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Tips fall victim to crisis

NEW YORK - MR JOE Gilmartin, a doorman at a luxury apartment building in Manhattan, fears the worst this year about the holiday tips he traditionally gets from the affluent tenants he serves.

'I've heard they're cutting back. It's a fear, and it's a concern,' said Mr Gilmartin, one of millions of US workers who rely on gratuities for income. In the crisis gripping the economy, they worry those tips, from a dollar at a diner to large year-end sums, are growing fewer and smaller.

The global economic crisis has meant massive layoffs, salary cuts and widespread job uncertainty in the US workplace, and the impact is taking a harsh financial toll on employees in the service sector from doormen to waitresses to hair stylists.

Waitress Jency Rogers, who has worked at an upscale cafe in Phoenix for a decade, reports tips falling by half or more.

'An order of US\$7 (S\$11) to US\$10, you would see, like, a US\$2 tip,' said Ms Rogers, a single mother. 'Now you see US\$1, fifty cents or sometimes nothing at all.'

Doormen like Mr Gilmartin typically collect tips at year's end that total several thousand dollars for their jobs holding doors, hailing cabs, hauling groceries, accepting deliveries and even watching pets and children for building residents.

'We wait all year for those tips. Just like on Wall Street, they wait for those bonuses,' said Mr Gilmartin, who added that he was laid off from back-office jobs at Goldman Sachs and Merrill Lynch before leaving Wall Street altogether.

Customers are stretching out the time between haircuts to economise on tips, said stylist Gary Sebastian at Hair Inc salon in Cincinnati.

'People have maybe changed from coming every four weeks to every six weeks,' he said.

Relying on tips

At Mr Rafael Gadaye's New York City barbershop, a holiday table heaped with bottles of vodka and plates of cookies for customers is largely untouched. The stream of clients coming in for a trim has thinned in the financial crisis, he said.

'People who give you good tips don't show up because they're embarrassed to give you less,' he said. 'They don't want to give you nothing.' In turn, he said, he finds himself tipping less. 'If I gave you 20 per cent, I give you 10 per cent now,' he said.

Many US employees who work for tips are paid less than the federal minimum wage of US\$6.55, with the tips they are presumed to get added in as the balance of their pay.

The Bureau of Labour Statistics says, as of last year, about 1.5 million hourly workers made below minimum wage.

The Internal Revenue Service does not record how much of income is tips but experts estimate US workers collect US\$30 billion in gratuities each year.

'We have no way of knowing tip amounts, unfortunately,' said economist Emily Gross. 'It's also believed that people vastly underreport tips.' Nor do organisations such as the Service Employees International Union local that represents New York City doormen keep track.

'To tip or not at holiday time and, if so, how much are decisions that are entirely in the hands of residents, as they should be,' said union spokesman Matt Nerzig.

Taxi drivers report tips off some 25 per cent, said the New York Taxi Workers Alliance, which represents more than 11,000 drivers.

'Drivers are really going bonkers trying to make ends meet, put food on the table and pay their rent,' said Mr Bill Lindauer, an alliance official.

Many consumers may not know that tips are a critical part of many service workers' salaries, said Kit Yarrow, a professor who specialises in consumer behavior at Golden Gate University in San Francisco.

'They think of it as a bonus, an add-on, a little something extra,' she said. 'It's pretty easy in this economy to move from 18 or 20 per cent down to 12 or 15 per cent if they think of it as a gift and not part of their pay.' -- REUTERS

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