

Black-White Differences in Tipping:
Moderated by Socio-Economic Status?

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Abstract

Two studies examining the role of SES as a moderator of Black-White differences in tipping found that higher socio-economic status reduced Black-White differences in stiffing and flat tipping, but increased Black-White differences in the amount tipped by those who did tip. The finding that movement up the socio-economic ladder increases Black-White differences in tip size suggests that efforts to address the problems posed by those differences in tipping should not be confined to lower class establishments and neighborhoods. Managers and executives of restaurants and restaurant chains catering to black customers of all socio-economic levels are encouraged to reduce racial discrimination in service delivery and to address the other problems stemming from Black-White differences in tipping by (i) hiring Black as well as White mystery shoppers to monitor the service provided to Black guests, (ii) increasing Blacks' awareness and internalization of tipping norms thru community as well as within-restaurant educational campaigns, or (iii) replacing voluntary tipping with automatic service charges.

Keywords: race differences, socio-economic status, tipping

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African Americans are widely perceived within the restaurant industry as poor tippers. In fact, a recent survey of over a thousand servers from across the United States found that more than 65 percent rated African Americans as “below average tippers” (McCall & Lynn, 2009). These perceptions have important consequences for black consumers and restaurant servers as well as managers and executives in the restaurant industry. First, research suggest that servers vary their service efforts to different parties with the tip amounts those parties are expected to leave (Barkan & Israeli, 2004; Dirks & Rice, 2004; Rusche & Brewster, 2008). Thus, servers who perceive Blacks as poor tippers may deliver inferior service to the members of these groups seated in their sections (Brewster & Mallinson, 2009). Second, server attraction to, and retention in, tipped jobs is positively related to tip income (Lynn, 2002, 2003; Lynn, Kwortnik, & Sturman, 2011), so restaurants with a large Black clientele may have difficulty attracting and retaining wait-staff, which in turn makes black neighborhoods less attractive places to locate restaurants (Wallace, 2001).

Complicating efforts to address these problems is the fact that servers’ perceptions are grounded in reality. Studies have found that: (i) Blacks are less likely than Whites to tip in restaurants, (ii) are less likely than Whites to base the tips they do leave on bill size as called for by the 15 to 20 percent tipping norm, and (iii) leave restaurant waiters/waitresses smaller tip amounts when they tip than do Whites (Lynn, 2004a, 2006, 2009, 2011; Lynn & Thomas-Haysbert, 2003). Furthermore, these race differences in restaurant tipping persist even after controlling for the tippers’ educations, incomes, and perceptions of service (Lynn, 2004a, 2006,

2009, 2011; Lynn & Thomas-Haysbert, 2003). These findings suggest that the problems stemming from servers' perceptions of blacks as poor tippers cannot be solved merely by hiring non-racist servers or telling servers that their perceptions are incorrect. Instead, restaurant managers and executives need to try to reduce race differences in tipping and/or use something other than tips to motivate their servers. For example, restaurant managers can include tipping guidelines and information about server compensation on menus, table tents and checks in an effort to reduce race differences in awareness of tipping norms and, therefore, tipping behavior (Lynn, 2004b). They can also hire mystery diners of various races to identify those servers who discriminate while also informing servers that their job security depends on delivering good service to everyone (Lynn & Thomas-Haysbert, 2003).

One question that has not been adequately addressed is whether or not managerial and executive efforts to address race differences in tipping need to be expended in establishments of all socio-economic levels. A long-standing proposition in the consumer behavior literature is that "Black/white differences in consumer behavior are greater among lower-class than higher-class adults" (Moschis, 1987, pg. 257). If this proposition holds with respect to tipping, it would suggest that only down-scale restaurants need to try to reduce race differences in tipping and/or find alternative means of motivating servers. In that case, upper-scale restaurants (with no problem of actual race differences in tipping) could rely on hiring non-racist servers and/or educating servers to address any problems of perceived race differences in tipping.

However, neither current theory nor current research provide a clear indication of whether or not this proposition does hold with respect to tipping.

One often cited explanation for race by SES interactions is that the more middleclass or bourgeois Blacks are, the weaker their ethnic or race commitment (Frazier 1957). According to

this theory, as middleclass Blacks move up the socio-economic ladder, they become more assimilated or integrated into the mainstream American cultural value system and move away from the Black cultural value system. However, empirical support for Frazier's (1957) theory of black acculturation is mixed. Some studies have found that Blacks with higher socio-economic status do identify with White culture and values (Goldsmith, White and Stith 1987; Jewell 1985; Ness and Stith 1984; White and Burke 1987), while other studies have found that the degree or intensity of ethnic identification among Blacks does not decline with socio-economic status (London and Giles 1987; Williams and Qualls 1989). These apparently conflicting findings can be reconciled by giving up the idea that black acculturation involves the complete replacement of black cultural identity and values with white cultural identity and values. Instead, Blacks' acculturation appears to be characterized by a synthesis of the different cultures and flexibility in movement between cultural worlds (Williams and Tharp 2001; Williams 1985). In short, the black middle class is best described as multicultural rather than as exclusively accepting and adhering to black or white cultural norms. Acculturation leading to greater multiculturalism among the black middle class than among the black lower class suggests that socio-economic status will moderate some but not all black/white differences in consumer behavior. Thus, theory does not tell us whether or not Black-White differences in tipping decline with socio-economic status.

Existing empirical evidence is also equivocal regarding the effects of socio-economic status on race differences in tipping. Thomas-Haysbert (2002) found that high SES, black respondents to a national telephone survey were not significantly more likely than high SES, white respondents to say that they stiffed (or failed to tip) waiters /waitresses and other service

providers even though race differences in tipping were observed in the whole sample.¹

Unfortunately, Thomas-Haysbert did not test for an interaction of race with SES. Nor did she report means or cell sizes for the simple main-effects she does test, so her null results could easily be Type 2 errors due to insufficient statistical power. Furthermore, she analyzed only some of the relevant data from that national survey; data on flat tipping (tipping a flat dollar amount rather than a percentage of the bill) and on tip size were reported in another paper that did not examine SES as a potential moderator of race differences in tipping (Lynn & Thomas-Haysbert, 2003). To address these problems and to determine whether or not race differences in tipping decline with socio-economic status, we re-analyze the survey data from Thomas-Haysbert (2002) and Lynn and Thomas-Haysbert (2003). Specifically, we test for race by SES interaction effects on tipping (not stiffing), flat tipping, and tip size. Then we report on an original study in an attempt to replicate our findings with more recent data from a different tipping context.

Before proceeding, however, we wish to dispel the notion that when speaking of “Black/African American” consumer behavior, we are somehow attempting to capture, categorize, and describe the behavior of all members of this racial/ethnic group. We recognize that there can be a great deal of heterogeneity in the consumer behavior of Blacks as a group (Williams & Qualls, 1989). Similar to others who conduct ethnicity related research, we recognize that in many instances there may be more *within-group* differences than *between-group* differences. In fact, this possibility is central to our focus on socioeconomic status as a moderator of race differences in tipping.

¹ In another study, Lynn and Williams (2012) found that Black-White differences in awareness that it is customary to tip a percentage of the bill declined with socio-economic status. However, they also found that socio-economic status did not reduce Black-White differences in awareness of the size of that customary tip percentage. Moreover, their study did not look at race by SES interaction effects on tipping behavior.

STUDY 1

In 1996, Market Facts Inc. conducted a national telephone survey about tipping practices for an article in *American Demographics* magazine (Speer 1997). Thomas-Haysbert (2002) and Lynn and Thomas-Haysbert (2003) used different parts of this data in two studies of race differences in tipping. However, they did not test the interaction of race with socio-economic status, so those interactions are tested below in a re-analysis of the data.

Method

Market facts conducted this national telephone survey using a single-stage, random-digit-dial sample technique. All numbers were called up to three times as necessary to reach someone at the number. A total of 1,005 interviews were completed. However, only data from the 799 white and 91 black respondents was retained and used in this analysis. Respondents with undisclosed or other racial/ethnic backgrounds were dropped from the analysis.

Dependent variables. There were two key questions in this survey. The first asked respondents -- "How often do you tip waiters or waitresses when they serve you?" Responses to this question were coded as follows: "always/usually tip" (coded = 1), "sometimes tip" (code = 2), "don't tip" (code = 3), and "don't use," "don't know," or refused to answer (code = missing value) and used as a measure of stiffing (or not tipping).

The second key question asked respondents -- "Of the following five choices, which best represents the amount you normally tip waiters/waitresses?" The response options were: (1) "\$1 or \$2," (2) "\$3 or more," (3) "less than 15 percent of the bill," (4) "15 percent of the bill," or (5) "more than 15 percent of the bill." These response options were used to create three variables -- flat tipping (coded as 1 if respondents selected a dollar amount and 0 if they selected a percentage amount), dollar tip (coded as 1 if respondents selected "\$1 or \$2" and 2 if they

selected “\$3 or more”), and percent tip (coded as 1 if respondents selected “less than 15 percent of the bill,” 2 if they selected “15 percent of the bill,” and 3 if they selected “more than 15 percent of the bill”). However, there were no race differences in dollar tips, so only flat tipping and percentage tips were analyzed below.

Independent variables. In addition to the tipping questions, respondents were asked to indicate their:

(1) household income (on an 8-point ordinal scale: 10 = under \$15,000, 15 = \$15,000 to less than \$20,000, 20 = \$20,000 to less than \$25,000, 25 = \$25,000 to less than \$30,000, 30 = \$30,000 to less than \$40,000, 40 = \$40,000 to less than \$50,000, 50 = \$50,000 to less than \$75,000, and 75 = \$75,000 or more);

(2) amount of schooling completed (1 = 8 years or less, 2 = 9 to 11 years, 3 = 12 years, 4 = 13 to 15 years, 5 = 16 years, and 6 = 17 or more years),

(3) ethnicity (White=1, Black=2).

Income and education were each standardized and then averaged to form an index of socio-economic status. In cases where education or income was missing but not the other, the value that was available was used in the index.

Results and Discussion

The measures of stiff waiters, flat tipping and percent tips were each analyzed using least squares regression with heteroskedasticity robust standard errors.² Each model regressed the dependent variable on SES, race, and the product of SES and race. Since the main effects of race,

² Flat tipping was a binomial dependent measure and logistic regression is typically used when analyzing such dependent variables. However, we were interested in interactions whose coefficients and associated statistical tests from logistic regression “do not properly reflect moderation effects in the original data” (Hess, Hu, & Blair, 2010, pg. 3; also see Ai & Norton, 2003). Wooldridge (2000) argues that using ordinary least squares regression with heteroskedasticity robust standard errors to analyze binomial dependent variables is defensible when “we want to know the ceteris paribus effect of certain variables on the probability” (pg. 236) of an outcome.

education and income have been reported by Thomas-Haysbert (2002) and Lynn and Thomas-Haysbert (2003), only the interactions of race with SES are reported here.

Race interacted with SES to significantly affect stiffing ($B = -.24$, $t(862) = -2.27$, one-tailed $p < .05$) and flat tipping ($B = -.15$, $t(835) = -2.25$, one-tailed $p < .02$). Consistent with Moschis' (1987) proposition, Black-White differences in stiffing and flat tipping of restaurant servers were reduced to essentially nothing among those with high SES (see Figures 1 and 2). However, contrary to that proposition, Black-White differences in restaurant tip percentages increased rather than decreased with SES, though that increase was not statistically significant ($B = -.15$, $t(650) = -1.41$, $p < .16$; see Figure 3).

insert Figures 1 thru 3 about here

STUDY 2

Study 1 involved re-analysis of data on restaurant tipping from a 1996 national telephone survey. The generalizability of the findings from that re-analysis across time, research methods and service contexts was assessed in an original study reported below. A pizza delivery driver in Seattle, WA recorded information about the race and socio-economic status (as reflected in home type) of the customers he served as well as the tip sizes they gave him. This data provided an opportunity to replicate previous findings of race differences in tipping as well as to replicate Study 1's findings about the role of socio-economic status as a moderator of those race differences.

Method

A white, male pizza delivery driver in Seattle, Washington recorded information about the tip size, race, sex, and socio-economic status of 1000 customers to whom he made deliveries. To be included in the sample, a delivery had to meet four criteria. The first criteria was that the service must be reasonably good. If the driver saw any major problem with the service (such as taking over 45 minutes, forgetting an item for some reason, etc.), the delivery was not recorded. This decision, which was made before receipt of the tip, provided some control for the effects of service delivery on tipping. The second criteria was that the total amount, after sales tax (which was 9.5%) and the delivery charge must be between \$20 and \$35. This provided some control for bill size without the time and effort cost to the driver of recording it. Based on experience, the driver was confident that tips on bills between these amounts did not vary much; he was as likely to get a \$3 tip from a \$20 order as from a \$30 order. Consistent with this observation, the majority of people report tipping food delivery drivers a flat amount rather than a percentage of the bill (Lynn, 2004). The third criteria was that the delivery must be made to a residence; deliveries to businesses, hospitals, or hotels were not recorded. This was primarily due to the fact that the customers' residences were used as the indicator of socioeconomic class and this could not be assessed when the delivery was not to a residence. The final criteria was that the residence delivered to had to fall within one of three common classes or categories as described below. Although a few very affluent residences were within the delivery area, few deliveries were made to those houses and none were recorded for this study.

Tipping. Tipping was measured in US dollar amounts tipped and this data was used to create two variables – stiff (with a value of 1 if no tip was given and a value of 0 otherwise) and tip amount (the amount tipped for those tipping).

Race. The customers apparent race was classified by the driver as White, Black, Latino, Asian (as in East or Southeast Asians), and Indian (as in East Indians from South Asia – *not Native Americans*). However, due to the focus of this paper and small numbers of other racial minorities, only data from Black and White customers is analyzed here.

Socio-economic class. Socio-economic class was operationalized as the customer's apparent property type, which for that particular delivery area, was divided into three ordinal categories. The categories were: (i) working class -- people who live in apartments (rents for a single bedroom apartment in this area went from around \$750 to \$1250 a month at the time of the study) or trailer homes, (ii) lower-middle class -- people who live in condos, townhouses, and smaller houses (which, around the delivery area, were about \$300,000 or less), and (iii) middle class -- people who live in moderate houses in typical suburbia (usually around \$400,000 to \$600,000 in this delivery area at the time of the study). Although the delivery driver is not a trained real-estate agent, the different types of housing were fairly obvious and easy for him to classify, which he did prior to receipt of the tip.

Results and Discussion

Stiffing and tip amount were analyzed with least squares regressions using heteroskedasticity robust standard errors. The analysis of each dependent measure was hierarchical with social class and race as predictors in stage one and the product of social class and race added in stage two.

The analysis of stiffing produced significant effects for social class ($B = -.08$, $t(816) = -5.73$, $p < .001$), race ($B = .23$, $t(816) = 7.10$, $p < .001$), and the interaction of race with social class ($B = -.08$, $t(815) = -1.90$, one-tailed $p < .03$). Lower social classes and Blacks stiffed more

often than did higher social classes and Whites. Moreover, consistent with Moschis' (1987) proposition, the Black-White difference in stiffing declined with social class (see Figure 4).³

insert Figures 4 and 5 about here

The analysis of tip amount among those who tipped produced significant main effects for social class ($B = .71$, $t(738) = 10.85$, $p < .001$) and race ($B = -1.89$, $t(738) = -14.60$, $p < .001$) as well as a significant social class by race interaction ($B = -.36$, $t(737) = -2.06$, two-tailed $p < .04$). Lower social classes and Blacks who tipped something gave smaller amounts than did higher social classes and Whites who tipped something. More importantly, the Black-White difference in tip size increased with social class (see Figure 5). This latter effect is opposite to that proposed by Moschis (1987) and that observed with stiffing, but replicates a similar non-significant effect in Study 1. Apparently, higher SES can increase as well as decrease Black-White differences in consumer behavior.

GENERAL DISCUSSION

Two studies examining the role of SES as a moderator of Black-White differences in tipping found that higher socio-economic status reduced Black-White differences in stiffing and flat tipping but increased Black-White differences in the amount tipped. These findings provide some support for Moschis' (1987) proposition that movement up the socio-economic ladder decreases Black-White differences in consumer behavior, but also indicate that this proposition is not universal. Indeed, movement up the socio-economic ladder appears to increase Black-White differences in some consumer behaviors. These findings are also consistent current theory holding that Blacks' acculturation involves a synthesis of the different cultures and flexibility in

³ Cell sizes were: 224 white, working-class, 78 black, working-class, 264 white, lower middle-class, 73 black, lower middle-class, 136 white, middle-class, and 44 black, middle-class.

movement between cultural worlds (Williams and Tharp 2001; Williams 1985), because greater multiculturalism among the black middle class than among the black lower class suggests that socio-economic status will moderate some but not all black/white differences in consumer behavior.

Although consistent with a theory of increasing Black multiculturalism as socio-economic status increases, the opposite effects of the race by SES interaction on different aspects of tipping still need to be explained. One possibility is that Blacks may feel increasing social pressure to comply with white tipping norms as they move up the socio-economic ladder. Previous research has found that people who dislike tipping (Lynn, 2008) and who tip because of social pressure (Lynn, 2009) leave smaller tip amounts than those who like tipping and tip for intrinsic reasons. Thus, increasing social pressures on Blacks to comply with white tipping norms could increase Blacks' tendency to comply by leaving a tip and tipping a percentage of the bill, but also decrease the size of tips left by those Blacks who do tip.

From a practical perspective, these results mean that the problems stemming from Black-White differences in tipping are not confined to lower class establishments and neighborhoods. Both upper and lower class Blacks leave smaller tips than do Whites, so tipped workers can be expected to deliver poorer service to black customers even in upscale restaurants and neighborhoods (Rusche & Brewster, 2008). Furthermore, restaurants with a large black clientele can expect difficulty attracting and retaining workers even if that Black clientele is socio-economically advantaged (Lynn, et al., 2011). As a result of this latter expectation, restaurant firms will find even upscale Black communities as relatively unattractive places to locate restaurants (Wallace, 2001). Thus, upper-scale as well as lower-scale restaurants are likely to find that it is insufficient to simply hire non-racist servers and/or tell servers that their

perceptions are incorrect. They need to go further to address the problems stemming from Black-White differences in tipping.

One partial solution to these problems is to hire Black as well as White mystery diners, to compare the service given to both groups, and to hold servers and managers responsible for any discrepancies found. Denny's restaurants tried this solution in the aftermath of its widely publicized episodes of service discrimination against Black customers and found that it led to a reduction of discrepancies in the service experienced by their Black and White mystery shoppers (Hood-Phillips, 2000). A second partial solution is to include tipping guidelines and information about server compensation on menus, table tents and checks. This would likely reduce Black-White differences in awareness of the restaurant tipping norm, which have been shown to underlie some of the groups' differences in tip size (Lynn, 2011, in press). However, reducing race differences in tipping norm awareness is not sufficient to eliminate race differences in tipping behavior (Lynn, 2011, in press) and the current findings together with previously described other research (Lynn, 2008, 2009) suggests that increasing social pressures to tip might backfire, so efforts also need to be made to increase Blacks' acceptance and internalization of those tipping norms. This latter objective can be accomplished by working with local churches and other organizations within Black communities to get out information about server salaries and the importance of tipping to the viability of restaurants in Black communities. Linda Wallace (2001) reported that at least some Black leaders have expressed a willingness to foster such discussions of appropriate tipping behavior in an effort to bring restaurants into their communities. Moreover, two executives at a major restaurant chain (who wish to remain anonymous) have told me they found that a combined approach of within restaurant information about tipping and community driven discussion of tipping was helpful in reducing Black-White

differences in tipping at one of their locations. A third option is to replace voluntary with automatic service charges. Approximately forty percent of restaurants in Miami Beach, Florida have adopted this approach to deal with problems stemming from the large numbers of poor tipping foreign visitors to the city (Kwortnik, Lynn & Ross, 2009) and it could be used to deal with the problems caused by poor tipping ethnic minorities as well. These are not new solutions because the current data do not suggest any new ideas about how to reduce race differences in tipping. What the current data do is to inform us that the existing, tested solutions to addressing race differences in tipping need to be employed by mid-scale and up-scale as well as lower-scale restaurants serving large numbers of black customers. Hopefully, this information will encourage more industry executives and leaders to actively pursue these solutions.

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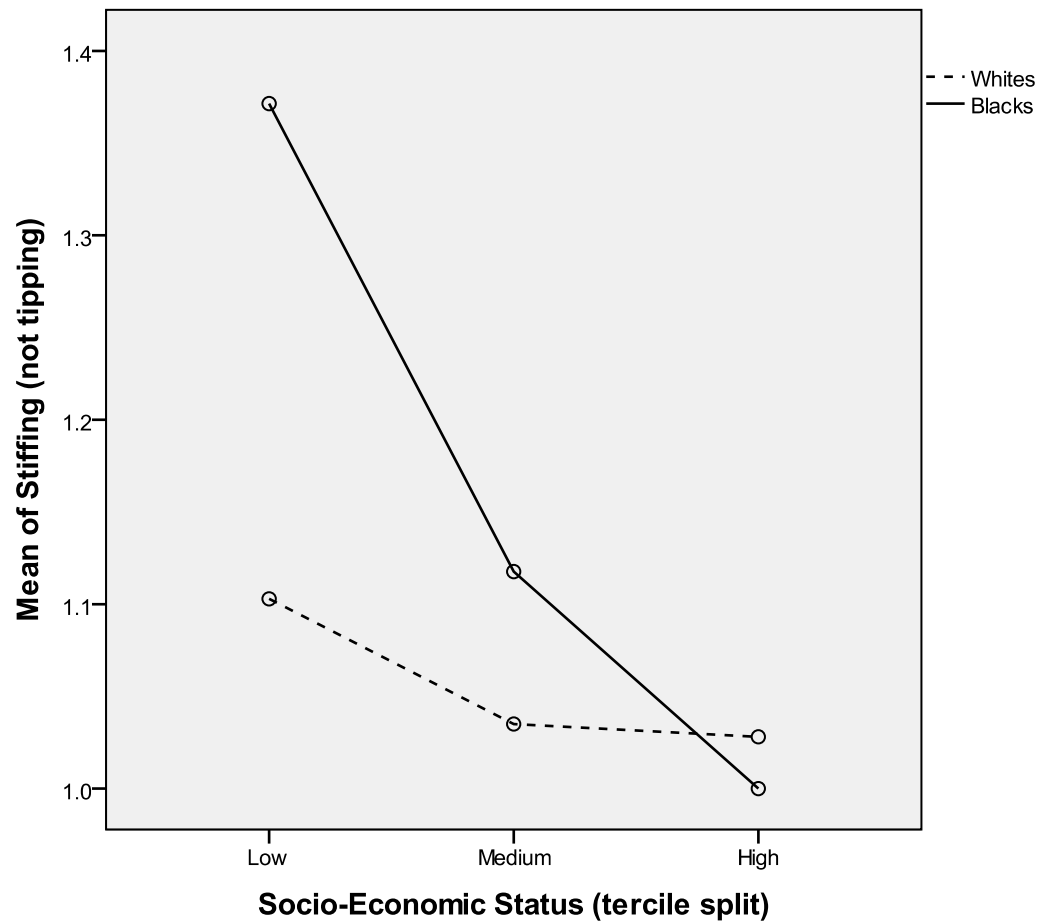


Figure 1. The Race by SES Interaction Effect on Stiffing Restaurant Servers. [Note that the test of this interaction reported in the text used a continuous measure of socio-economic status.]

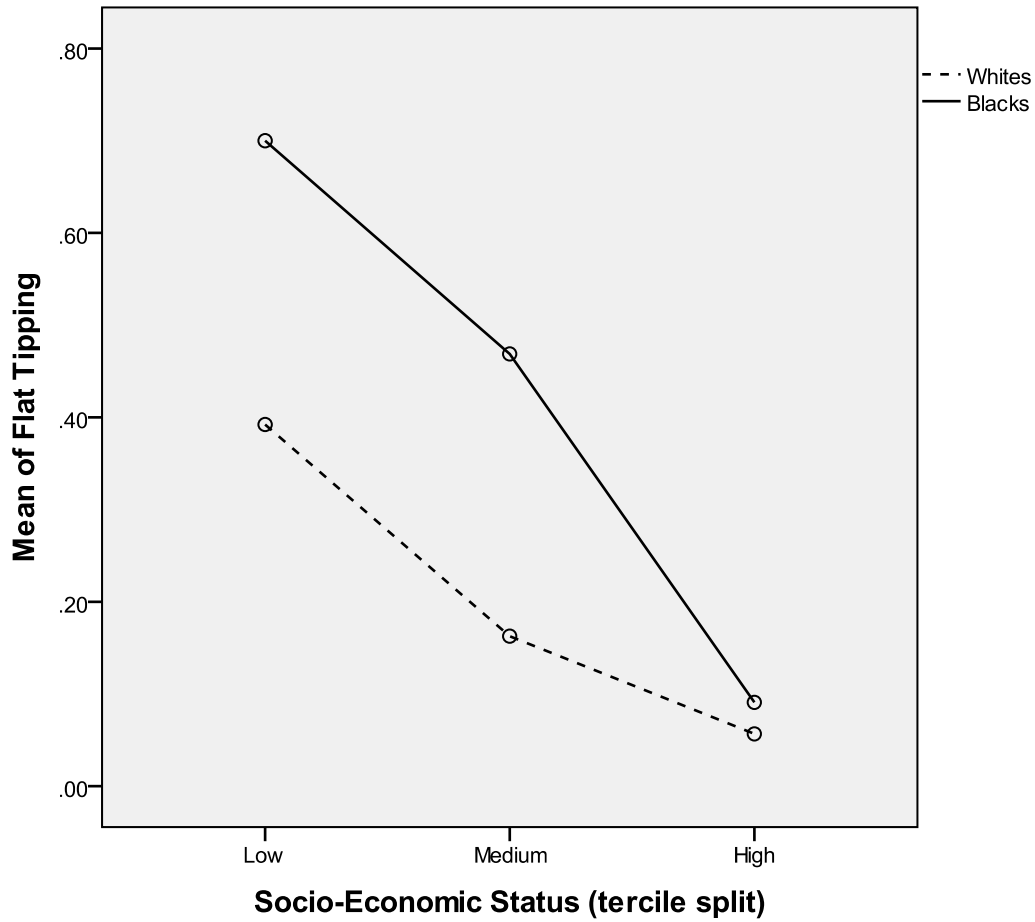


Figure 2. The Race by SES Interaction Effect on Flat Tipping of Restaurant Servers. [Note that the test of this interaction reported in the text used a continuous measure of socio-economic status.]

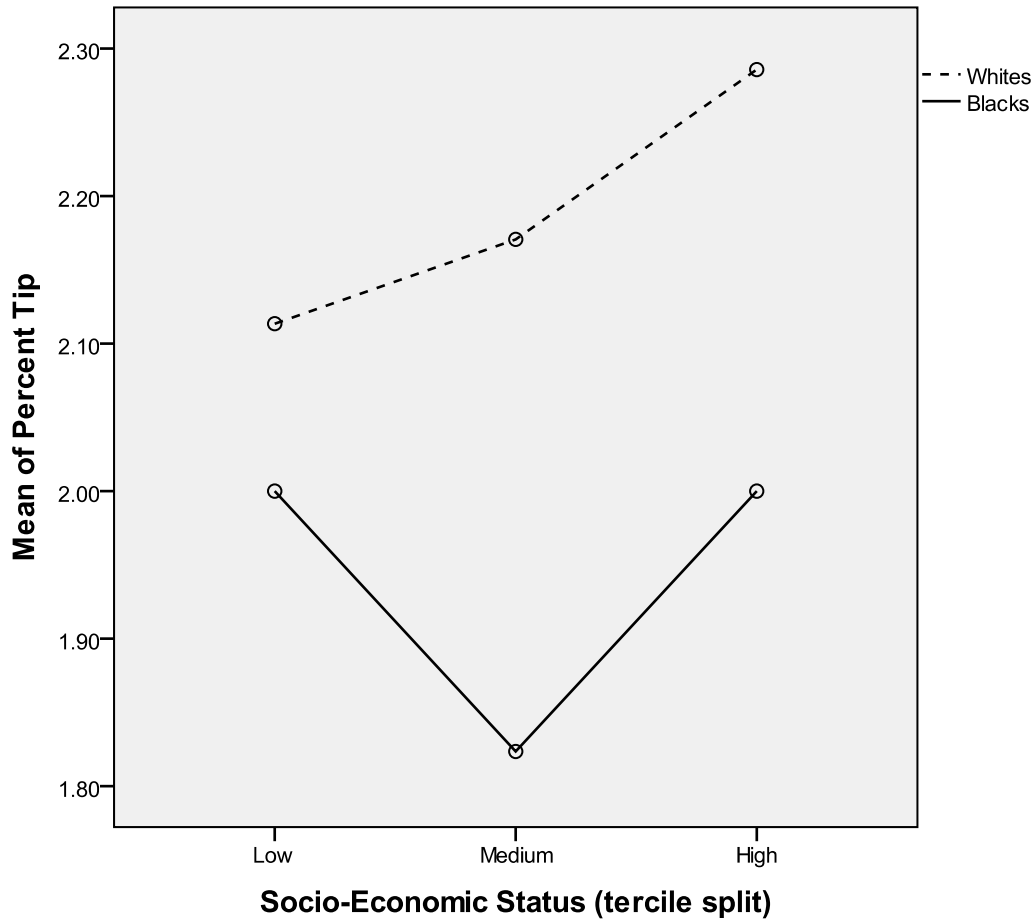


Figure 3. The Race by SES Interaction Effect on Tip Percentages Given to Restaurant Servers.

[Note that the test of this interaction reported in the text used a continuous measure of socio-economic status.]

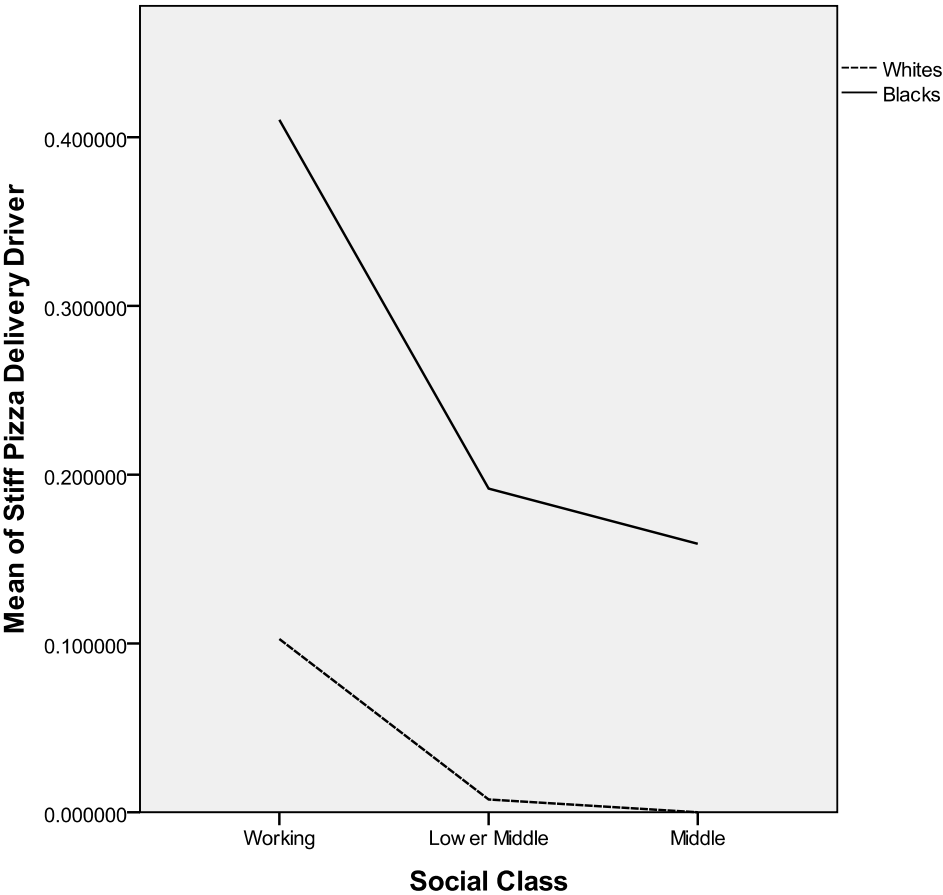


Figure 4. The Race by SES Interaction Effect on Stiffing a Pizza Delivery Driver.

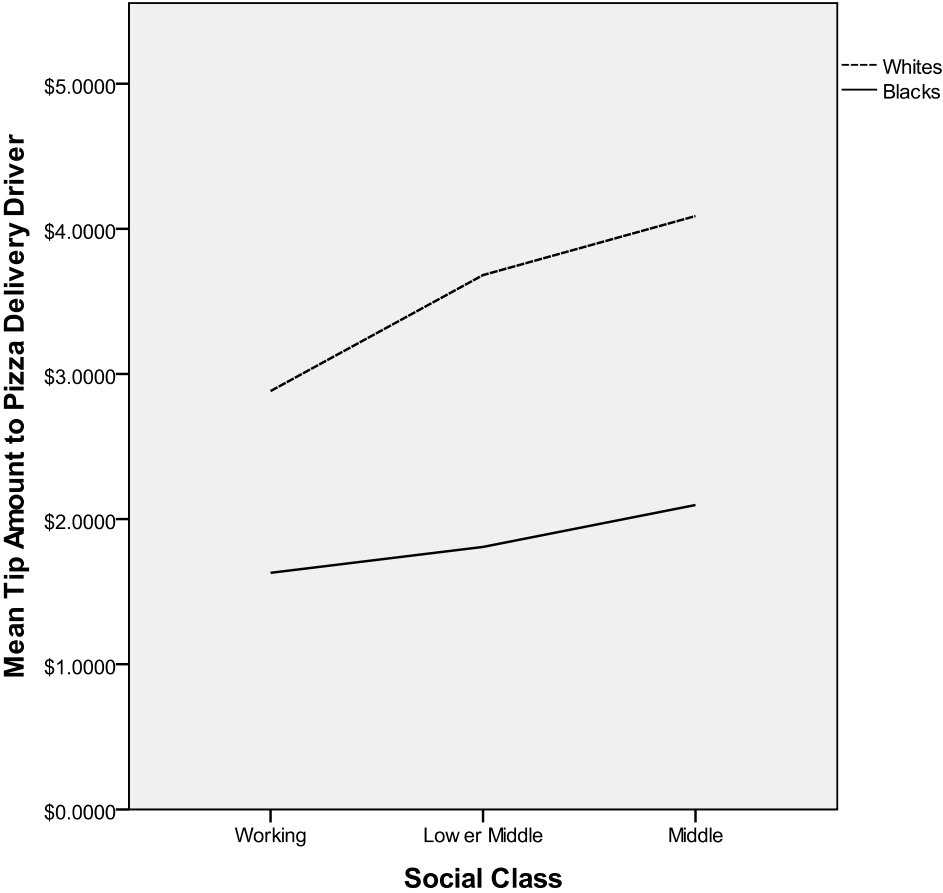


Figure 5. The Race by SES Interaction Effect on Tip Amount Given to a Pizza Delivery Driver.