Journal of Economic Psychology 46 (2015) 74–88

Contents lists available at ScienceDirect

Journal of Economic Psychology

journal homepage: www.elsevier.com/locate/joep

Review

Service gratuities and tipping: A motivational framework

Michael Lynn *

552 Statler Hall, Cornell University, Ithaca, NY 14853-6902, United States

ARTICLE INFO

Article history:
Received 15 February 2014
Received in revised form 25 November 2014
Accepted 15 December 2014
Available online 24 December 2014

JEL classification:
A13
J00
L8
O5
Z1

PsycINFO classification:
3920

Keywords:
Service gratuities
Social norms
Consumer behavior

ABSTRACT

In many countries around the world, consumers leave voluntary payments of money (called "tips") to service workers who have served them. Since tips are an expense that consumers are free to avoid, tipping is an anomalous behavior that many economists regard as "irrational" or "mysterious". In this paper, I present a motivational framework that offers plausible explanations for: (1) why people tip, (2) how tipping norms came into existence and evolve over time, (3) why tipping varies across individuals and situations, (4) why tipping is more common for some occupations than others, and (5) why tipping varies across nations. Many hypotheses generated from this framework are supported by existing research, but many other implications of the framework have yet to be adequately tested. Thus, the framework provides a promising and much needed theoretical guide for future research on a fascinating consumer behavior.

Contents

* Tel.: +1 (607) 257 4757.
E-mail address: WML3@cornell.edu

http://dx.doi.org/10.1016/j.joep.2014.12.002
0167-4870/

1. Introduction

"Economists do not have a good theory of tipping. Normally, we assume that consumers pay as little as they have to when buying the products they want. Yet, when buying meals, haircuts and taxi services, most consumers voluntarily pay more than they are legally required. Why does this happen? Why is it more true for some services than for others? Why do tipping customs vary from country to country? I have no idea."

[Greg Mankiw, 2007]

In many countries around the world, consumers leave voluntary payments of money (called "tips") to service workers who have served them. Although the size of these payments varies across nations, sub-cultural groups, individuals, service occupations, and particular service encounters, they often represent non-trivial sums of money. For example, tipping often increases the costs of eating out at restaurants by 10–20 percent and that of taxicab rides by 10–15 percent (Lynn & Lynn, 2004). Collectively, tips represent a substantial expenditure of economic resources with estimates placing the total amounts tipped to restaurant workers in the United States alone at around $44 billion (Azar, 2008).

This widespread and substantial form of payment is interesting because it is an expense that consumer are free to avoid. Typically, consumers try to pay as little as possible for the things they buy, so tipping is an anomalous behavior that many economists regard as "irrational" or "mysterious" (e.g., Ben-Zion & Karni, 1977; Frank, 1987; Landsburg, 1993). Although there is a modest and growing academic literature examining tipping, this work tends to be narrow in scope and poorly integrated (see Lynn (2006) and Azar (2007c), for reviews). There is no good theory or framework that can be used to (1) integrate the tipping literature, (2) explain historical, individual, situational, occupational and national variations in tipping, and (3) direct future research on the phenomenon. This paper is intended to fill that gap.

Drawing upon the existing behavioral science theory and research as well as the tipping literature, I identify five motives for tipping and two for not tipping, which I refer to collectively as the Tipping Motives Framework (TMF). Then I use the TMF to explain differences in tipping across historical time, individuals, situations, occupations, and nations. In the process of doing so, I review the tipping literature to see how well supported those explanations are as well as how useful the TMF is for understanding various aspects of the phenomena and for directing future research. I conclude the paper with a summary evaluation of the TMF and a call for more research using it to understand the determinants of this fascinating economic behavior.

2. The Tipping Motives Framework

Tipping is the voluntary and deliberate act of individual consumers. Therefore, its ultimate explanation lies in individual human motivation. Clearly, cognitive and social processes also underlie tipping, but they operate on and/or through motives and their effects cannot be fully understood apart from some motivation for tipping. Indeed a perusal of the tipping literature reveals a number of different motives that have been hypothesized to underlie this behavior (see Azar, 2010; Becker, Bradley, & Zantow, 2012; Lynn, 2009; Lynn & Grassman, 1990; Saunders & Lynn, 2010). Selectively drawing on this literature, I argue that tipping is primarily driven by motivations to: (1) help servers, (2) reward service, (3) gain or maintain future preferential service, (4) gain or maintain social esteem (approval, status, and/or liking), and (5) fulfill felt obligations and duties. Countering these positive motivations for tipping are two primary restraining motivations – (1) a desire to keep the tip money for other uses, and (2) a dislike of the status differences implied and created by tipping. Collectively, these motivations for and against tipping make-up what I call the Tipping Motives Framework or TMF, which is graphically depicted in Fig. 1. Support for the existence and importance of these theorized motives is drawn from the behavioral and experimental economics literature as well as the theory and research of other social science disciplines in the paragraphs below. Subsequent sections apply this framework to different aspects of the phenomena – namely temporal/historical, individual, situational, occupational, and national differences in tipping.

2.1. Helping servers

Numerous scholars have suggested that tippers are motivated by desires to help their servers (e.g., Azar, 2004a; Frank, 1988; Saunders & Lynn, 2010; Schotter, 1979) and roughly seventy percent of U.S. consumers agree that such desires underlie their own tipping (Lynn, 2009). Although inconsistent with economic models that assume self-interest as the primary