**Tipping is now expected almost everywhere**

**Even when I am picking up a take out, there is a tip jar there waiting for me.**

**At most restaurants, at the end of your bill, there are suggested tips ranging from 10-25%.**

**This is a relatively new phenomenon. Prior to the pandemic, I do not recall some many instances where tips were openly suggested.**

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**SOURCE:**

**Why Businesses Can’t Stop Asking for Tips**

**Employers rely on the practice to avoid paying higher wages**

**BY RACHEL WOLFE, *The Wall Street Journal* | Page A001, 24 July 2023**

American businesses have gotten hooked on tipping.

Tip requests have spread far beyond the restaurants and bars that have long relied on them to supplement employee wages. Juice shops, appliance-repair firms and even plant stores are among the service businesses now asking customers to hand over some extra money to their workers.

“The U.S. economy is more tip-reliant than it’s ever been,” said Scheherezade Rehman, an economist and professor of international finance at George Washington University. “But there’s a growing sense that these requests are getting out of control and that corporate America is dumping the responsibility for employee pay onto the customer.”

Some businesses that are new to tipping said they have turned to the practice to try to retain workers in a competitive job market while also keeping their prices low. Asking for tips allows them to increase worker pay without raising their wages.

Consumers seeing tip prompts at every turn say they are overwhelmed—and that worker wages should be business owners’ responsibility, not theirs.

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Continued from Page One Sixteen percent of the 517 small businesses surveyed by employee-management software firm Homebase for The Wall Street Journal ask customers to leave a tip at checkout, up from 6.2% in 2019.

Payroll company Paychex, which provides software for thousands of businesses in leisure, hospitality, retail and other service industries, said more employees are receiving tips as a portion of their pay than at any time since the company started tracking tipping in 2010. As of May, 6.3% of workers whose employers used the software earned tips, compared with 5.6% in 2020. The number was relatively flat between 2016 and 2020.

As of June, service-sector workers in non-restaurant leisure and hospitality jobs made $1.35 an hour in tips, on average, up 30% from $1.04 an hour in 2019, according to an analysis of 300,000 small and midsize businesses by payroll provider Gusto.

Tips now increase wages for service workers by an average of 25%, compared with 20% between 2019 and 2020, according to Gusto. In May, the average hourly service-industry worker earned $16.64 an hour in base wages and $4.23 an hour in tips.

During Covid-19 lockdowns, customers of many service businesses began tipping to acknowledge workers who were at risk. Rehman said that made businesses reliant on the practice. Employers say there is no going back.

“With businesses still preparing for the possibility of a recession, they don’t want to lock into higher wages,” said Jonathan Morduch, a professor of public policy and economics at New York University. He said the practice pushes the financial risk that employers would ordinarily shoulder onto workers.

“Businesses are happy to let workers earn more from tips, especially when there’s no pressure to raise the tipped minimum,” he said, referring to the $2.13 an hour plus tips paid to many bar and restaurant workers in the U.S.

Labor shortage

Holding on to workers has been especially difficult in the services sector. Lodging and food service have had the highest quit rate for workers since July 2021, consistently above 4.9% per three months, the U.S. Chamber of Commerce said in a May 2023 report. The quit rate for the retail trade industry is around 3.3% so far this year. In May, the overall quit rate for workers was 2.6%, according to the Bureau of Labor Statistics.

Dan Moreno, founder of Miami- based Flamingo Appliance Service, decided in 2020 to add an option for customers to tip his employees, reasoning that his home-repair technicians were taking health risks by entering customers’ homes during the pandemic.

About one-third of customers now leave a tip of between 10% and 20%, Moreno said. The requests add an average of $650 a year to his 182 technicians’ salaries, about 1% of their total yearly income.

Rising costs, he said, persuaded him to retain the option after the pandemic abated. Were he to eliminate the gratuity prompt, he said, he would have to raise prices beyond the 18% he already has, on average, since 2019— likely costing him clients.

Within the food-service industry, tips as a share of compensation are rising faster at limited-service establishments such as bakeries and coffee shops than at full-service ones, according to Gusto.

At the Main Squeeze Juice Co. in Mandeville, La., tips add $3 to $5 to workers’ hourly pay, which starts at $10. Owner Zachary Cheaney said he added the option when he opened the location in 2020.

“We can’t just say, ‘Oh, we’re going to charge $2 extra’ instead of having tips, because we have a duty to our customers to have a very fair price point,” said Cheaney, who also consults for Main Squeeze’s corporate office. If customers think the price is too high, he said, they won’t return. Asking them to tip, he said, is different because it’s optional.

“If customers completely stopped tipping, we would be forced to pay employees more, and it would be hard on us as business operators,” he said.

The juice bar’s general manager, Tiffany Naquin, said tips make up about one-tenth of her $46,000 annual pay.

Checkouts that include a tip screen are more awkward for customers than for workers, she said. She understands if someone declines to tip, she said, and she wouldn’t let that affect the quality of service.

Morduch, the New York University economics professor, said that while most people tend to think of tips as steady income, many businesses fluctuate seasonally— which means employee pay goes up and down. Service workers who receive tips, he added, often struggle with such volatility.

Saru Jayaraman, a labor advocate and director of the Food Labor Research Center at the University of California, Berkeley, said that boosting tips without increasing base pay is bad for workers. If customers stop tipping, she said, pay effectively declines.

“Employers think they’re being smart by using tipping instead of raising wages,” she said. “But really they’re risking losing staff, because it’s pissing consumers off and the employees are the ones who have to deal with it.”

Tip backlash

A May survey of about 2,400 Americans by financial services company Bankrate found that consumers are tipping less often than they did at the height of the pandemic. Forty-one percent of respondents said businesses should pay their employees better rather than rely so much on tips. Roughly a third said tipping culture is out of hand.

Denver retiree Mary Medley, though, said she sees being a generous tipper as part of her economic responsibility. For her, it isn’t about how difficult a task was, but whether she can lighten someone else’s financial burden, even a little.

“It’s not my job to figure out where it goes or how it gets distributed,” she said. “But if they’re giving me the opportunity to participate in supporting a business in a tangible way, I’ll do so.”