Black-White Differences in Tipping: Moderated by Socio-Economic Status?

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Abstract
Two studies examining the role of SES as a moderator of Black-White differences in tipping found that higher socio-economic status reduced Black-White differences in stiffing and flat tipping, but increased Black-White differences in the amount tipped by those who did tip. The finding that movement up the socio-economic ladder increases Black-White differences in tip size suggests that efforts to address the problems posed by those differences in tipping should not be confined to lower class establishments and neighborhoods. Managers and executives of restaurants and restaurant chains catering to black customers of all socio-economic levels are encouraged to reduce racial discrimination in service delivery and to address the other problems stemming from Black-White differences in tipping by (i) hiring Black as well as White mystery shoppers to monitor the service provided to Black guests, (ii) increasing Blacks’ awareness and internalization of tipping norms thru community as well as within-restaurant educational campaigns, or (iii) replacing voluntary tipping with automatic service charges.

Keywords
race differences, socio-economic status, tipping

Disciplines
Food and Beverage Management | Race and Ethnicity

Comments
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African Americans are widely perceived within the restaurant industry as poor tippers. A recent survey of more than a thousand servers from across the United States found that more than 65 percent rated African Americans as “below average tippers” (McCall and Lynn 2009, see also Brewster 2012). These perceptions have important consequences for black consumers and restaurant servers as well as managers and executives in the restaurant industry. First, research suggests that servers vary their service efforts to different parties with the tip amounts those parties are expected to leave (Barkan and Israeli 2004; Dirks and Rice 2004; Rusche and Brewster 2008). Thus, servers who perceive blacks as poor tippers may deliver inferior service to the members of these groups (Brewster and Mallinson 2009). Second, server attraction to, and retention in, tipped jobs is positively related to tip income (Lynn 2002, 2003; Lynn, Kwortnik, and Sturman 2011), so restaurants with a large black clientele may have difficulty attracting and retaining wait staff, which in turn makes black neighborhoods less attractive places to locate restaurants (Wallace 2001).

Complicating efforts to address these problems is the fact that servers’ perceptions are grounded in reality. Studies have found that blacks (1) are less likely than whites to tip in restaurants, (2) are less likely than whites to base the tips they do leave on bill size, and (3) leave restaurant waiters and waitresses smaller tip amounts when they tip than do whites (Lynn 2004a, 2006, 2009, 2011; Lynn and Thomas-Haysbert 2003). Furthermore, these race differences in restaurant tipping persist even after controlling for the tippers’ educations, incomes, and perceptions of service (Lynn 2004a, 2006, 2009, 2011; Lynn and Thomas-Haysbert 2003). These findings suggest that the problems stemming from servers’ perceptions of blacks as poor tippers cannot be solved merely by hiring nonracist servers or telling servers that their perceptions are incorrect. Instead, restaurant managers and executives need to try to reduce race differences in tipping or use something other than tips to motivate their servers. For example, restaurant managers can include tipping guidelines and information about server compensation on menus, table tents, and checks in an effort to reduce race differences in awareness of tipping norms and, therefore, tipping behavior (Lynn 2004b). They can also hire mystery diners of various races to identify those servers who discriminate while also informing servers that their job security depends on delivering good service to everyone (Lynn and Thomas-Haysbert 2003).

One question that has not been adequately addressed is whether managerial efforts to address race differences in
tipping are needed in establishments serving persons of all socioeconomic levels. A longstanding proposition in the consumer behavior literature is that “black-white differences in consumer behavior are greater among lower-class than higher-class adults” (Moschis 1987, 257). If this proposition holds with respect to tipping, it would suggest that only downscale restaurants need to address race differences in tipping and server motivation. In that case, upscale restaurants (with no problem of actual race differences in tipping) could rely on hiring nonracist servers and educating servers to address any problems stemming from perceived race differences in tipping. However, neither current theory nor current research provide a clear indication of whether this proposition does hold with respect to tipping.

One often cited explanation for race by socioeconomic status (SES) interactions is that the more middle-class or bourgeois blacks are, the weaker their ethnic or race commitment (Frazier 1957). According to this theory, as middle-class blacks move up the socioeconomic ladder, they become more assimilated or integrated into the mainstream American cultural value system and move away from the black cultural value system. However, empirical support for Frazier’s (1957) theory of black acculturation is mixed. Some studies have found that blacks with higher socioeconomic status do identify with white culture and values (Goldsmith, White, and Stith 1987; Jewel 1985; Ness and Stith 1984; White and Burke 1987), while other studies have found that the degree or intensity of ethnic identification among blacks does not decline with socioeconomic status (London and Giles 1987; Williams and Qualls 1989). These apparently conflicting findings can be reconciled by giving up the idea that black acculturation involves the complete replacement of black cultural identity and values with white cultural identity and values. Instead, blacks’ acculturation appears to be characterized by a synthesis of the different cultures and flexibility in movement between cultural worlds (Williams and Tharp 2001; Williams 1985). In short, the black middle class is best described as multicultural rather than as exclusively accepting and adhering to black or white cultural norms. Acculturation leading to greater multiculturalism among the black middle class than among the black lower class suggests that socioeconomic status will moderate some but not all black–white differences in consumer behavior. Thus, theory does not tell us whether black–white differences in tipping decline with socioeconomic status.

Empirical evidence is also equivocal regarding the effects of socioeconomic status on race differences in tipping. Thomas-Haysbert (2002) found that black high-SES respondents to a national telephone survey were not significantly more likely than white high-SES respondents to say that they stiffed (or failed to tip) waiters or waitresses and other service providers even though race differences in stiffing were observed in the whole sample. Unfortunately, Thomas-Haysbert did not test for an interaction of race with SES. Nor did she report means or cell sizes for the simple main effects she does test, so her null results could easily be what is known as a Type II error, because of insufficient statistical power. Furthermore, she analyzed only some of the relevant data from that national survey; data on flat tipping (tipping a flat dollar amount rather than a percentage of the bill) and on tip size were reported in another article that also failed to examine SES as a potential moderator of race differences in tipping (Lynn and Thomas-Haysbert 2003). To address these problems and to determine whether race differences in tipping decline with socioeconomic status, we reanalyze the survey data from Thomas-Haysbert (2002) and Lynn and Thomas-Haysbert (2003). In this analysis, we test for race by SES interaction effects on stiffing, flat tipping, and tip size. Then we report on an original study in an attempt to replicate our findings with more recent data from a different tipping context.

Before proceeding, however, we wish to dispel the notion that when speaking of black or African American consumer behavior, we are somehow attempting to capture, categorize, or describe the behavior of all members of this racial and ethnic group. We recognize a great deal of heterogeneity in the consumer behavior of blacks as a group (Williams and Qualls 1989). In fact, this possibility is central to our focus on socioeconomic status as a moderator of race differences in tipping.

Study 1

In 1996, Market Facts Inc. conducted a national telephone survey about tipping practices for an article in American Demographics magazine (Speer 1997). Thomas-Haysbert (2002) and Lynn and Thomas-Haysbert (2003) used different parts of these data in two studies of race differences in tipping. However, they did not test the interaction of race with socioeconomic status, so those interactions are tested below in a reanalysis of the data.

Method

Market Facts conducted this national telephone survey using a single-stage, random-digit-dial sample technique. All numbers were called up to three times as necessary to reach someone at the number. A total of 1,005 interviews were completed. However, only data from the 799 white and 91 black respondents were retained and used in this analysis. Respondents with undisclosed or other racial or ethnic backgrounds were dropped from the analysis. Respondents with undisclosed or other racial or ethnic backgrounds were dropped from the analysis.

Dependent variables. There were two key questions in this survey. The first asked respondents: “How often do you tip waiters or waitresses when they serve you?” Responses to this question were coded as follows: “always/usually tip” (code = 1), “sometimes tip” (code = 2), “don’t tip” (code = 3), and “don’t use,” “don’t know,” or refused to answer (code = missing value) and used as a measure of stiffing (or not tipping).
The second key question asked respondents: “Of the following five choices, which best represents the amount you normally tip waiters or waitresses?” The response options were (1) “$1 or $2,” (2) “$3 or more,” (3) “less than 15 percent of the bill,” (4) “15 percent of the bill,” or (5) “more than 15 percent of the bill.” These response options were used to create the following three variables: flat tipping (coded as 1 if respondents selected a dollar amount and 0 if they selected a percentage amount), dollar tip (coded as 1 if respondents selected “$1 or $2” and 2 if they selected “$3 or more”), and percentage tip (coded as 1 if respondents selected “less than 15 percent of the bill,” 2 if they selected “15 percent of the bill,” and 3 if they selected “more than 15 percent of the bill”). However, there were no race differences in dollar tips, so only flat tipping and percentage tips were analyzed below.

Independent variables. In addition to the tipping questions, respondents were asked to indicate their

1. household income (on an 8-point ordinal scale: 10 = under $15,000, 15 = $15,000 to less than $20,000, 20 = $20,000 to less than $25,000, 25 = $25,000 to less than $30,000, 30 = $30,000 to less than $40,000, 40 = $40,000 to less than $50,000, 50 = $50,000 to less than $75,000, and 75 = $75,000 or more);
2. amount of schooling completed (1 = 8 years or less, 2 = 9 to 11 years, 3 = 12 years, 4 = 13 to 15 years, 5 = 16 years, and 6 = 17 or more years); and
3. ethnicity (white = 1, black = 2).

Income and education were each standardized and then averaged to form an index of socioeconomic status. In cases where education or income was missing, the value that was available was used in the index.

Results and Discussion
The measures of stiffing waiters, flat tipping, and percentage tips were each analyzed using least squares regression with heteroskedasticity robust standard errors. Each model regressed the dependent variable on SES, race, and the product of SES and race. Since the main effects of race, education, and income have been reported by Thomas-Haysbert (2002) and Lynn and Thomas-Haysbert (2003), only the interactions of race with SES are reported here.

Race interacted with SES to significantly affect stiffing, $B = –.24, t(862) = –2.27, \text{ one-tailed } p < .05$, and flat tipping, $B = –.15, t(835) = –2.25, \text{ one-tailed } p < .02$. Consistent with Moschis’s (1987) proposition, black–white differences in stiffing and flat tipping of restaurant servers were reduced to essentially nothing among those with high SES (see Exhibits 1 and 2). However, contrary to Moschis’s proposition,
black–white differences in restaurant tip percentages increased rather than decreased with SES, though that increase was not statistically significant, $B = -0.15$, $t(650) = -1.41, p < .16$ (see Exhibit 3).

**Study 2**

Study 1’s results are limited by the use of a 1996 national telephone survey. Study 2 tests the generalizability of the findings across time, research methods, and service contexts. A pizza delivery driver in Seattle, Washington, recorded information about the race and socioeconomic status (as reflected in home type) of the customers he served as well as the tip sizes they gave him. These data provided an opportunity to replicate previous findings of race differences in tipping as well as to replicate Study 1’s findings about the role of socioeconomic status as a moderator of those race differences.

**Method**

The pizza delivery driver in the Seattle study was a white male. He recorded information about the tip size, race, sex, and observed socioeconomic status of 1,000 customers to whom he made deliveries. To be included in the sample, a delivery had to meet the following four criteria. The first criterion was that the service must be reasonably good. If the driver saw any major problem with the service (such as taking more than 45 minutes, forgetting an item), the delivery was not recorded. This decision, which was made before receipt of the tip, provided some control for the effects of service delivery on tipping. The second criterion was that the total amount, after sales tax (which was 9.5 percent) and the delivery charge, must be between $20 and $35. This provided some control for bill size without requiring the time and effort for the driver to record it. Based on experience, the driver was confident that tips on bills between these amounts did not vary much; he was as likely to get a $3 tip from a $20 order as from a $30 order. Consistent with this observation, the majority of people report tipping food delivery drivers a flat amount rather than a percentage of the bill (Lynn 2004). The third criterion was that the delivery must be made to a residence; deliveries to businesses, hospitals, or hotels were not recorded. This was primarily due to the fact that the customers’ residences were used as the indicator of socioeconomic class. The final criterion was that the residence had to fall within one of three common classes or categories, working class, lower middle class, and middle class, as described below. The few deliveries to exceptionally affluent residences were excluded from this study.
Tipping. Tipping was measured in U.S. dollar amounts tipped. These data were used to create two variables: stiff (with a value of 1 if no tip was given and a value of 0 otherwise) and tip amount (the amount tipped for those tipping).

Race. The customer’s apparent race was classified by the driver as white, black, Latino, Asian (East or Southeast Asians), and Indian (East Indians from South Asia). However, because of the focus of this paper and small numbers of other racial minorities, only data from black and white customers are analyzed here.

Socioeconomic class. Socioeconomic class was operationalized as the customer’s apparent property type, which for that particular delivery area was divided into three ordinal categories. The categories were (1) working class—people who live in apartments (rents for a single-bedroom apartment in this area went from around $750 to $1250 a month at the time of the study) or trailer homes; (2) lower-middle class—people who live in condos, townhouses, and smaller houses (which, around the delivery area, were about $300,000 or less); and (3) middle class—people who live in moderate houses in typical suburbia (usually around $400,000 to $600,000 in this delivery area at the time of the study). Although the delivery driver is not a trained real-estate agent, the different types of housing were fairly obvious and easy for him to classify, which he did prior to receipt of the tip.

Results and Discussion

Stiffing and tip amount were analyzed with least squares regressions using heteroskedasticity robust standard errors. The analysis of each dependent measure was hierarchical, with social class and race as predictors in stage one and the product of social class and race added in stage two.

The analysis of stiffing produced significant effects for social class, $B = -0.08, t(816) = -5.73, p < .001$; race, $B = 0.23, t(816) = 7.10, p < .001$; and the interaction of race with social class, $B = -0.08, t(815) = -1.90$, one-tailed $p < .03$.

Lower social classes and blacks stiffed more often than did higher social classes and whites. Moreover, consistent with Moschis’s (1987) proposition, the black–white difference in stiffing declined with social class (see Exhibit 4).

The analysis of tip amount among those who tipped produced significant main effects for social class, $B = 0.71, t(738) = 10.85, p < .001$, and race, $B = -1.89, t(738) = -14.60, p < .001$, as well as a significant social class by race interaction, $B = -0.36, t(737) = -2.06$, two-tailed $p < .04$. Lower social classes and blacks who tipped something gave smaller amounts than did higher social classes and whites who tipped something. More important, the black–white difference in tip size increased with social class (see Exhibit 5).

This latter effect is opposite to the one observed with...
**Exhibit 4:**
The race by SES interaction effect on stiffing a pizza delivery driver.

**Exhibit 5:**
The race by SES interaction effect on tip amount given to a pizza delivery driver.
stiffing and also to that proposed by Moschis (1987), but replicates a similar nonsignificant effect in Study 1. Apparently, higher SES can increase as well as decrease black–white differences in consumer behavior.

General Discussion

Our two studies examining the role of SES as a moderator of black–white differences in tipping found that higher socioeconomic status reduced black–white differences in stiffing and flat tipping but increased black–white differences in the amount tipped. These findings provide some support for Moschis’s (1987) proposition that movement up the socioeconomic ladder decreases black–white differences in consumer behavior, but also indicate that this proposition is not universal. Indeed, movement up the socioeconomic ladder appears to increase black–white differences in some consumer behaviors. These findings are also consistent with current theory holding that blacks’ acculturation involves a synthesis of the different cultures and flexibility in movement between cultural worlds (Williams and Tharp 2001; Williams 1985), because greater multiculturalism among the black middle class than among the black lower class suggests that socioeconomic status will moderate some but not all black–white differences in consumer behavior.

Although consistent with the idea that black multiculturalism increases with socioeconomic status, the opposite effects of the race by SES interaction on different aspects of tipping still need to be explained. One possibility is that blacks may feel increasing social pressure to comply with white tipping norms as they move up the socioeconomic ladder. Previous research has found that people of all types who dislike tipping (Lynn 2008) and who tip because of social pressure (Lynn 2009) leave smaller tip amounts than those who like tipping and do so for intrinsic reasons. Thus, increasing social pressures on blacks to comply with white tipping norms could increase blacks’ tendency to comply by leaving a tip and tipping a percentage of the bill, but also decrease the size of tips left by those blacks who do tip.

From a practical perspective, these results mean that the problems stemming from black–white differences in tipping are not confined to lower-class establishments and neighborhoods. The finding that both upper- and lower-class blacks leave smaller tips than do whites means that tipped workers may feel justified in delivering poorer service to black customers even in upscale restaurants and neighborhoods (Rusche and Brewster 2008). Furthermore, restaurants with a large black clientele can expect difficulty attracting and retaining workers even if that black clientele is socioeconomically advantaged (Lynn, Kwortnik, and Sturman 2011). As a result of this latter expectation, restaurant firms will find even upscale black communities as relatively unattractive places to locate restaurants (Wallace 2001). Thus, upper-scale as well as lower-scale restaurants are likely to find that it is insufficient to simply hire nonracist servers or to tell servers that their perceptions are incorrect. Other measures are to address the problems stemming from black–white differences in tipping.

One partial solution to these problems is to hire black and white mystery diners, to compare the service given to both groups and to hold servers and managers responsible for any discrepancies. Denny’s restaurants took this approach in the aftermath of its widely publicized episodes of service discrimination against black customers and found that it led to a reduction of discrepancies in the service experienced by their black and white mystery shoppers (Hood-Phillips 2000). A second partial solution is to include tipping guidelines and information about server compensation on menus, table tents, and checks. This would likely reduce black–white differences in awareness of the restaurant tipping norm, which have been shown to underlie some of the groups’ differences in tip size (Lynn 2011, forthcoming). However, reducing race differences in tipping norm awareness is not sufficient to eliminate race differences in tipping behavior (Lynn 2011, forthcoming), and the current findings together with previously described other research (Lynn 2008, 2009) suggests that increasing social pressures to tip might backfire, so efforts also need to be made to increase blacks’ acceptance and internalization of those tipping norms. This latter objective might be accomplished by working with local churches and other organizations within black communities to get out information about server salaries and the importance of tipping to the viability of restaurants in black communities. Linda Wallace (2001) reported that at least some black leaders have expressed a willingness to foster such discussions of appropriate tipping behavior in an effort to bring restaurateurs into their communities. Moreover, two executives at a major restaurant chain told one of the authors that they found that a combined approach of within-restaurant information about tipping and community-driven discussion of tipping was helpful in reducing black–white differences in tipping at one of their locations. A third option is to replace voluntary tipping with automatic service charges. Approximately 40 percent of restaurants in Miami Beach, Florida, have adopted this approach to deal with problems stemming from the large numbers of foreign visitors to the city, who leave small tips because they are not aware of American tipping norms (Kwortnik, Lynn, and Ross 2009).

We readily grant that these are not new solutions. However, our data do not suggest any new ideas about how to reduce race differences in tipping. What the current data do is to inform us that the existing, tested solutions to addressing race differences in tipping need to be employed by all restaurants serving large numbers of black customers. We hope that this information will encourage more industry executives and leaders to actively pursue these solutions.
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Notes

1. This does not obviate the need to select nonracist servers and enforce non-discrimination policies. See: Brewster (2012).
2. In another study, Lynn and Williams (2012) found that black–white differences in awareness that it is customary to tip a percentage of the bill declined with socioeconomic status. However, they also found that socioeconomic status did not reduce black–white differences in awareness of the size of that customary tip percentage. Moreover, their study did not look at race by SES interaction effects on tipping behavior.
3. Flat tipping was a binomial dependent measure, and logistic regression is typically used when analyzing such dependent variables. However, we were interested in interactions whose coefficients and associated statistical tests from logistic regression “do not properly reflect moderation effects in the original data” (Hess, Hu, and Blair 2010, p. 3; also see Ai and Norton 2003). Wooldridge (2000) argues that using ordinary least squares regression with heteroskedasticity robust standard errors to analyze binomial dependent variables is defensible when “we want to know the ceteris paribus effect of certain variables on the probability” (p. 236) of an outcome.
4. Cell sizes were as follows: 224 white, working-class; 78 black, working-class; 264 white, lower middle-class; 73 black, lower middle-class; 136 white, middle-class; and 44 black, middle-class.

References


**Bios**

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