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Restaurant tipping in Europe: a comparative assessment

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ABSTRACT

Tipping is a social norm in many countries and has important functions as a source of income, with significant social welfare effects. Tipping can also represent a form of lost tax revenue, as service workers and restaurants may not declare all cash tips. These interrelationships remain generally insufficiently understood. This paper presents the results of a comparative survey of resident tipping patterns in restaurants in Spain, France, Germany, Switzerland, Sweden, Norway, and the Netherlands. ANOVA and ANCOVA analyses confirm significant variation in tipping norms between countries, for instance with regard to the frequency of tipping and the proportion of tips in relation to bill size. The paper discusses these findings in the context of employment conditions and social welfare effects, comparing the European Union minimum wage model to gratuity-depending income approaches in the USA. Results have importance for the hospitality sector and policymakers concerned with social welfare.

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Introduction

Tipping in tourism and hospitality, and specifically restaurants, has received much attention in the literature (for an overview see e.g. Lynn, 2006). Authors have affirmed tipping's economic value and importance as additional income source (Azar, 2011), and as a means to increase service quality (Lynn, 2001), server loyalty to a specific restaurant (Lynn, 2002), or customer satisfaction (Lynn, 2018). The literature also discusses tipping's downsides in terms of reduced wages (Shy, 2015), tax evasion (Anderson & Bodvarsson, 2005; Schmidgall & Tarras, 1995), and as a source of inequality and harassment (e.g. Brewster & Nowak, 2019; Lynn, 2009; Lynn & Simons, 2000; Parrett, 2015).

Tipping is common in many service professions, including the food services, accommodation, shopping and personal services, and transportation. However, there is considerable variation in tipping customs between service professions and countries (Star, 1988). The understanding of such differences has relevance for governments interested in service gratuities' social welfare and tax revenue effects; for service workers demanding fair and economically secure working conditions; as well as for travellers who may wish to tip appropriately in different cultural contexts. Interest in the

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latter also provides an indication of the current understanding of tipping norms. For example, Swedish website Travel Forum provides an overview of service gratuity expectations in 250 countries and regions, suggesting that it is uncommon to tip in Belgium or Denmark, and customary to tip up to 20% in Canada or the USA.

Where tipping is a norm, economic implications will be significant. Azar (2011) estimated, on the basis of data from the US Census Bureau, that annual food sales in restaurants, bars and accommodation in the USA amounted to US$247.9 billion, with close to one fifth (18.8%; US$46.6 billion) of the total contributed by tips. The data imply that for many service workers, tips constitute a considerable share of their income. The estimate is that servers in US restaurants earn 58–61% of their earnings in tips (Wessels, 1997), and sometimes up to 100% of their discretionary income (Mansfield, 2016). This situation is fundamentally different in other parts of the world, where tipping is unknown, even frowned upon, or discouraged for reasons of income stability, to avoid inequality and harassment, tax evasion, or because the practice interferes with cultural norms or minimum wage considerations (Azar, 2011; Lynn, 2018).

Considerations of the welfare implications of the European and the US American gratuity norms are of importance, because they have implications for social security and other social policy goals, such as minimum wages or health insurance (George & Taylor-Gooby, 1996; Popple, 2018; Rochefort, 1986). As highlighted by George and Taylor-Gooby (1996), differences in welfare structures are not only apparent in the comparison of the USA and Europe, but also between European countries. Historically, European countries including Norway, Sweden or Germany have represented more developed welfare states, while less affluent countries such as Italy or Spain remained more reliant on family structures for welfare provisions. Countries have also moved through stages of 'welfare optimism' and 'welfare pessimism' (George, 1996), indicating shifting views on the role of the state to provide social security. Within the European Union, significant differences in welfare frameworks continue to persist between countries (Taylor-Gooby et al., 2017).

This paper investigates restaurant tipping in seven European countries to determine differences in national service gratuity norms. The topic is frequently discussed in the media and academic papers, but empirical studies are rare. To address this gap, this is the first study to present comparative data on tipping frequency, the amount tipped in relation to bill size, and various other parameters in a sample of European countries. Focus is on residents' spending and tipping patterns, as existing studies have not normally distinguished tourist and resident tips. As the European minimum wage model has implications for tipping patterns, the paper then discusses the results from a social welfare point of view, and in comparison to the gratuity-depending income model dominating in North America.

Background

Pricing system, income and tip size

Depending on national norm, there are three basic pricing systems in restaurants: (a) the tipping model, in which customers pay for the food itself, plus a gratuity of their choice that to a large degree makes up the server's income; (b) service charges or administrative fees charged in addition to the menu price, which may be highlighted in the menu, or be implicitly understood by customers; and (c) service-inclusive pricing, in which the cost of food and service are indicated in the menu, sometimes with a note that the service charge is already covered. The most common model in North America is the tipping model (Lynn, 2018), whilst in Europe, restaurants use service-inclusive pricing models, as minimum wages are legislated.

Minimum wages guarantee specific income levels, to which tips are additional. Table 1 lists the monthly minimum wage in restaurants in the countries studied in this paper. Spain has the lowest minimum wage at €1050 per month, Switzerland the highest at €3154per month (gross salaries). This corresponds to €6.55 per hour in Spain (assuming 160 work hours per month; Eurostat, 2019),

Table 1. Minimum wages in restaurants, study countries 2019.

Country	Monthly minimum wage (€)	Wage adjusted to comparative price levels (2018 data)*
France	1521	1339
Germany	1557	1458
Netherlands	1635	1416
Norway[a]	2640	1748
Spain	1050	1097
Sweden[b]	2085	1687
Switzerland[c]	3154	2022

Source: Eurostat, 2019; European Commission, 2019

[a]Norway does not have minimum wages, but there is a country-wide agreement with the hotel and restaurant union. Staff are paid based on experience and formal education. Here, the minimum beginner's pay for staff without trade certificates or formal experience is €2,640, which would increase to €3005 for those with trade certificates after six years (Fellesforbundet, 2019).

[b] Sweden also has a country-wide agreement with the hotel and restaurant union for a monthly minimum wage of €2085 for employees without work experience. This increases to €2235 for staff with six years of work experience (HRF, 2019).

[c]Swiss minimum wage for staff without experience or formal education (Gastrosuisse, 2019).*EU27 average = 100. All conversions based on Oanda Currency Converter, 24 September 2019.

and €16.85 per hour in Norway (Fellesforbundet, 2019). Importantly, in all European countries, workers will be entitled to paid holidays as well. In comparison, a service worker in the USA may rely on a minimum federal minimum wage as low as US$2.13 (€1.95) (Clifton et al., 2018), i.e. less than a third of the lowest pay in this sample of countries.

A related question is how much service workers will earn through tips. The literature on actual tipping patterns is limited, specifically if including only studies that are no older than ten years. Table 2 indicates that most studies have been conducted in the USA, though usually with a focus on one restaurant. Tip size is in the order of 20% to 22% in the exit surveys (Brewster & Lynn, 2014; Whaley et al., 2019), 17.8% to 19.3% in an online survey (Brewster & Brauer, 2017), and 11.97% to 21.07% in a summary of studies on tipping differentials between Black and White customers (Brewster & Nowak, 2019). This confirms that US-tipping levels are high, specifically if compared to the only European study, which identified an average 4.1% gratuity in a restaurant in Switzerland (Fernandez et al., 2016).

As the above summary suggests, most studies of tipping are characterized by limitations. For instance, previous studies have measured tip size on the basis of online surveys with hypothetical bill sizes (e.g. Brewster & Brauer, 2017), exit surveys (e.g. Brewster & Lynn, 2014; Whaley et al., 2019), or by using data from point of sale systems (Kim et al., 2017). These methods are difficult to compare, and have advantages and disadvantages: point of sale system data will provide the most exact information, but do not provide information on cash tips; exit studies are more reliable as customers will remember how much money they spent/tipped, but they focus on individual

Table 2. Overview of more recent studies on tipping (2010–2019).

Bill size and tip	Method	Sample size	Study area	Reference
Average net bill US$24.12, average tip US$5.35 (22% added to net bill)	Exit survey in three restaurants, based on bills, tipping amount	$n = 387$ (response rate 19.4%)	Downtown, medium-sized city, southeastern USA	Whaley et al. (2019)
Average bill size US$44.00, average tip $9.00 (20% added to net bill)	Exit survey, 'moderately priced restaurant'	$n = 394$ (response rate 63%)	'large northern city', USA	Brewster and Lynn (2014)
Hypothetical on US$45.50 bill, added $8.12–$8.78 tip (17.8% −19.3%)	Online survey	$n = 914$	US consumer panel	Brewster and Brauer (2017)
Depending on study, 11.9%-21.07% mean tip percentage	Metastudy	–	USA	Brewster and Nowak (2019)
Average bill size CHF 195.51, average tip size CHF8.10 (4.1%)	One restaurant, exit survey	$n = 141$	Switzerland	Fernandez et al. (2016)

restaurants and sometimes small sample sizes; and *ex post* (hypothetical) data collection can involve a significant social desirability bias.

A general weakness of earlier studies is that these rarely distinguish cash and credit card payments, even though this has relevance for control over tips and tax payments. Where gratuities are paid by card, restaurant owners will have to redistribute these to staff, who are unaware of the total amount tipped. Credit card tips are also subject to governmental control and hence more likely reported to authorities than cash tips. Studies have also ignored tipping differences between residents and international tourists, which is likely relevant in any city that is an attractive tourist destination. As Mansfield (2016) shows, US tipping norms have spread worldwide, indicating the importance of service gratuities from North American tourists in other parts of the world. Yet, even citizens of a given country may adopt different tipping patterns when on holiday in their own country, and there may be differences in tipping between day-times and week days, or specific days within a month. Tips may be higher on weekends, or when monthly salaries have been received; and they may be influenced by other factors, such as the level of alcohol consumed (Lynn & Latané, 1984). These specific situations may lead to 'tipping peaks, though this remains speculative in the absence of data.

Comparative tipping patterns have been studied only once, in a cross-country survey of differences in the number of tipped professions, and the prevalence of tipping in relation to Hofstede (1983) values (Lynn et al., 1993). Comparative empirical information on tip size remains unavailable, however.

Social welfare implications of menu pricing models

While much attention has been paid to tipping in restaurants as an economic behaviour, i.e. as a custom and social norm (Lynn, 2006), less attention has been paid to its social welfare implications. Tipping is a custom in many countries (Star, 1988; Lynn et al., 1993), and has, predominantly in Northern America, considerable importance for individual income levels as well as for sector-wide economic performance (Azar, 2011). A long-standing debate is whether tipping is preferable to service charges; this is an ongoing discussion in the USA, for example (Lynn, 2018). It has been argued that where minimum wages are low, this is likely to increase the propensity to tip, as customers will be aware of the relative importance of tips as an income source (Azar, 2007; Lynn, 2006).

Many variables have relevance for restaurant tipping. These include service quality, group size, or staff characteristics, all of which have been shown to influence the size of tips (Lynn, 2006). However, tipping also depends on systemic variables, i.e. the policies regulating (or not regulating) and affecting service gratuities. For example, the basic income earned by restaurant staff is determined by minimum wages, which are established by governments or branch organizations. As Mansfield (2016) outlines, employers in the US can pay as little as US$2.13 per hour to waiting staff. Customer knowledge of poor labour conditions, it has been argued, will lead to more generous tips, as income inequality is considered a factor increasing gratuities (Azar, 2010). The size of tips is also influenced by food prices: Where the perceived cost of eating out is reduced as service charges are not included in menu prices, this is likely to increase the overall interest in restaurant visits, and hence the overall amount of money spent on food services (Lynn, 2018, Lynn & Wang, 2013). Yet, as service workers are unlikely to tax all of their gratuities, as originally postulated by Hemenway (1993), social welfare effects have to be measured in considering their complexity, such as the additional (untaxed) income effects vis-à-vis the cost of health or unemployment insurance losses, or foregone payments to pension funds.

Azar (2011) argued that adding service charges does have the principal effect of tax compliance, though untaxed service gratuities may be considered a zero-sum game in which tax is lost to government and gained by service workers. Untaxed income may even have positive economic effects, at least where it is an additional (and hence unreliable) income that is spent more easily when available. Such effects appear to not have been investigated empirically, however, and Azar (2011) affirms that

society is generally better off when taxes are paid properly. While taxed income also increases longer-term income security for workers, as well as health and unemployment benefits, a question in the European context is whether a living wage income in combination with a tip will increase social welfare – even if this implies that less money is spent on restaurant visits due to perceptions of a higher eating-out cost.

In summary, a customer's willingness to pay (both food and the added tip) is influenced by the pricing system. The tipping model is mostly likely to yield the highest service gratuity. It is not necessarily the model with the highest social welfare effect, however, as customers may wish to tip even where service-inclusive pricing is a norm. On the other hand, service-inclusive restaurant models are likely to affect the perceived cost of eating out – given that the included service cost increases the menu price -, and hence the overall amount of money spent in restaurants: The expectation is that in a service-inclusive environment, less money will be spent in restaurants. The question in regard to these interrelationships is whether it is preferable for governments to stipulate high minimum wages in order to maximize social welfare, a key difference between the European and the North American food service models. However, findings also have relevance for service workers, as the different models affect their income and social security.

Method

To address the empirical gap in the literature on tipping, a modified exit interview methodology was developed. The overall goal was to sample 300 residents in each of seven different European countries, including Denmark, France, Germany, Netherlands, Norway, Spain, Sweden, and Switzerland. The studied countries have in common that they have adopted service-inclusive pricing strategies; i.e. services are included in restaurant bills, and customers are not obliged to tip.

As a representative, country-wide sampling approach is difficult to implement (cf. Rotko et al., 2000), data was collected in selected cities. To avoid capital city effects, which likely include higher tourist numbers, higher restaurant prices, and different tipping norms, a large non-capital city was chosen in each country (Table 3). Usually, this involved one of the larger cities in each country, unless there was no opportunity to find research assistants, in which case a convenience choice was made (i.e. in the case of Freiburg, Germany). A limitation of this approach is that tipping cultures may vary between cities in the same country, and hence not be representative. For example, in the Canary Islands, tip cultures may differ from cities in mainland Spain (Jacobs, 2017). Due to difficulties in approaching residents, actual sample sizes vary between $n = 127$ in Switzerland and $n = 300$ in Germany, Norway and Spain.

Data was collected daily between 15 and 30 June 2018, following identical interview guidelines. Patrons were approached after they had eaten, in an area that is commonly defined as the centre of the city – this area is easily determined in European cities, which often date back to medieval times. The procedure was favoured over exit surveys to include a more representative sample of restaurant and diner types. The timing of the interviews varied between 18.00 and 24.00 (Table 3), to consider differences in national dinner customs. The overall approach resembles a convenience sampling strategy (Bryman, 2016).

Table 3. Sample characteristics.

Country (City)	Time	Participation rate
France (Aix-en-Provence)	20.00–23.00	30% ($n = 168$)
Germany (Freiburg)	18.00–22.00	25% ($n = 300$)
Netherlands (Harlem)	18.00–21.35	40% ($n = 299$)
Norway (Bergen)	18.00–22.00	25% ($n = 300$)
Spain (Sevilla)	22.15–23.45	70% ($n = 300$)
Sweden (Malmö)	19.00–22.00	30% ($n = 285$)
Switzerland (Lausanne)	20.00–23.00	30% ($n = 127$)

Patrons were approached by students presenting themselves as research assistants in a food-related research project. They were then asked whether they had eaten, and when this was confirmed, they were asked whether they lived in the respective city. Only when the answer was again affirmative, respondents were invited to join the survey, and informed that their answers would be treated anonymously. Where participants agreed to join the survey, a questionnaire in the respective country's national language was administered. Questions included the frequency of restaurant visits (dinner), group size, payment mode and size of bill and tip (cash/credit), tipping frequency, as well as socio-demographic information (age, gender). Answers were collected from the person paying the bill. Where bills had been split, all diners who paid a share of the total bill were invited to participate in the study. When interviewers collected data from a group splitting their bill, they noted this in the questionnaire. To compare results, all values are calculated in Euro, on the basis of the exchange rate of 15 June 2018. For Sweden this is: SEK 1 = €0.0979, Norway: NOK 1 = €0.1056, and Switzerland: CHF 1 = €0.8622.

No major difficulties were encountered during interviews, though the share of respondents willing to participate was limited in some countries, also due to the sorting mechanism. Relatively large numbers of people had to be approached for each interview; acceptance rates among those eligible for inclusion were low, and typically in the order of 30%.

Data are summarized using descriptive statistics, and differences between countries confirmed by conducting co-variance analyses (Rutherford, 2011). ANOVA and ANCOVA as General Linear Model approaches are used to evaluate whether the means of a dependent variable is equal across levels of several independent (treatment) variables, while statistically controlling for the effects of other continuous variables that are not of primary interest, known as covariates. In this study, ANCOVA is used to evaluate the likelihood of effects between the propensity to tip across different countries. All statistical analyses were carried out with SPSS 24.0.

Results

The following section presents the descriptive statistics describing the four dependent variables and the control variables. ANCOVA results are shown in the subsequent section, establishing that countries do differ on the four tipping variables: frequency of tipping (how regularly a customer tips), tip likelihood (whether a gratuity was paid), tip size (total amount) and tip percentage (amount in relation to bill size). These analyses also control for possible effects of age, gender, income, payment method and bill size, the latter adjusted by dividing the total bill size by the number of guests dining at the table.

As shown in Table 4, the average age of participants varies between younger (32 years in Norway) and older (46 years in Germany) respondents, as well as by gender distribution (56% female in

Table 4. Overview of descriptive statistics.

	FR	GE	NE	NO	SP	SWE	SWI
Sample size (N)	168	300	299	300	300	285	127
Age	38.94	46.41	36.01	31.67	38.58	40.79	35.21
Gender (male)	48.8%	54%	61.9%	44%	48.7%	51.2%	58.3%
Rest. visits per month	2.77	2.88	2.01	2.85	2.88	2.27	3.06
Party size	2.85	2.65	3.42	3.02	3.63	3.17	2.55
Payment in cash (yes)	15%	87.3%	49.8%	6.7%	54.7%	7.4%	38.6%
Split bill (yes)	42.9%	33.3%	50.5%	80.3%	0%	40.4%	26.8%
Av. Bill size (€)	57.25	37.55	25.41	37.69	76.06	64.45	72.88
Av. Tip size (€)	1.11	2.82	1.18	0.74	1.72	5.84	2.41
Av. Tip percentage	1.95%	7.52%	4.63%	1.95%	2.26%	9.06%	3.31%
Av. Tip size (actual, €)	3.47	2.92	2.12	5.38	2.59	7.05	3.65
Tip in cash (yes)	39%	91.3%	72.9%	24.5%	100%	24.2%	50.4%
Did tip (yes)	39.9%	96.7%	55.5%	14.3%	66.3%	82.8%	66.1%

FR = France; GE = Germany; NE = Netherlands; NO = Norway; SP = Spain; SWE = Sweden; SWI = Switzerland.

Norway; 62% male in the Netherlands). It is unclear whether these differences are a result of the convenience sampling strategy or whether they represent differences in eating-out cultures. For instance, in some countries, more traditional role models may suggest that the male partner pays the bill. There is also considerable variation in restaurant visits per month, with an average of more than three times per month (3.06) in Switzerland and two visits per month (2.01) in the Netherlands. The study cannot determine whether this is a result of the sampling strategy, a result of (higher) income levels that may be positively correlated with restaurant visits, or a reflection of differences in national eating-out cultures.

Group size is another variable that was investigated. Results show that it is more common to eat in larger groups in Spain, with an average party size of 3.63; in comparison, Swiss groups on average included 2.55 people. This may well reflect on national cultures, and the importance assigned to eating out as a social event. Considerable differences were also found in regard to payment cultures. In both Sweden and Norway, virtually all bills were settled by credit card (92.6–93.3%), while the opposite is true in Germany, where 87.3% of all payments were made in cash. This is an important finding, as in all countries, the share of *tips* paid in cash is higher than the share of *bills* paid in cash, i.e. customers settle the bill by credit card, to then leave the tip in cash. Even in the Scandinavian countries, where almost all bills are paid by card, a 16.8% (Sweden) and 17.8% (Norway) higher share of cash tips was reported. This strongly suggests that customers are aware of the implications of cash tips for service staff, either in terms of direct payment (and not indirectly through the owner of the restaurant), or because of the implicit understanding that cash tips are unlikely to be taxed, hence representing a more 'valuable' gratuity to service workers. Results also show that this norm is particularly manifest in Spain, where all tips are given in cash. Another difference between countries is the splitting of bills. For instance, in Spain, bills are rarely split, while in Norway, more than 80% are divided by those in the group.

Results of the standard analysis of covariances (tip characteristics between countries) are shown in Table 5. The ANCOVA analysis focused on frequency of tipping demonstrates that there is a significant difference between countries (see Table 5). Contrast analyses also reveal that Germany is the country in which customers report the most frequent tipping, followed by Switzerland. Tipping frequencies are largely identical for customers in France, Spain, Sweden and the Netherlands. The country in which customers tip the least frequently is Norway: Almost a quarter of customers (23.3%) stated that they never tip.

Significant differences in the likelihood of tipping were also confirmed. Contrast analyses reveal that customers are more likely to give a tip in Germany (96.7%) and in Sweden (82.8%) than in Spain (66.3%), Switzerland (66.1%), or the Netherlands (55.1%). These countries also differ from France (39.9%), and France again differs from Norway (14.3%). A significant difference in tip size was also found between countries. Here, contrast analyses show that tip size is higher in Sweden than in Germany and the Netherlands, though there was no difference between Norway and these three countries. Tip size was also higher in Sweden, Germany, Netherlands and Norway than in France, Spain and Switzerland. Finally, significant differences were also confirmed for tip percentages. Contrast analyses show that tip

Table 5. Analysis of covariance: *F* statistics and effect sizes (η_p^2) of between-subjects factors.

	Frequency of tipping			Tip likelihood		Tip size		Tip percentage	
	F	*df*	η_p^2	*F*	η_p^2	*F*	η_p^2	*F*	η_p^2
Age	10.86**	1	.00	7.46**	.00	.11	.00	4.89*	.01
Gender	.97, ns	1		1.17, ns		.14, ns		2.36, ns	
Income	49.74***	1	.01	14.35***	.01	1.26	.00	7.52**	.07
Bill adjusted	15.53***	1	.01	32.22***	.02	397.15***	.27	14.93***	.14
Payment	8.44***	1	.28	42.52***	.02	3.06	.00	.02, ns	
Country	110.72***	6	.01	69.72***	.19	33.84***	.16	43.42***	.20

Note: *$p < .05$, **$p < .01$, ***$p < .001$.
η_p^2 near .01 indicates a small effect size, near .06 indicates a moderate effect size, near .14 a large effect size.

percentage are higher in Sweden, Norway, Germany and the Netherlands than in Switzerland, France and Spain. The tip percentage is also lower in Germany than in Sweden.

Some of the survey's most important findings would thus pertain to tip size, also in relation to bill size (Table 4). As outlined, it is a norm to tip in Germany (96.7%), while tipping is common in Spain, Switzerland in Sweden (66.1% to 82.8%) and very uncommon in Norway (14.3%). The importance of national tipping cultures is perhaps best illustrated based on the example of two geographically close countries. Sweden and Norway are similar regarding minimum wages and the cost of eating out, yet very different in bill sharing (80.3% in Norway and 40.4% in Sweden) and tipping frequency (14.3% in Norway and 82.8% in Sweden).

Tip size varies as well between countries, which is best measured in comparison of the average weighted tip percentage in relation to the bill size (Azar, 2011). Data reveals that the tip size is lowest in France and Norway (1.95%), and highest in Germany (7.52%) and Sweden (9.06%). Yet, this needs to be seen in relation to tipping frequencies. The calculation of average *actual* tips shows that when a tip is paid, the amount will be highest in Sweden (€7.05) and Norway (€5.38) (Table 4).

The comparison of the situation in Sweden and Norway, as neighbouring countries with high welfare standards, high minimum wages, but very different tipping cultures sheds some light on the importance of tipping in regard to social welfare. Here, service workers in Sweden are better off, because the amount of money spent in restaurants is significantly higher due to differences in tipping standards. Almost 83% of customers will leave a service gratuity, which on average is significantly higher than in Norway, where only 14% of patrons tip in the first place. The additional income generated by service staff in Sweden is thus significantly higher. It is unclear how this difference can be explained. Norwegians eat more often in restaurants (2.85 times per month, compared to 2.27 times per month in Sweden), which may be a partial explanation for lower tip frequencies: the knowledge of not having to spend additional money on the service gratuity may entice Norwegians to eat out more often, which then would imply social welfare benefits in terms of the overall amount spent on food. These interrelationships are explored in more detail in the following section.

Discussion

Most research into restaurant tipping has so far focused on North America, where service gratuities constitute an important part of the income. In the service-inclusive pricing context of European countries, tipping patterns appear to be far more diverse and complex than so far discussed in studies carried out in North America. There also exist major differences regarding the frequency of tipping as well as the size of tips in relation to bill size. While regular tipping is a norm in the USA (Lynn, 2018; Mansfield, 2016), this research indicates that only in Germany, a large majority of patrons will leave a tip. Tipping is less common in the other countries studied, and uncommon in Norway. A similar difference was also found in regard to tip size. Studies in the USA have regularly pointed at an average 20% service gratuity; the highest in the countries studied was found in Sweden, at 9%, and a third or less of this in France, Norway, Spain, or Switzerland. Results thus confirm that service-inclusive pricing norms will result in significantly lower service gratuities. To compare average tips between countries is misleading, however, as there are considerable differences in tipping likelihood and overall tip size. For example, even in countries where tipping is not a social norm, such as Norway, service gratuities can be high when customers make the decision to tip.

This paper also seeks to discuss social welfare effects of different eating-out and tipping cultures. Insights from this research only allow for preliminary conclusions, however, because it is unclear whether the higher cost of service-inclusive restaurants reduces the interest of eating out, and hence the overall share of the discretionary income that is spent on food services. Where service workers earn higher living wages in combination with a significant tip, this can increase overall welfare, even in a situation where tips are not fully taxed. The latter is likely in countries where a high percentage of the tip is paid in cash, i.e. Spain and Germany.

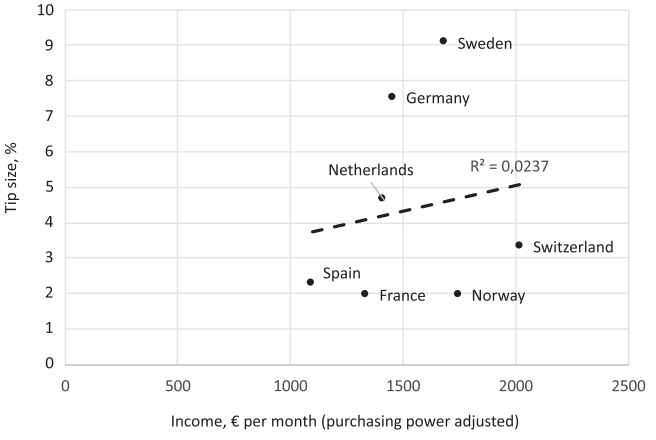


Figure 1. Interrelationship of tip size and income*. *purchasing power adjusted.

While the study does not allow for conclusions regarding national social welfare effects, some preliminary insights can be revealed at the business level. On this scale of analysis, welfare effects appear to be greater in countries with high minimum wages and a tipping norm. This is illustrated in Figure 1, which shows that there is a very weak correlation between staff income (adjusted for purchasing power) and average tip percentages in the different countries.

In Spain, the situation for service workers is the least favourable, as the minimum wage paid is low, as are tip percentages. This is also true for France. In the Netherlands, income is somewhat higher than in France, and the tip size is more than twice as high. Even better are the conditions for service workers in Germany and Sweden. The German minimum wage is somewhat higher than in France, and considerably higher than in Spain; yet, tips are more than three times higher. In Sweden, a significantly higher wage goes along with a tip size that is about four times higher than in France or Spain. Norway and Switzerland, in comparison, offer comparably high wages, though tipping levels are lower. From a service worker's viewpoint, the most desirable tipping culture is probably found in Germany, where minimum wages are high, tipping is a norm, tip percentages are high, and mostly paid in cash.

As a limitation, this is a conclusion drawn on the basis of resident tipping data. Where tourists account for a high share of patrons, the situation may be fundamentally different, as service gratuities may be significantly higher. Mansfield (2016) highlight the importance of US tipping patterns for international tourism, as US visitors in Europe are likely to leave significantly higher service gratuities. Specifically in Norway, where the share of US visitors (and other international tourists) can be high, overall tip volumes may be larger than resident data would suggest. For example, restaurants in locations that attract a high number of international tourists will earn higher service gratuities.

An important question in the context of social welfare is whether governments should make greater efforts to tax service gratuities (Anderson & Bodvarsson, 2005). Evidence suggests that there is a limited understanding of the scale of gratuities, specifically where the share of cash tips is high. Where attempts are made to tax tips, this is often complex (Macnaughton & Veall, 2001). An example is Norway, where the government has discussed new policies to ensure that service gratuities are taxed. The proposed legal framework requires employers to report tips and to deduct taxes. Employers will have to pay social security on tips, which are treated as income (Regjeringen, 2018). Branch representatives have criticized this legislation as difficult to follow up on, as cash tips cannot be controlled. As this research suggests, cash tips will represent at least a quarter of service gratuities in Norway. Branch representatives also underscore that as a consequence of the new legislation, restaurants will refuse cash payments (NHO Reiseliv, 2018). The overall outcome is probably that in Norway, tips will be increasingly collected as an additional source of restaurant

revenue, paid electronically, to be redistributed to employees as taxed income. The service sector's branch organization fears that this will incur a significant administration cost, and lead to a decline in staff income from tipping (NHO Reiseliv, 2019). This research would indirectly support this notion: As cash tips appear to be made with a thought to represent a 'net' (untaxed) contribution to income, willingness to tip will likely decline under a scenario of full disclosure and taxation. Furthermore, the branch organization's estimate is that only about half of the tip will be paid out as income, once social security, health, taxes, and administrative cost are deducted (NHO Reiseliv, 2019). Patrons may reduce levels of service gratuities knowing about this situation, which would lead to an overall decline in tip income. The trade-off is thus between a partially untaxed income with the benefit of higher service gratuities, and an overall lower revenue that translates into even more limited income, though this income is properly taxed, also securing pensions and health insurance.

Further complexities arise out of other tipping-related interrelationships. For example, a major issue in the USA is service performance (Lynn, 2001), which some authors have debated may suffer if tipping income declines as a result of taxation policies (Lynn, 2017). Yet, as it must be considered socially desirable that all income is taxed (Azar, 2011), restaurants may have to focus on other strategies to compensate for changes in tipping behaviour. As Lynn (1996) illustrated, ways to increase tip levels include smiles, touching customers, squatting down next to the customers' table, or drawing on bills (for example, a smiley). All of these are representations of empathy and sympathy. To strive after common social values, which possibly can be expanded to other aspects, such as regional or organic foodstuffs, should provide interesting avenues for restaurants to address taxation as well as social norms of tipping to entice higher gratuities, and to simultaneously strengthen customer relations.

Conclusions

This paper studies tipping cultures across a sample of resident restaurant customers in seven European countries. Findings support considerable differences in tipping norms in regard to tipping frequency, size of tips in relation to bill size, and the overall contribution of tips made to service worker income. While it is difficult to judge the importance of these findings for national welfare effects, results affirm that at the restaurant level, tipping norms as observed in Germany or Sweden are more beneficial for service workers than those in for example France and Spain. The reason is that minimum wages are high in Germany and Sweden, and service gratuities make additional, significant contributions to income. Germany may have the most profitable tipping norms, because customers tip frequently, tip percentages are high, and they are mostly paid in cash. These European findings are also relevant in comparison to the North American tipping model, which is characterized by low minimum wages and social insecurity.

The comparative study of tipping in European countries also identified aspects that deserve to be studied in more detail. For example, this would include the question as to how tipping frequency and tip percentages are affected by taxation; whether there are differences in tipping patterns between local residents, day visitors, national tourists, and international tourists; how customers reason when they decide to pay tips in cash or electronically; and whether there are distribution norms for tips collected on behalf of all employees, specifically when these are paid by credit card.

Future research may also focus on aspects of tipping patterns in different countries. For example, this research found a dichotomy of 'no tip' to 'very significant' tipping in Norway, which is difficult to explain: who are the patrons extending service gratuities, and why are these contributions very significant? Of even greater interest is research focused on tipping in developing countries. Given the very low wages often paid in the service sector in such countries, including on board cruise ships, it is of interest to determine the size of tips for service workers in these countries, and their social and economic implications.

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Appendix 1: Guidelines for research assistants

The following guidelines were provided to all research assistants engaged in data collection:

(1) This project focuses on medium-sized cities (not the capital), and restaurant diners within what is commonly seen as the 'city centre' of the respective city.
(2) People who have eaten (not just having had drinks) in these restaurants are to be approached after dinner, i.e. in the evening, between 18 and 24 h.
(3) Research assistants are to approach a diverse convenience sample of diners, they will not wait outside specific restaurants, and they will not include fast food purchased at stalls.
(4) Only respondents who are also residents in the respective city will be included in the survey, and answers will be collected from whoever paid the bill.
(5) Where bills have been split, all diners who paid a share of the total bill will be invited to participate in the study. When interviewers collect data from a group splitting their total bill, they need to make a note in the questionnaire, i.e. 'SPLIT/GROUP'.
(6) Interviews will be carried out between 15 and 30 June, covering all days of the week, and be evenly distributed over this period of time.

Research assistants may approach diners by asking the following:

Good evening, I am working for the University of [respective university], in a project focused on restaurant diners. Have you eaten in a restaurant tonight? (YES) Are you a resident of [this city]? (YES) Would you be willing to spend 2 min to answer this questionnaire and support our project? All answers are going to be treated anonymously.