

The Benefits of Policies for Tips

Anyone who has worked as a server or preparer in the food and beverage industry knows that tips are an integral part of the earnings. While there are the thorny issues related to income tax, many employers look at tips as a way of helping attract and retain employees.

“The norm seems to be for tips to be shared among the food preparers and the servers,” says Socrates Papadopoulos, a businessman and hospitality trainer with many years’ experience managing restaurants and local chains. “Servers generally have some form of tipping out which makes sense so the people in the ‘back’ also benefit.”

This trend is typical across the western provinces and Yukon, according to the 2005 Western Canada Tourism Industry Compensation Study. In fact, in the food and beverage industry, it tends to be set as a policy not just as a tradition. The percentage being split among preparers and servers will vary from about 1.5 % to 10%, depending on the establishment.

“The percentage is based on the sale value of the table, not on the tips actually received,” Papadopoulos notes.

There are some issues with the tip pool, especially for servers. If they have a large table with a big sale value but receive little or no tip, the server still must contribute the agreed-upon percentage into the pool. It’s a reality that some people will tip poorly or not at all but this often is balanced by the other customers who will tip beyond the ‘standard’ 15% and give as much as a 30% tip.

“Those of us working in the industry tend to over-tip when we dine out,” Papadopoulos laughs. “We know what it’s like!”

Some staff create a ‘walk-out’ fund to help cover the costs to servers who have customers who walk away without paying. Since servers generally are required to pay out of their own pocket for anyone who dines and dashes, they have an incentive to keep a close watch on their tables. When the inevitable happens, however, having a walk-out fund means they can be reimbursed from this shared resource. If there are funds remaining at the end of a year, some staff will donate this to a charity and use some for a staff party.

“Generally, these strategies are left up to staff to organize. Management does not become involved because there are legal issues,” Papadopoulos adds.

Management can use tips, however, as an incentive to attract and retain staff. If the tip-out policy is higher at one location than another, a prospective food preparer is more likely to choose the business with the higher percentage but a server will choose the place with a lower percentage.

While tips are the quantitative reward or incentive, Papadopoulos says the restaurant business creates a family feeling. Working together for long hours brings people close and many people, including Papadopoulos, stay in touch with friends they made over the years in the business.

“The industry also is a good ‘pit stop’ where people can learn and refine their people skills and work ethic. But the real attraction,” Papadopoulos says “is having fun at work for four or five hours and then walking out with \$100 in tips in your pocket at the end of the night.”