

1. THE ETHICS OF TIPPING

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The ethics of tipping

COMMENTARY | BY MANOS MATSAGANIS *

The recent verdict of the Greek Supreme Court according to which tips are part of the waiter's salary and thus should be subject to taxes and social security contributions, raises several issues – of tax policy, labor market regulation, even morals and customs. Let us look at some of them.

Taxing all income, regardless of its source, in a uniform manner is a good practice, since it renders various tax avoidance procedures ineffective, while also guaranteeing the correct application of the tax scale chosen by the legislator. But this good practice is often violated. In many countries, some income is taxed differently and more favorably than wages from salaried employment. In Greece, this (bad) practice is widely applied to income from dividends, interest, undistributed profits, real estate etc. In addition, farmers are – more or less – exempt from income tax, freelancers legally pay lower social security contributions, while 25% of the judges' salary is exempt from taxation, following a ruling of the infamous special salary court (consisting of law professors and, well, judges).

In the public sector, all kinds of perks used to thrive, from the "car warm-up" benefit (once paid to OTE employees), the "hand-washing" (OSE), "on-time attendance" (former Athens bus company ETHEL), and "efficient processing" (Ministry of Justice) benefits, of infamous memory. There is also the "library benefit" which is still paid to academics. All of these were devised precisely so

that they would not be taxed (and not counted toward pensions). But when the deviation from the rule becomes the rule itself, a call for a tax on tips sounds like a bad joke.

However, in order for the tip to be taxed, it must first be paid to the employees, which, as the vice president of the Federation of Restaurateurs indirectly admitted when asked to comment on the court ruling, often does not happen (Giorgos Kourasis used the words "an easy violation").

Apparently, the problem arose

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from the gradual retreat of cash payments, and the linking of POS with cash registers. In the past, all the tips went into a piggy bank, the contents of which were distributed to the waiters at the end of the shift. Now the customer has to choose if they accept being charged an extra 10% for the tip, which may be paid to the waiters or not.

I, for one, always feel awkward when I have to choose how much to tip. I find all this somewhat demeaning to the employee who served me. That's why I would prefer clear rules (that the tip always equals x% on the total bill) or, even better, the complete abolition of this somewhat antiquated practice. And that's why I'm

happy to live in a city where no one gives – or expects – a tip.

Indeed, tipping etiquette varies considerably around the world. In the US, a customer who doesn't leave a tip equal to 15% or 20% of the bill is considered incredibly rude or a harsh judge of their service. This is why liberals everywhere love tipping as a method of decentralized assessment and consequent resource allocation. Bad service, however, is usually due to the poor management of the restaurant, so it seems unfair to me that the waiter pays the price. On the other hand, the expectation of a tip keeps wages down. US law provides a lower federal minimum wage for the "tipped employees": \$2.13 per hour instead of \$7.25.

In contrast, in Japan tipping is considered insulting. I tend to agree with the Japanese (and the Milanese). Not just out of embarrassment. But also because, as an academic, I would freak out if a student told me, "That was a great lesson, here's 10 euros for a drink." All my colleagues around the world would feel the same way. Of course, other "noble professions" in Greece do not seem to have similar apprehensions. For example, the illegal "tip" called "fakelaki" handed quietly to doctors by patients is often in the four-figure range. But that's another story.

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