



Journal of Managerial Psychology

Explaining the decline of tipping norms in the gig economy

Erik P. Duhaime, Zachary W. Woessner,

Article information:

To cite this document:

Erik P. Duhaime, Zachary W. Woessner, (2019) "Explaining the decline of tipping norms in the gig economy", Journal of Managerial Psychology, <https://doi.org/10.1108/JMP-06-2018-0270>

Permanent link to this document:

<https://doi.org/10.1108/JMP-06-2018-0270>

Downloaded on: 27 June 2019, At: 10:00 (PT)

References: this document contains references to 26 other documents.

To copy this document: permissions@emeraldinsight.com

The fulltext of this document has been downloaded 3 times since 2019*

Access to this document was granted through an Emerald subscription provided by emerald-srm:191576 []

For Authors

If you would like to write for this, or any other Emerald publication, then please use our Emerald for Authors service information about how to choose which publication to write for and submission guidelines are available for all. Please visit www.emeraldinsight.com/authors for more information.

About Emerald www.emeraldinsight.com

Emerald is a global publisher linking research and practice to the benefit of society. The company manages a portfolio of more than 290 journals and over 2,350 books and book series volumes, as well as providing an extensive range of online products and additional customer resources and services.

Emerald is both COUNTER 4 and TRANSFER compliant. The organization is a partner of the Committee on Publication Ethics (COPE) and also works with Portico and the LOCKSS initiative for digital archive preservation.

*Related content and download information correct at time of download.

Explaining the decline of tipping norms in the gig economy

Decline of
tipping norms

Erik P. Duhaime

*Massachusetts Institute of Technology Sloan School of Management, Cambridge,
Massachusetts, USA, and*

Zachary W. Woessner

*Department of Psychology,
Michigan State University, East Lansing, Michigan, USA*

Received 26 June 2018

Revised 5 November 2018

8 February 2019

Accepted 26 February 2019

Abstract

Purpose – Advances in information technology have enabled new ways of organizing work and led to a proliferation of what is known as the “gig economy.” While much attention has been paid to how these new organizational designs have upended traditional employee–employer relationships, there has been little consideration of how these changes have impacted the social norms and expectations that govern the relationship between workers and consumers. The purpose of this paper is to consider the social norm of tipping and propose that gig work is associated with a breakdown of tipping norms in part because of workers’ increased autonomy in terms of deciding when and whether to work.

Design/methodology/approach – The authors present four studies to support their hypothesis: a survey vignette experiment with workers on Amazon Mechanical Turk (Study 1), an analysis of New York City taxi data (Study 2), a field experiment with restaurant employee food delivery drivers (Study 3) and a field experiment with gig-worker food delivery drivers (Study 4).

Findings – In Studies 1 and 2, they find that consumers are less likely to tip when workers have autonomy in deciding whether to complete a task. In Study 3, they find that restaurant delivery employees notice upfront tips (or lack thereof) and alter their service as a result. In contrast, in Study 4, they find that gig-workers who agree to complete a delivery for a fixed amount that includes an upfront tip (or lack thereof) are not responsive to tips. Together, these findings suggest that the gig economy has not only transformed employee–employer relationships, but has also altered the norms and expectations of consumers and workers.

Originality/value – The authors present four different studies that consider the social norm of tipping in the context of gig work. Together, they highlight that perceptions of worker autonomy have driven the decline in tipping norms associated with gig work.

Keywords Pay, Social norms, Organizational behaviour, Temporary workers

Paper type Research paper

Introduction

Advances in information technology have decreased the costs of coordination, leading to an overall shift toward proportionately more use of markets – rather than hierarchies – to coordinate economic activity (Malone *et al.*, 1987). In recent years, this shift has been most visible in what is often dubbed the “gig economy.” In the gig economy, consumers can be seamlessly connected to on-demand independent contractor workers, rather than employees of a hierarchical organization. And unlike in traditional salaried jobs in hierarchical organizations, gig economy workers are typically paid not by the year or even by the hour, but by the task (Chen and Horton, 2016; Friedman, 2014).

A growing literature documents how the gig economy has upended the traditional employee–employer relationship and explores the implications for both workers and employers. The gig economy enables many workers to diversify their income streams through side ventures, such as performing freelancing work through websites like Upwork and driving for ridesharing companies like Uber and Lyft. Indeed, while many Americans do not report holding more than one job, more people are filing 1099 tax forms than in past years (Kuhn, 2016). For employers, the fact that these short-term workers do not need to be



staffed year-round allows companies to avoid paying benefits like healthcare, and to better handle work fluctuations throughout the year (Houseman, 2001).

Less attention has been paid to how the growth of the gig economy has altered the social norms and expectations that govern the relationship between workers and consumers. Research in other domains has found that putting a price on a specific task – a common feature of the gig economy – can lead to a breakdown of previously existing social norms. For instance, Ariely (2008) describes the success AARP experienced when asking lawyers for free services for needy retirees vs a discounted rate of \$30 – a fee which all the lawyers deemed too small. Zero dollars is rarely more attractive than \$30, but “once market norms enter our considerations, the social norms depart” (Ariely, 2008). Similarly, Gneezy and Rustichini (2000) found that when day-care centers imposed a fine for parents who picked their children up late it led to *more* parents picking their children up late, presumably because the market mechanism of the fine crowded out previously existing social motivations. It stands to reason, then, that because consumers pay gig economy workers by the task, previously existing social motivations that governed the relationship between consumers and workers may deteriorate. Here, we consider one such social norm: tipping.

Tipping norms in the gig economy

Tipping is a social phenomenon that generates some \$42bn dollars of income annually for workers in the American food industry alone (Azar, 2007, 2010). Some authors argue that tips serve as a pay-for-performance model to motivate worker performance (Lynn *et al.*, 2011; Shen *et al.*, 2014), while other common explanations for tipping are that people first, are altruistically motivated and tip primarily to “help servers” who make a low base wage, second, tip to “reward service,” driven by reciprocity norms and a desire to ensure that exchanges are equitable, and third have internalized tipping norms and tip out of a sense of duty or obligation (Harris, 1995; Lynn, 2015a, b). Broadly, the strongest arguments for tipping combine extrinsic and intrinsic factors through both market transactions and social norms of reciprocity (Azar, 2003; Johnson, 2005). Meanwhile, when people fail to tip, research suggests that they are striving to avoid implied social status differences between themselves and the receiver, or that they simply want to save money (Lynn, 2015b).

With the advent of new mediums such as Uber, Lyft and Grubhub for ridesharing and delivery services, consumer tipping behavior is changing commensurately. Several lines of evidence suggest that the gig economy is associated with a decline in tipping norms, and surveys indicate that young consumers who disproportionately contribute to the gig economy are less motivated by tipping norms than older consumers (e.g. Lynn, 2017). Customary tips for taxi drivers are over 20 percent of the base fare, whereas average tips to Uber drivers are reportedly only approximately 5 percent of the base fare (Wong, 2018).

Why is it that tipping taxi drivers is commonplace, but tipping Uber drivers is not? We propose that gig-workers’ increased autonomy over whether and when to work is a crucial factor. More specifically, because workers can choose when to work and are paid by the task – rather than by the year or the hour – market norms crowd out the internalized social tipping norms that compel some consumers to tip out of a sense of obligation or duty. Some consumers may also feel less motivated by reciprocity or equity norms, since in the gig economy a consumer can rest assured knowing that a worker would not have accepted the task in the first place if it were not worthwhile for them. These forces, in turn, decrease workers’ expectations of tips and tip-based performance motivations. As a result, while many traditional service workers are motivated to “work for tips,” we hypothesize that gig economy workers are relatively motivated simply to complete tasks at the predetermined price they were offered.

We present four studies to support our hypothesis: a survey vignette experiment with workers on Amazon Mechanical Turk (Study 1), an analysis of New York City taxi data (Study 2), a field experiment with restaurant employee food delivery drivers (Study 3) and a field experiment with gig-worker food delivery drivers (Study 4).

Study 1

To test our theory that worker autonomy influence consumers' tipping motivations, we conducted a survey vignette experiment using workers on Amazon Mechanical Turk. We first collected pilot data with 174 participants that supported our hypothesis. We then collected a larger sample as described here to replicate our main result. In order to better understand participants' thinking, we also included an additional open-ended question that was not in the pilot study.

Method

Participants

We recruited 392 participants on Amazon Mechanical Turk for payment.

Materials and procedure

Upon entering the survey, participants were asked to imagine that they needed groceries to make dinner later than night, but did not have any time to shop. They were then told about "a service, Shop4You, where you can pay for your groceries to be picked up and delivered to your house."

Manipulation

Participants were randomly assigned to one of two conditions: a gig condition, or an employee condition. After reading about the Shop4You service, participants in the gig condition read that "it will take approximately 1 hour to pick up and deliver your groceries, and the worker on Shop4You has agreed to do the job for \$10." In contrast, participants in the employee condition read that "it will take approximately 1 hour to pick up and deliver your groceries, and Shop4You pays their employees \$10 per hour."

Measures

Participants were then asked whether they would tip the worker (yes/no), how much they would tip the worker (\$0–\$10), and why or why not they would tip the worker (free response).

Results

As shown in Figure 1, participants in the gig condition said that they would tip \$2.53 (SD = 1.91) on average, significantly less than participants in the employee condition who said they would tip \$3.06 on average (SD = 2.01), $t(390) = 2.64$, $p < 0.01$. Since the grocery delivery cost \$10 in both conditions, this is an average tip of 25.3 percent in the gig condition vs 30.6 percent in the employee condition. This difference was driven in part by the fact that more people in the gig condition say they would not tip at all. Whereas only 80 percent of participants said they would tip in the gig condition, 86.5 percent of participants said they would tip in the employee condition, a notable but not statistically significant difference, $\chi^2(1) = 2.367$, $p = 0.124$. However, participants who said they would tip in the employee condition still said they would tip more (\$3.50 on average) than participants who said they would tip in the gig condition (\$3.08 on average), $t(325) = 2.18$, $p = 0.030$.

Responses to the open-ended question support our hypothesis that worker autonomy is of critical importance. In the gig condition, 38 of 192 participants said they would not tip at all, and 10 of those participants specifically mentioned the word "agree" in their explanation

for their choice. For instance, participants who indicated that they would not tip said things like “they agreed to do it for \$10 and nothing more,” and “I do not believe this is a service that typically involves tipping. We have already agreed on a set fee amount.” Four other participants did not specifically use the word “agree” but similarly attributed their decision not to tip to driver autonomy. For instance, one participant wrote, “from the information above, I would have ordered online and paid so picking up and delivery for \$10 is appropriate *if the driver sets his own pricing*” [emphasis added]. Notably, these 14 people who specifically touched on worker autonomy represent 7 percent of participants in the gig condition, which is almost exactly the difference of non-tippers between the two conditions (86.5 percent vs 80 percent).

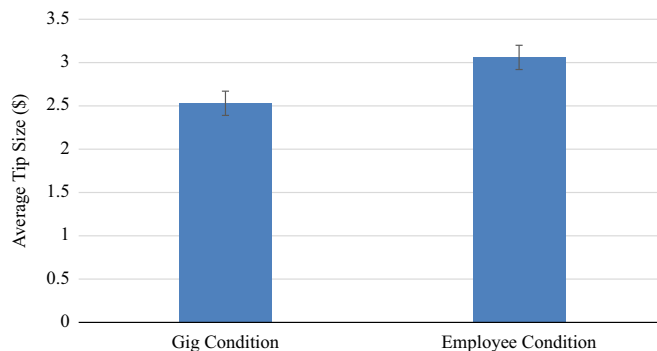
Discussion

Our results support our hypothesis highlighting the role of worker autonomy in explaining the decline of tipping norms in the gig economy. While the survey only considered a hypothetical company, Shop4You, Study 1 shows that consumers’ perceptions of worker autonomy can have a significant impact on consumers’ tipping motivations.

Study 2

In an analysis of NYC taxi data published in Bloomberg, Chemi and Giorgi (2014) found that tip percentages fall sharply for fares ending in 5 or 0. To explain this “mysterious” effect, the authors surveyed a range of leading behavioral experts, including Richard Thaler from the University of Chicago, Dan Ariely from Duke, Andrew Lo from the Massachusetts Institute of Technology and Cass Sunstein from Harvard, but none of the leading experts could offer a satisfying explanation. Despite not being able to explain the finding, Chemi and Giorgi suggested that a “trick for taxi drivers is to not let the fare hit that round number. The average tip at \$60 is \$8.82, but the average tip at \$59 is \$10.33. So in fact, going from \$59 to \$60 resulted in a loss of \$1.50 in tip – more than the difference in fare.”

We suspected that there might be something faulty with the conclusions of Chemi and Giorgi and, furthermore, that uncovering that error might reveal other rich insights about tipping behavior. More specifically, we suspected that the round number effect might actually an artifact of the disproportionately large number of “Negotiated Flat Fare” rides that end in a 0 or 5, which are unmetered fares to locations outside of the city. According to the NYC Taxi and Limousine Commission[1], taxi drivers may choose whether to take such trips, and the fare must be mutually agreed upon by the driver and passenger before the trip may begin. Because drivers have autonomy over whether to



Note: Error bars represent standard errors

Figure 1. Differences in average tip size to hypothetical Shop4You workers when they are presented as gig-workers vs company employees

accept an offer for a negotiated fare, we hypothesized that customers would feel less motivated to tip compared to when taking metered fares, where drivers are not able to reject a rider or set their own rate.

Data

Our data come from the NYC Taxi and Limousine Commission data set, which includes data on over a billion taxi rides in the last ten years. To conduct our analysis, we select just one month of data – specifically, June 2013 – comprising over 14m rides. We remove all rides paid for in cash because cash tips are not included in the data set, whereas tips paid for with a credit card are automatically included. We also remove all fare types besides metered fares and negotiated fares, as well as rides with a fare amount of over \$100, resulting in a data set of 7,553,909 rides.

Results

Average tip size was \$2.37 (SD = 1.95) on metered fare rides ($n = 7,525,174$), compared to \$6.46 (SD = 6.65) on negotiated fare rides ($n = 28,735$). However, since metered fare rides tend to be shorter and less expensive than negotiated fare rides out of the city, we regressed tip amount on fare type and controlled for fare amount in order to examine the effect of fare type on tipping behavior. Results, as seen in Figure 2, show that there is indeed a substantial difference in tipping behavior on metered rides vs negotiated rides, and no round number effect. As expected, we found a positive effect of fare amount, $b = 0.176$, $SE = 0.000064$, $t(7553906) = 2757.7$, $p < 0.001$, and a negative effect of negotiated fare type, $b = -2.32$, $SE = 0.0086$, $t(7553906) = 268.5$, $p < 0.001$, indicating that tips to drivers for negotiated fare rides are significantly lower than those for metered fare rides.

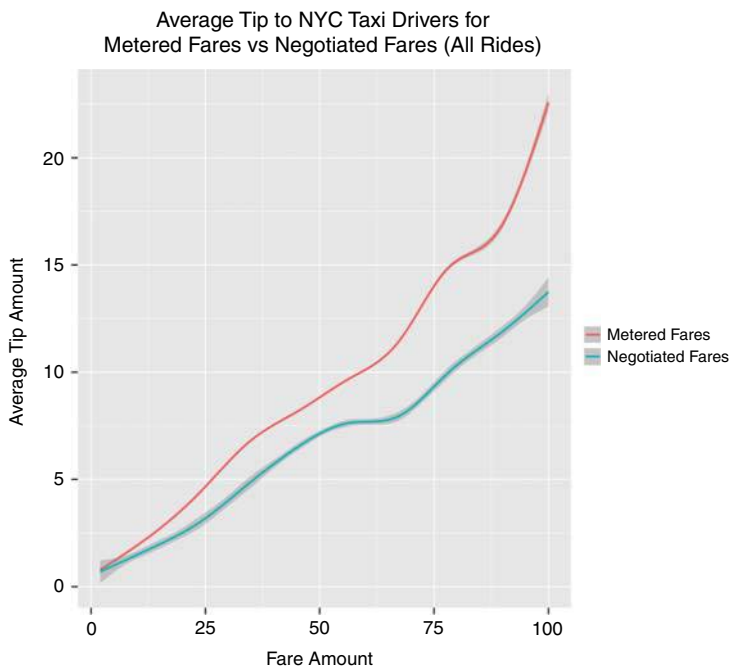


Figure 2. The impact of fare amount and fare type on average tip size (considering all passengers including non-tippers) to NYC taxi drivers in the month of June 2013

Next, we examined whether lower tips on negotiated fare rides were driven by fewer people tipping, or by people tipping less. We found that while 97.0 percent of people tipped on Metered Fare rides, only 72.4 percent of people tipped on negotiated fare rides. As shown in Figure 3, when non-tippers are excluded from the data set, the difference in tipping behavior between metered fares and negotiated fares shrinks, especially for fares below \$50 where there does not appear to be any difference in tip amount based on the fare type.

Discussion

While taxi drivers are not typically considered gig-workers, they effectively become so temporarily when they are hired for negotiated fares because they have autonomy over whether or not they complete these trips. This is an advantage of this study because a direct comparison of tips to taxi drivers vs Uber drivers could be confounded by systematic differences in the types of people who choose to become one or the other (e.g. if passengers perceive that Uber drivers are wealthier than taxi drivers and in less need of tips) (Brewster, 2013, 2015). Here, the fact that people tip less, on average, when taking negotiated fare rides is consistent with our theory about the decline of tipping in the gig economy.

Study 3

Together, Studies 1 and 2 demonstrate that some consumers are less motivated to tip when workers have increased autonomy of whether and when to complete a task. How might such decreases in tipping norms, in turn, impact workers' expectations and behavior? To address this question, we ran two experiments in the domain of ordering food delivery. Whereas in the past consumers needed to call a restaurant directly to place an order, consumers can now place their orders on a host of online platforms. While some of these platforms simply take care of the ordering process, there are also many third-party delivery services where gig-workers pick up and deliver food so that the restaurants do not need to staff their

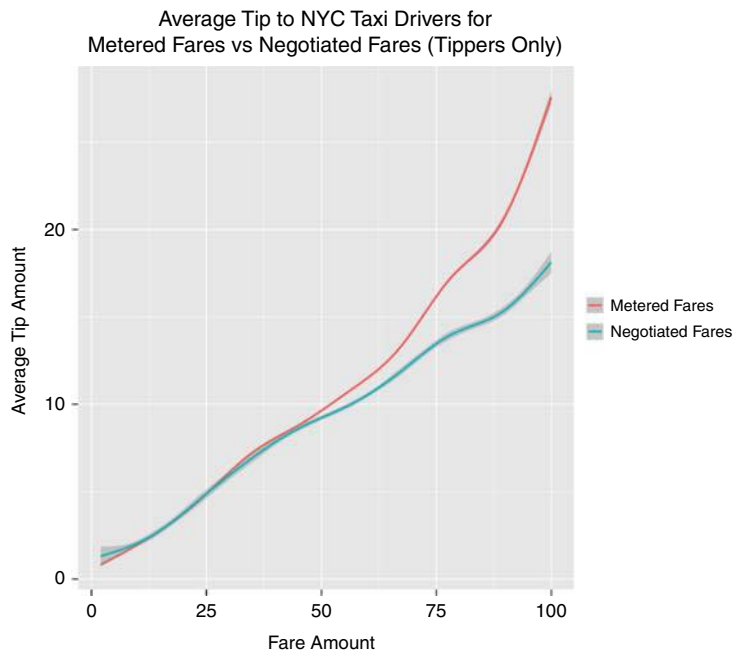


Figure 3.
The impact of fare amount and fare type on average tip size (considering only those who tipped) to NYC taxi drivers in the month of June 2013

own employees. In Studies 3 and 4, we explore the differences of these two models from the worker's perspective.

In Study 3, we ran an experiment with one such platform, Foodler, but did not order from any restaurants with third-party delivery drivers. The Foodler platform simply connected us to the restaurants and their employees and did not replace the delivery drivers, so, presumably, the restaurant employee drivers also complete many deliveries ordered the old fashioned way (i.e. over the phone). Therefore we hypothesized that these restaurant-employee delivery drivers would still expect tips, notice whether a tip has been provided up front, and alter their performance as a result. Specifically, we hypothesized that these delivery drivers would deliver food faster if they had not yet been tipped compared to when they were tipped before delivering the order. Furthermore, we hypothesized that if a driver noticed a relatively large upfront tip, they would be motivated by reciprocity norms to deliver food faster compared to when a small tip is provided upfront.

Method

Participants

Participants were 115 delivery drivers who were tasked with delivering food to an address in the greater Boston area over the course of five years (2012–2017).

Materials and procedure

Sampling procedure was opportunistic: the experimenter and several of his friends collected a new data point each time they decided to order food over a five-year period.

Manipulation

The experimenter manipulated whether the tip for the delivery was provided upfront on the Foodler platform or withheld the tip until the time of delivery.

Measures

The time the delivery took was the measure of interest, which was calculated based on the difference in time of the order confirmation e-mail and the time of delivery. Other variables collected included the genre of the restaurant and the order subtotal.

Results

Orders were delivered in 38.77 min (SD = 13.21 min) when the tip was withheld until the time of delivery, which was significantly faster than the 45.67 (SD = 20.28 min) minutes on average when drivers were tipped up front, $t(79.8) = 2.22, p = 0.036$. We also found that when tips were provided upfront, drivers tended to deliver food faster when the tips were larger (see Figure 4), despite seemingly not having any additional incentive to do so besides feelings of goodwill or reciprocity. Indeed, considering only those deliveries where tips were provided up front, regressing delivery time on tip percent yields a significant coefficient for tip percent, $b = -0.69, SE = 0.30, t(77) = 2.30, p = 0.024$, when also controlling for the genre of food delivered (Mexican, Pasta, Pizza, Sushi, Thai or Wings).

Discussion

Study 3 shows that even when tasks are organized through an online platform, drivers still expect tips and alter their performance as a result when they are restaurant employees. Thus, Study 3 helps to isolate worker autonomy, rather than the use of third-party services for structuring work, as a driver of declining tipping norms. In other words, it suggests that tipping norms decline in the gig economy not because services are ordered online or over a smartphone app, but because the workers have control over whether they work at that time.

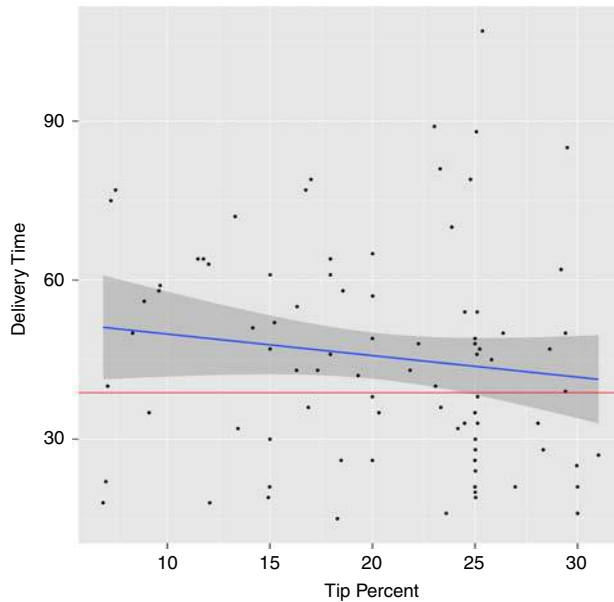


Figure 4. Orders were delivered faster, on average, when tips were withheld until the time of delivery (red line) compared to when they were provided at the time of ordering; when tips were provided upfront (points), larger tips led to somewhat faster deliveries (blue line)

Study 4

While Study 3 shows that restaurant employee delivery drivers are motivated by tips, it does not show anything about how gig-workers in the same role may behave differently. To consider that question, we conducted a similar experiment in another city where Grubhub – another food ordering platform – was dominant. On Grubhub, drivers are usually independent contractors who do not work for the restaurant. As a result, the Grubhub drivers likely complete fewer deliveries ordered over the phone, and they likely complete fewer deliveries where a tip has not been provided upfront compared to the drivers in Study 3. Therefore, we hypothesized that Grubhub drivers have learned to expect fewer tips upon arrival at a customer's location and, as a result, are relatively less motivated by tips.

Furthermore, when Grubhub drivers accept the task of delivering an order, they see a composite price that incorporates the tip amount and specifies the pick-up location (i.e. the restaurant address) and the drop-off location (i.e. the customer's location), and they then decide whether to accept or decline the delivery. Therefore, we hypothesized that compared to the drivers in Study 3, the Grubhub drivers would be less likely to even notice tips in the first place, and the size of upfront tips would have little impact driver performance. Of course, this is not to say that the Grubhub drivers would not appreciate the additional income from larger tips. Rather, the difference is that the restaurant employees can only increase their wage by “working for tips,” whereas the gig-workers can best increase their wage by completing as many high-value deliveries as quickly as possible regardless of the relative size of the tip compared to the base fee.

Method

Participants

In sum, 154 food delivery orders were placed using Grubhub by 12 individuals, who were recruited by the experimenter in exchange for \$6 per order. Some drivers were interviewed for their experiences.

Materials and procedure

Orders were placed through online applications. Tips were randomly selected to be \$0, \$2 or \$6 given on the app. Each driver received a total of \$6, the difference between the randomly selected tips and \$6 was made up in cash at the door.

Follow-up interviews were conducted with five Grubhub affiliates over the phone and online communication platforms using the following structured questions:

- (1) Can you see tips before accepting an order?
- (2) Do you expect tips when none are listed?
- (3) Does the size of the tip matter? If yes, please describe the different conditions.
- (4) When do customers tend to tip you?
- (5) Do you provide different service based on the tip?

Measures

Participants reported the time elapsed from placing the order until the food arrived at the door. Interviews with drivers provided qualitative data.

Results

The average delivery time across all conditions was 39.93 min (SD = 17.04 min). To determine if our experimental manipulation affected food delivery times, we first considered the average delivery time within each condition. In the \$0 at-the-door condition, the average delivery time was 40.30 min; in the \$2 at-the-door condition, it was 38.54 min; and in the \$6 at-the-door condition, it was 40.98 min. Next, in order to control for factors such as the subtotal of the order, the genre of food and the distance to the restaurant, we regressed the total time of delivery on a dummy variable for the condition (i.e. \$0 at-the-door, \$2 at-the-door or \$6 at-the-door), the order subtotal, the distance (in miles) from the restaurant to the delivery address, and the genre of food. Of these, the only significant effect was the delivery distance ($b = 6.12$, $t = 1.99$, $p = 0.0025$), indicating that each additional mile added, on average, 6 min to the delivery time. As shown in Figure 5, a simple regression of average time on tip percentage up front also found no effect, suggesting not only that the timing of tips did not matter, but also their size.

To further support this quantitative data, we conducted multiple, structured, qualitative interviews with Grubhub drivers and the company itself. We spoke with a Grubhub representative who confirmed that drivers can see the total amount of an order before accepting it. When speaking with the Grubhub drivers, we learned that this information is present, but the additional money they receive is presented as a bundle (delivery fee, mileage reimbursement and tip). Drivers report using a rule of thumb to determine the tip (anything above \$5 is tip), and that they do not expect any additional cash at the door for their service.

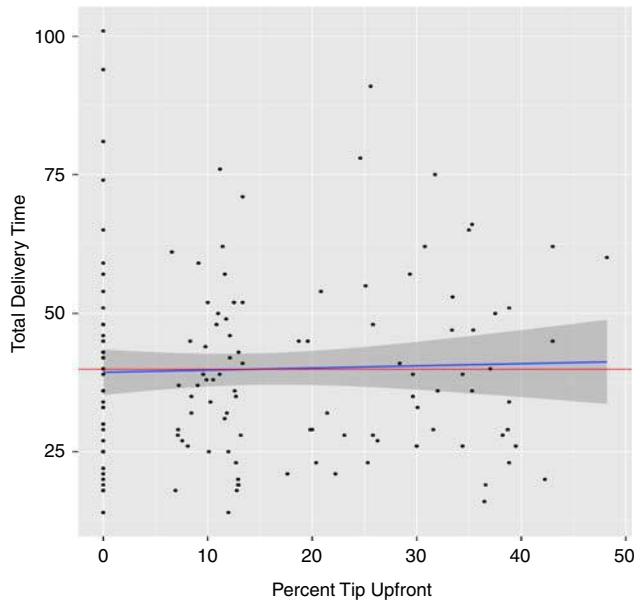
Drivers expressed value in being able to work at times that fit their schedule and location. The biggest complaint was not with tips given, but how Grubhub only allows workers to take jobs in blocks as opposed to individual deliveries. These blocks are roughly 2-h long and require workers to sometimes take deliveries they otherwise would choose not to accept (for reasons of distance, value of the order compared to compensation, etc.).

Discussion

The findings of Study 4 support our hypothesis that the size of the upfront tip will not impact delivery times when deliveries are made by gig-workers. While it is intriguing that

Figure 5.

Orders were not delivered faster, on average, when tips were withheld until the time of delivery (red line) compared to when they were provided up front (points), larger tip size did not lead to faster deliver times (blue line)



larger upfront payments did not correlate with faster delivery times indirectly through increasing the total fee for those deliveries, it is perhaps not surprising given the Grubhub drivers are motivated to complete all rides as quickly as possible – regardless of the total fare – so that they can complete more total deliveries. In contrast, restaurant delivery drivers may find it advantageous to prioritize some deliveries over others in order to garner more and larger tips. Furthermore, the Grubhub drivers were reportedly surprised to receive any tips at the door, and often times almost left before the experimenters even had an opportunity to offer the cash tip. Thus, unlike the restaurant deliver drivers, the Grubhub drivers have learned not to expect many tips at the door, and therefore they would have little incentive to prioritize some deliveries over others even if they were completing several orders at once.

General discussion

Study 1 demonstrates that people tip workers more if they perceive them to be employees, rather than gig-workers who agree to complete a task at a set price. Study 2 extends this finding to a real world setting. Studies 3 and 4 provide evidence suggesting that tips have a significant impact on service when restaurant-employed drivers deliver food, but not when gig-workers do. Together, these studies suggest that worker autonomy over when and whether to work erodes customer motivations to tip and that gig-workers are, in turn, relatively less motivated by tips than traditional service employees.

Of course, there are many limitations to these studies. Broadly, one limitation is that the definition of gig work is inherently vague and shifting. For example, many workers fail to list their side jobs – such as driving for Uber – on survey data (Kuhn, 2016). That being said, the gig economy itself is described as “contingent work” by the Bureau of Labor Statistics (2017) and, therefore, the presence of long-term gig workers might be discounted or overlooked by the fact that “contingent work” is often not considered to be a career. Another broad limitation of these studies is that we only study the impact of one social norm in just a

few select contexts. Future work will examine the changes in tipping behavior in other settings, and examine other ways in which gig work models have transformed the relationship between consumers and workers.

More specifically, each of the four studies has limitations as well. In Study 1, perceptions of autonomy were not directly measured. While there are no differences between the two key conditions except for the framing of the workers as having autonomy over whether to complete the task, the results may actually be driven by some other association, such as a belief that gig-workers have access to other income streams and are less in need of tips. Similarly, in Study 2, while all the workers are NYC taxi drivers it is possible that some drivers are more likely to accept Negotiated Fares, and these drivers may have other differences that make them less likely to receive tips. Studies 3 and 4 explore workers' responses to tips as employees and as gig workers. However, while the results are consistent with the idea that tipping norms have changed as a result of the switch from an employee-driver model to a gig-driver model, there may also be other factors explaining the differences observed, such as the fact that the studies were conducted in two different cities.

Despite these limitations, these four studies together paint a consistent picture of how tipping norms are evolving in the gig economy. Importantly, once tipping norms deteriorate, it may be very difficult to re-establish them (e.g., see Gneezy and Rustichini, 2000). When looking at a company like Uber, a large employer of contract workers, consumers have received the same message for years: "There's no need to tip" (Rosenbloom, 2016). Although it was formerly said that the tip is included, that is no longer the case. For instance, an article titled "Uber's New Tipping Policy Is a Mistake" (Mohammed, 2016) outlines the changes Uber made to its tipping policy, essentially punctuating a seamless rideshare experience with a murky mix of social norms and market transactions. Signs were often hung explaining that "tips are not included on Uber's platforms," but that "riders are free to offer tips and drivers are free to accept them" (Mohammed, 2016).

One implication of these studies is that consumers – and, by extension, managers – may have less ability to control service quality in the gig economy. While the widely used solution of rating systems helps ensure a baseline level of service among gig-workers, both customers and managers still lose a certain amount of control over personalizing service for customers who place a greater value on it.

More broadly, an implication of these studies is that while the marketization of tasks may make things more efficient, it may also have the unforeseen effect of crowding out preexisting social norms and expectations. Whether this is for better or worse depends on the context and one's perspective. Certainly some social norms may have more costs than benefits and, indeed, tipping norms have many negative consequences like enabling a form of racial wage discrimination (Lynn *et al.*, 2008). But it may also be that by eroding previously existing social norms, the marketization and gigification of tasks increasingly enables both managers and customers to view workers as another means of production, rather than fellow human beings.

Note

1. www.nyc.gov/html/tlc/html/passenger/taxicab_rate.shtml.

References

- Ariely, D. (2008), *Predictably Irrational*, Harper Collins, New York, NY.
- Azar, O.H. (2003), "The implications of tipping for economics and management", *International Journal of Social Economics*, Vol. 30 No. 10, pp. 1084-1094.

- Azar, O.H. (2007), "Do people tip strategically, to improve future service? Theory and evidence", *Canadian Journal of Economics*, Vol. 40 No. 2, pp. 515-527.
- Azar, O.H. (2010), "Do people tip because of psychological or strategic motivations? An empirical analysis of restaurant tipping", *Applied Economics*, Vol. 42 No. 23, pp. 3039-3044.
- Brewster, Z.W. (2013), "The effects of restaurant servers' perceptions of customers' tipping behaviors on service discrimination", *International Journal of Hospitality Management*, Vol. 32 No. 1, pp. 228-236.
- Brewster, Z.W. (2015), "Perceptions of intergroup tipping differences, discriminatory service, and tip earnings among restaurant servers", *International Journal of Hospitality Management*, Vol. 46, pp. 15-25.
- Chemi, E. and Giorgi, A. (2014), "The three unexplained mysteries of taxi tipping behavior", Bloomberg, available at: www.bloomberg.com/bw/articles/2014-08-07/tipping-taxi-drivers-data-analysis-cant-explain-these-puzzles (accessed June 19, 2018).
- Chen, D.L. and Horton, J.J. (2016), "Are online labor markets spot markets for tasks? A field experiment on the behavioral response to wage cuts", *Information Systems Research*, Vol. 27 No. 2, pp. 403-423.
- Department of Labor (2017), "Contingent and alternative employment arrangements", Bureau of Labor Statistics, available at: www.bls.gov/news.release/conemp.nr0.htm (accessed June 19, 2018).
- Friedman, G. (2014), "Workers without employers: shadow corporations and the rise of the gig economy", *Review of Keynesian Economics*, Vol. 2 No. 2, pp. 171-188.
- Gneezy, U. and Rustichini, A. (2000), "A fine is a price", *Journal of Legal Studies*, Vol. 29 No. 1, pp. 1-17.
- Harris, M.B. (1995), "Waiters, customers, and service: some tips about tipping", *Journal of Applied Social Psychology*, Vol. 25 No. 8, pp. 725-744.
- Houseman, S.N. (2001), "Why employers use flexible staffing arrangements: evidence from an establishment survey", *ILR Review*, Vol. 55 No. 1, pp. 149-170.
- Johnson, C. (2005), "Employee motivation: a comparison of tipped and non-tipped hourly restaurant employees", master's thesis, University of Central Florida, Gainesville, FL.
- Kuhn, K.M. (2016), "The rise of the 'gig economy' and implications for understanding work and workers", *Industrial and Organizational Psychology*, Vol. 9 No. 1, pp. 157-162.
- Lynn, M. (2015a), "Explanations of service gratuities and tipping: evidence from individual differences in tipping motivations and tendencies", *Journal of Behavioral and Experimental Economics*, Vol. 55, pp. 65-71.
- Lynn, M. (2015b), "Service gratuities and tipping: a motivational framework", *Journal of Economic Psychology*, Vol. 46, pp. 74-88.
- Lynn, M. (2017), "Should U.S. restaurants abandon tipping? A review of the issues and evidence", *Psychosociological Issues in Human Resource Management*, Vol. 5 No. 1, pp. 120-159.
- Lynn, M., Kwortnik, R.J. Jr and Sturman, M.C. (2011), "Voluntary tipping and the selective attraction and retention of service workers in the USA: an application of the ASA model", *The International Journal of Human Resource Management*, Vol. 22 No. 9, pp. 1887-1901.
- Lynn, M., Sturman, M., Ganley, C., Adams, E., Douglas, M. and McNeil, J. (2008), "Consumer racial discrimination in tipping: a replication and extension", *Journal of Applied Social Psychology*, Vol. 38 No. 4, pp. 1045-1060.
- Malone, T.W., Yates, J. and Benjamin, R.I. (1987), "Electronic markets and electronic hierarchies", *Communications of the ACM*, Vol. 30 No. 6, pp. 484-497.
- Mohammed, R. (2016), "Uber's new tipping policy is a mistake", *Harvard Business Review*, available at: <https://hbr.org/2016/05/ubers-new-tipping-policy-is-a-mistake> (accessed June 18, 2018).
- Rosenbloom, S. (2016), "To tip or not to tip your Uber driver", *The New York Times*, May, pp. TR3, available at: www.nytimes.com/2016/05/22/travel/uber-taxi-tipping.html

Shen, J., Ogawa, K. and Takahashi, H. (2014), "Examining the tradeoff between fixed pay and performance-related pay: a choice experiment approach", *Review of Economic Analysis*, Vol. 6 No. 2, pp. 119-131.

Wong, K. (2018), "Should you tip your Uber driver? If so, how much?", *The New York Times*, October, pp. TR2, available at: www.nytimes.com/2018/10/02/travel/should-you-tip-your-uber-driver-if-so-how-much.html

Further reading

Gramm, C.L. and Schnell, J.F. (2001), "The use of flexible staffing arrangements in core production jobs", *Industrial and Labor Relations Review*, Vol. 54 No. 2, pp. 245-258.

Corresponding author

Erik P. Duhaime can be contacted at: eduhaime@mit.edu