondents said they thought it was very easy to know when and how much to tip in all situations. (See chart.) What can explain the endurance of a custom that many people find so confusing even after more than a century of practice?

From an economist's perspective, tipping could be an efficient system for monitoring the behavior of service employees. If customers give better tips for better service, this should naturally reward the best employees, making the manager's job easier. On the surface, this would seem to be the main reason for the persistence of tipping. When asked, nearly 80 percent of Americans say that the quality of service is the most important factor in determining whether and how much to tip. But in practice, service quality has little bearing on tipping generosity.

In a 2009 *Applied Economics* article, Ofer Azar of Ben-Gurion University of the Negev reviewed several studies that examined the effect of customer service quality ratings on the size of tips. Those studies found that better

service quality did increase tips but only by a little — not enough to be a meaningful incentive for workers. The disconnect between service quality and tip size is also evident in the fact that a tip is usually a percentage of the total bill, making tips larger at more expensive restaurants even though menu prices have little to do with service quality.

“One possibility is that tipping improves social welfare even without improving service quality if most customers feel better with tipping than without it,” says Azar.

In a series of research articles, Azar developed a model in which customers derive utility from complying with the social norm of tipping and feeling generous by tipping above the minimum expected amount. As long as the utility customers gain from these feelings exceeds the monetary cost of leaving a tip, the custom will persist. The model can also explain why the expected percentage size for tips has risen over time. If customers regularly tip above the minimum amount because it makes them feel good, then social norms will adjust to reflect this new higher minimum. Customers will then have to tip even more to feel generous, pushing up the average tip size again.

Customers also seem to prefer tipping because of how they perceive prices, which has made it hard for restaurant owners to do away with the practice. At first glance, it would seem that business owners benefit from tipping. Federal law allows employers to pay tipped workers as low as \$2.13 an hour as long as their wages plus tips equal or exceed the federal minimum wage of \$7.25 an hour. But Lynn says that it isn't so easy for owners to capture these

savings because the restaurant industry is so competitive. Most restaurants pass these savings on to customers in the form of lower prices.

Efforts to replace tipping with higher menu prices or a fixed service fee have been met with resistance, even if the final cost to customers is the same. In 2015, national chain Joe's Crab Shack removed tipping at 18 out of 131 restaurants. At those locations, menu prices were raised to pay servers higher wages. In a 2018 article, Lynn examined the results of this experiment and found that online consumer reviews were more positive for the restaurants that retained tipping than they were for the ones with no tipping.

“It turns out that if customers are comparing a restaurant with higher prices and no tipping to a restaurant with lower prices but where you are expected to tip, they think the restaurant without tipping is more expensive,” says Lynn. “They focus on menu prices when determining how expensive a restaurant is.”

Restaurateurs have continued to experiment with service charges in lieu of tips to equalize pay between tipped and non-tipped staff, with mixed results. The HOUSEpitality Family restaurant group, which owns nine restaurants in Richmond, announced in February that it would remove the automatic 20 percent service fee that it had been applying to its bills. The owners began the practice during the COVID-19 pandemic to provide more income stability for workers, but it proved to be a flop with both customers and staff, who preferred tipping. This lines up with the results of the 2023 Pew survey in which 72 percent of respondents said they opposed automatic service charges.

TIPPING POINT?

Will the proliferation of tipping requests change public sentiment enough to overturn the custom? As surveys and history make plain, most people are not in favor of the alternatives, no matter how much they may scratch their heads about when and how much to tip.

“It's so deeply entrenched that it's hard to squelch,” says Mentzer. In his 2013 article, he concluded that “if tipping could survive being treated as a criminal act, perhaps it can survive anything.”

Rather than banning tips as in the past, a handful of states have attempted to make workers less reliant on them by raising the minimum wage for tipped workers to match that of non-tipped employees. Voters in Washington, D.C., approved a measure in 2022 to equalize the minimum wage for tipped and non-tipped workers by 2027. Recent legislation in Maryland would have done the same thing, but the bill was tabled after facing opposition from restaurant workers and owners. Many were concerned that the change would reduce customer tips and ultimately result in tipped workers earning less. There is some evidence that average tip percentages are lower in states with higher minimum wages for tipped employees, but it is unclear whether those workers earn less overall.

“I have a hard time imagining any scenario in which tipping goes away,” says Lynn.

At the end of the day, who benefits the most from the tipping system?

“People who don't tip very well,” says Lynn. “They're being subsidized by the people who do.” **EF**

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