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To tip or not to tip?

‘Tipping’ means customers leaving an amount of money extra to the bill in recognition for service, for example from a waiter in a restaurant, a hairdresser, or a porter in a hotel. In some parts of the world it is considered normal practice. This article is about the decision by the owner of a small restaurant to ban tipping.

In November 2006, Simon Aguado scheduled a staff meeting. Less than two years old, his restaurant had already won praise from international critics. Nonetheless, Aguado was troubled. The staff was squabbling, mainly over money, waiters were angling for better shifts and tables, and kitchen workers didn’t feel they were getting a fair share of the profits. This bickering was typical of the restaurant business.

When he opened The Eatery, Aguado had hoped his employees would become as emotionally invested in the venture as he was, sharing a sense of purpose and joy in their work. Now that vision seemed hopelessly naïve. After much thought, Aguado arrived at a possible solution. ‘How about eliminating tipping?’ he asked his staff that November afternoon.

Aguado’s question strikes at the heart of the dining experience. Waiters in some places rely on tips for most of their incomes, yet customers can be anxious about the etiquette of tipping: is 15% enough? 20%? However, studies show that many customers do prefer to tip waiters, if they deserve it, rather than pay a set service charge included in the bill. Indeed, at restaurants that have service charges, diners still often leave additional tips.

In defence of tipping, some claim it improves service – rewarding good waiters and punishing bad ones. That’s not what Aguado found. In his experience, working for tips encouraged selfishness rather than teamwork. Moreover, good service wasn’t always rewarded with a big tip, nor bad service with a poor one. ‘No other profession works like this,’ Aguado told me. ‘I don’t see why the restaurant business should.’ At his restaurant, Aguado and his staff agreed it no longer would. ‘Tipping originated here in the 17th century, as an aristocratic practice, leaving small coins for servants – it has no place in a global marketplace.’

Word of The Eatery’s anti-tipping policy quickly spread. Paulo Grini, the owner of a nearby restaurant, was appalled. It had taken him thirty years of waiting on tables to earn enough money from tips to start his own restaurant. ‘He’s afraid of competition,’ he told me. ‘Aguado is just taking money away from his waiters.’

He may have a point.

Aguado considered raising the prices on the menu and increasing his employees’ wages, but felt that would make the restaurant less competitive. Instead, he proposed a service charge of 18% to be added to every bill. The money would be pooled and divided between the restaurant’s waiters and its kitchen staff. He argued, ‘At our restaurant the quality of the food and skill of the cooks are as important as the quality of the service.’

If he could, he’d have raised everyone’s wages, but profits didn’t allow. He worried that temporary staff especially might not be receptive to his proposal. Aguado’s general manager expected most waiters would just quit. Only one did, and Aguado has had little trouble hiring.

Grini however prided himself on earning big tips when he was a waiter. ‘I could always “upsell” my tables’ desserts,’ he said, using the industry term for persuading diners to order more than they normally would, increasing the bill and hence the tip. He claims waiters only excel at their jobs when they have the proper financial incentives.
But Alice Mybete, a former waitress at The Eatery, says that eliminating tipping made her work feel more meaningful than other restaurant jobs she’d had previously. ‘For the first time, I got to concentrate on the job, and look at the guests without seeing dollar signs or worrying about what anyone else was making,’ she says. ‘As waiters, we all took home less money, but we knew it was for the general health of the restaurant.’

Today, almost all Aguado’s employees appear as enthusiastic in their opposition to tipping as their boss.

Economists have struggled to explain tipping. Why tip at all, since the bill is presented at the end of a meal and can’t retroactively improve service? Certainly there’s no reason to tip at a restaurant you’ll never revisit. Diners generally tip the same percentage no matter the quality of the service because it’s expected. They may also fear social disapproval or feel embarrassment at having another person wait on them.

In his one concession to tippers, Aguado offers them the option of donating money to charity.

Aguado doesn’t expect his war against tipping to spread, yet never tires of defending his position. ‘At the end of a nice meal, the last thing anyone wants to think about is maths.’