

Does Tipping Help to Attract and Retain Better Service Workers?

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*Journal of Foodservice Business Research* (forthcoming)

Abstract

A survey of several hundred restaurant servers in the United States found that servers' attitudes toward working for tips and average tip sizes were weakly related (at best) to their service-orientation, intended job-tenure, and occupational-tenure. These findings suggest that tipping does not substantially help to attract and retain more service-oriented workers. Restaurateurs can eliminate tipping at their restaurants without fear that doing so will reduce the quality of their wait-staff.

Key words: tipping, compensation, turnover, occupational choice

This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

### Does Tipping Help to Attract and Retain Better Service Workers?

The vast majority of restaurants within the United States rely on voluntary payments from customers (aka tips) as a substantial part of their wait-staff's income. Nevertheless, satisfaction with the tipping system is far from universal and there has been a recurrent debate within the U.S. over the relative merits of tipping versus alternative means of compensating restaurant servers (see Frumkin, 1988; Porter, 2013; Romeo, 2005; Scott, 1916; Seagrave, 1998; Wachter, 2008). One important issue relevant to this debate is the effect (if any) of tipping on employee selection and retention. Does tipping help restaurants attract and retain a better, more service oriented waitstaff?

Building on Schneider's (1987) ASA Model of person-organization fit, Lynn, Kworntnik and Sturman (2011) argued that tipping policies should attract service workers to the industry because tipping is a performance-based compensation system, which top performers generally like more than do poor performers. They also argued that tipping policies should help retain better workers in the industry for two reasons -- (1) the congruence between tipping policy and top performers' attitude toward working-for-tips should reduce occupational switching among those top performers, and (2) the larger tips earned by high performers should reduce their occupational switching relative to that of low performers. Consistent with these arguments, Lynn, et. al analyzed a survey of restaurant servers and found that those servers with positive attitudes toward providing service liked working for tips more and had longer tenure in tipped restaurant service occupations than did those servers with less positive service attitudes. Furthermore, the

relationship between attitudes toward providing service and toward working for tips was stronger among servers who believed that tips are substantially affected by service quality and the relationship between service-attitudes and tenure-as-a-server was mediated by attitude toward working-for-tips and by average tip size earned.

The survey of restaurant servers reported below was conducted in an attempt to conceptually replicate and extend Lynn, et. al.'s (2011) findings. The conceptual replication uses alternative measures of service-attitude, perceived contingency between tips and service, and average tip size to those in the original study and is intended to ensure that the original effects are not due to Type 1 error or to peculiarities with the original measures. The extension involves testing additional potential consequences of attitude toward working-for-tips and of average tip size earned. Researchers have found that person-organization fit (Cable and Judge, 1996) and compensation level (Griffeth, Horn and Gaertner, 2000; Judge, Piccolo, Podsakoff, Shaw and Rich, 2010) are positively related to job satisfaction and negatively related to intent to leave jobs so it is also plausible that attitude toward working-for-tips and average tip size earned affect satisfaction with specific tipped jobs and intentions regarding tenure in specific tipped jobs as well as tenure in the industry. Therefore, these potential consequences of attitude toward working-for-tips and of average tip size earned were assessed in the study below.

## Method

### Sample

Several different writers of restaurant server blogs were asked, and agreed, to post a link to the survey and to encourage their readers employed as waiters/waitresses to complete it. In addition, the end of the survey asked respondents to encourage other

servers they knew to complete the survey. This recruitment method yielded 694 respondents who (i) reported being currently employed as a waiter or waitress at a restaurant in the United States where tipping is common, and (ii) followed directions on a question designed to identify who was and was not reading questions carefully. However, many respondents meeting these two selection criteria failed to answer one or more questions, so the sample sizes varied across the analyses reported below. Descriptive statistics for the sample are presented in Table 1.

#### Key Variables/ Measures

Respondents were asked a variety of questions about their current place of employment (for current servers) or last place of employment (for former servers not retained in this analysis) as well as about their general attitudes, traits and behaviors. The main variables of interest in this study were:

(1) *Service Orientation* (SO), which was measured using Gwinner, Bitner, Brown and Kumar's (2005) five-item measure of this construct; sample items are "I enjoy helping others" and "I pride myself on providing courteous service;" Cronbach's  $\alpha = .83$ ,

(2) *Perceived Service-Effect on Tips* (PSET), which was measured with a single item worded "In your experience, how large an effect does the quality of service you deliver generally have on the size of the tip you receive?" and a response scale ranging from 1 = "very small effect" to 7 = "very large effect,"<sup>1</sup>

(3) *Tip Size* (TIP), which was measured with a single item worded "Approximately what is (was) the average tip percentage you receive(d) from your customers at this place? and

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<sup>1</sup> There was also a "Not Applicable (no experience with receiving tips)" option for those servers at non-tipping restaurants. One server who reported working at a restaurant where tips are frequent chose this option and this inconsistent response was recoded as a missing value.

eight drop down response options ranging from 1 = “0% (tips not common)” to 8 = “over 30%” in increments of 5% (1-5%, 6-10%, etc...),

(4) *Attitude toward working-for-tips* (ATWT), which was measured with a single item worded “Would you prefer to wait tables at a restaurant with an automatic 18% gratuity or at a restaurant with voluntary tipping?” and a response scale ranging from 1 = “strongly prefer working at a restaurant with an automatic 18% gratuity” to 7 = “strongly prefer working at a restaurant with voluntary tipping,”

(5) *Job Satisfaction* (JS), which was measured with a single item worded “How much do (did) you enjoy working at this restaurant?” and a response scale that ranged from 1 = “hate it very much” to 7 = “love it very much”,

(6) *Intended Job Tenure* (IJT), which was measured with a single item worded “How long do you plan on working (did you work) at this restaurant from start to finish date?” and six drop down response options ranging from “less than one year” to “more than five years,” and

(7) *Tenure as a Server* (TAS), which was measured with a single item worded “For how many years have you worked as a restaurant waiter or waitress?” and eleven drop down response options ranging from “0” to “10 or more.”

### Control Variables/Measures

The following control variables were measured and used as covariates in the analyses:

- (1) Age (calculated as 2013 minus reported birth year),
- (2) Sex (male = 1, female = 2),
- (3) White (yes = 1, no = 0), and
- (4) Married (yes = 1, no = 0).

### Results and Discussion

Descriptive statistics for the variables in this study are presented in Table 1 and inferential statistical analyses of the data are summarized in Tables 2 and 3. The description and discussion of results focuses on the selective attraction, selective compensation, selective job-satisfaction, selective job-retention, and selective occupation-retention effects of tipping.

#### Selective Attraction Effect

Strongly service-oriented waiters' and waitresses' preferred working for tips (as opposed to service charges) to a greater extent than did less service-oriented waiters and waitresses ( $B = .33$ ,  $t(666) = 3.85$ ,  $p < .001$ ; see Model 1, Table 2). Furthermore, this positive relationship was marginally stronger among servers who believed that service quality has a large effect on tips than among those who believed service quality has a smaller effect on tips ( $B = .10$ ,  $t(663) = 1.61$ , one-tailed  $p < .06$ ; see Model 2, Table 2). These findings replicate those of Lynn, et. al. (2011) and are consistent with the idea that the performance-contingent nature of tipping makes it more attractive to better workers.

### Selective Compensation Effect

Strongly service-oriented waiters' and waitresses' did not report earning significantly larger tips than did less service-oriented waiters and waitresses ( $B = .04$ ,  $t(664) = 1.47$ ,  $p > .14$ ; see Model 3, Table 2). This finding differs from that of Lynn, et. al. (2011), who reported a statistically significant correlation between service attitude and tip size. It also differs from two other studies finding that service and tipping are correlated at the server level of analysis (see Lynn, 2003). Given the bulk of the evidence in the literature, our failure to replicate is probably just a Type 1 error. Nevertheless, it is clear that any server level relationship between service-dispositions and tipping is small – with effect sizes in the literature and this study of  $r = .27$ ,  $.14$ ,  $.18$  and  $.06$ . Thus, tipping does not compensate more service oriented workers substantially better than it does less service oriented workers.

### Selective Job-Satisfaction Effect

Strongly service-oriented waiters' and waitresses' reported liking their current tipped job more than did less service-oriented waiters and waitresses ( $B = .28$ ,  $t(663) = 3.38$ ,  $p < .002$ ; see Model 4, Table 3). Moreover, this effect was partially mediated by attitude toward working-for-tips, because that attitude, which was previously shown to be related to service orientation, predicted job satisfaction after controlling for service orientation ( $B = .17$ ,  $t(659) = 5.76$ ,  $p < .001$ ; see Baron and Kenny, 1986, for the evidentiary requirements to support mediation). Furthermore, an analysis using Hayes (2013) PROCESS macro for SPSS indicated that the indirect effect of service-orientation thru attitude toward working-for-tips was positive and reliable ( $B = .07$ ,  $CI_{95\%} = .03$  to  $.11$ ). While reverse causality is a plausible explanation for these relationships, they are at

least consistent with the idea that tipping leads to greater job satisfaction among more service-oriented workers than among less service-oriented workers. However, the intrinsic, service-element of waiting tables does more than tipping to satisfy more service-oriented workers because the direct effect of service-orientation on job satisfaction ( $B = .21, t(659) = 2.65, p < .009$ ; see Model 5, Table 3) was substantially larger than its indirect effect thru attitude toward working-for-tips ( $B = .21$  vs.  $.07$ ).

#### Selective Job-Retention Effect

Strongly service-oriented waiters' and waitresses' may like their current tipped jobs more than do less service-oriented waiters and waitresses, but they do not intend to remain in those jobs for a longer period of time ( $B = .05, t(666) = .61, p > .54$ ; see Model 6, Table 3). Nor is intended time in current job greater among servers who like working for tips ( $B = -.02, t(662) = -.52, p > .60$ ; see Model 7, Table 3) or among servers who earn larger tips ( $B = .09, t(662) = .93, p > .35$ ; see Model 7, Table 3). Apparently, the greater job-satisfaction associated with all three of these server characteristics is not strong enough to result in greater intended job-tenure.

#### Selective Occupation-Retention Effect

Strongly service-oriented waiters' and waitresses' did not have a longer history working as servers than less service-oriented waiters and waitresses ( $B = .03, t(659) = -.23, p > .81$ ; see Model 8, Table 3). However, tenure as server was positively related to attitude toward working-for-tips ( $B = .08, t(655) = 1.68, \text{one-tailed } p < .05$ ; see Model 9, Table 3). This latter positive effect together with the previously reported effect of service-orientation on attitude toward working-for-tips provides some evidence of an indirect (mediated) service-orientation effect on occupational-tenure that is apparently

suppressed by one or more uncontrolled variables. Unfortunately, an analysis using Hayes (2013) PROCESS macro for SPSS indicated that the indirect effect of service-orientation thru attitude toward working-for-tips was not statistically significant ( $B = -.002$ ,  $CI_{95\%} = -.02$  to  $.02$ ). The failure to find a reliable indirect service-orientation effect on occupational tenure fails to replicate the effect found by Lynn, et. al. (2011) and fails to support expectations about the role of tipping in helping to retain more service-oriented workers within the table-service profession.

### Conclusion

The results of this study indicate that working for tips is more appealing to servers the greater their service orientation, especially among servers who believe that tips are strongly affected by service. However, the effect of service-orientation on attitude toward working-for-tips is not large and, given the equally small effects of attitude toward working-for-tips on job-satisfaction, intended job-tenure, and occupational-tenure, is unlikely to be consequential. The results also indicate that tip size is only weakly related (if at all) to servers' service-orientation, job satisfaction, intended job tenure, and occupational tenure, which suggests that tipping does not substantially help to attract and retain more service-oriented workers by paying them more than service-oriented workers. Given these findings, restaurateurs opting to do away with tipping are unlikely to lose substantial numbers of more service-oriented workers to their competitors with tipping.

Although our findings suggest that tipping does not substantially help to attract and retain service-oriented workers, it could have other more consequential selection effects. With 90 percent of the variance in attitude toward working-for-tips unexplained

by our regression models, tipping may also selectively attract workers with other characteristics of importance to employers. For example, consumer discrimination in tipping (see Lynn, et al., 2008) may make working for tips less attractive to ethnic minorities who might be particularly valuable employees to restaurants with a large ethnic minority customer base. Thus, more research is needed to broadly explore the antecedents and consequences of attitudes toward working for tips and, thereby, provide more insight into all the selective attraction effects of tipping.

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Table 1. Descriptive statistics for variables in the study along with correlations among the key variables.

	N	Mean	Std. Deviation	SO	PSET	TIP	ATWT	JS	IJT	TAS
Service Orientation (SO)	693	5.81	.94		.08*	.06	.17***	.19***	.05	.04
Perceived Service Effect on Tips (PSET)	693	5.12	1.63			.25***	.31***	.24***	.08*	.18***
Tip Size (TIP)	692	4.91	.67				.37***	.24***	.03	.17***
Attitude toward working-for-tips (ATWT)	694	4.29	2.17					.32***	.03	.18***
Job Satisfaction (JS)	691	4.98	1.49						.29***	.09*
Intended Job Tenure (IJT)	694	4.02	1.72							.27***
Tenure as Server (TAS)	687	8.67	2.89							
Age	685	32.65	8.89	.07	.15***	.09*	.18***	.10*	.21***	.54***
Sex	687	1.84	.37	.02	.03	-.08±	-.07±	.04	-.03	-.07±
White	689	.91	.28	.05	-.04	.01	.04	-.004	.05	.09*
Married	686	.26	.44	.08*	.07±	.004	.06	.08*	.21***	.22***

± p < .10, \* p < .05, \*\* p < .01, \*\*\* p < .001

Table 2. Regression coefficients (and robust standard errors) from analyses predicting attitude toward working-for-tips and tip size.

Model/ Dependent variable	Model 1: Attitude toward working-for-tips	Model 2: Attitude toward working-for-tips	Model 3: Tip Size
Intercept	1.43 <sup>±</sup> (.77)	3.19 (2.06)	4.65 <sup>***</sup> (.24)
Age	.04 <sup>***</sup> (.01)	.02 <sup>*</sup> (.01)	.01 <sup>*</sup> (.003)
Sex	-.25 (.23)	-.35 (.22)	-.12 <sup>±</sup> (.06)
White	.22 (.33)	.35 (.32)	.04 (.10)
Married	.03 (.20)	-.01 (.19)	-.04 (.06)
Service Orientation (SO)	.33 <sup>***</sup> (.09)	-.24 (.33)	.04 (.03)
Perceived Service Effect on Tips (PSET)		-.18 (.36)	
SO x PSET		.10 (.06)	
R <sup>2</sup>	.05	.14	.02
N	672	671	670

<sup>±</sup> p < .10, \* p < .05, \*\* p < .01, \*\*\* p < .001

Table 3. Regression coefficients (and robust standard errors) from analyses predicting tenure as a server, job satisfaction and intended job tenure.

Model/ Dependent variable	Model 4: Job Satisfaction	Model 5: Job Satisfaction	Model 6: Intended Job Tenure	Model 7: Intended Job Tenure	Model 8: Tenure as Server	Model 9: Tenure as Server
Intercept	2.62*** (.60)	.88 (.73)	2.43*** (.63)	1.99* (.77)	1.95* (.88)	-.36 (1.20)
Age	.01* (.01)	.01 (.01)	.03*** (.01)	.03*** (.01)	.17*** (.01)	.17*** (.01)
Sex	.22 (.16)	.30* (.15)	-.004 (.19)	.01 (.19)	.15 (.26)	.22 (.26)
White	-.18 (.18)	-.23 (.16)	.15 (.23)	.15 (.23)	.59± (.33)	.55 (.33)
Married	.17 (.13)	.16 (.12)	.61*** (.16)	.60*** (.16)	.40± (.21)	.42± (.21)
Service Orientation	.28** (.08)	.21** (.08)	.05 (.07)	.05 (.08)	.03 (.11)	-.02 (.11)
Attitude toward working-for- tips		.17*** (.03)		-.02 (.03)		.08± (.05)
Tip Size		.31** (.10)		.09 (.10)		.48** (.17)
R <sup>2</sup>	.05	.15	.07	.07	.30	.32
N	669	667	672	670	665	663

± p < .10, \* p < .05, \*\* p < .01, \*\*\* p < .00