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Intelligence MEMOS

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From: Mawakina Bafale
To: Canada's Policymakers
Re: BEYOND THE TERMINAL: A POLICY AGENDA FOR CANADIAN TIPPING CULTURE

Two-thirds of Canadians want tipping abolished according to one recent **survey**, where 93 percent of respondents said tipping is out of hand, spreading to goods and services that don't warrant it.

Tipping in Canada once had a defined scope – sit-down restaurants, salons, taxis – and a clear rationale: Tipped workers were paid a lower minimum wage in some provinces on the assumption that gratuities would top them up. Both anchors have since eroded.

Routine prompts for a gratuity in transactions that involve no table service and little to no human interaction proliferate. While it may be tempting for policymakers to mandate an end to tipping and sharply raise minimum wages, abrupt changes risk leaving the workers they aim to help worse off as sudden wage hikes could result in job losses.

This steady expansion of tipping into places where it was never expected is called tip creep. For some Canadians, the discomfort has escalated into something closer to a consumer revolt, with more people completely avoiding businesses with aggressive tip prompts. For an industry that relies on tips, outright abolition is not viable.

Tipping is voluntary. Consumers can choose to decline. However, when survey evidence shows that Canadians tip despite sometimes resenting it, why has individual choice resulted in an undesirable outcome for consumers, business and workers?

Some restaurants have tried their own solutions, and nearly all have been forced to retreat.

Take Beast Pizza in Toronto. In 2022, it started paying staff $25.05 an hour – $9.50 above minimum wage at the time – and stopped accepting tips. Staff enjoyed the predictability as employees with debt knew how much they'd be making each paycheque. But after two years, labour taxes, CPP contributions, and soaring food costs ate every dollar of profit. In 2024, Beast Pizza went back to pooled tips, leaving the owner to conclude that the model cannot work without government support.

More generally, individual restaurants that raise wages and drop tips face a competitive **disadvantage** against neighbours who keep prices low and let customers subsidize wages. So, their attempts to do what they thought was correct became unsustainable without a system-wide shift.

Quebec is moving forward with new policies. In November 2024, the National Assembly passed Bill 72. It does two things. First, the "no tip" option must be displayed as prominently as any other option – no more boldface "20%" while "no tip" is buried in fine print, and no more attaching guilt-inducing labels like "Amazing!" on higher amounts. Second, tips must be calculated on the pre-tax subtotal rather than the after-tax total. A 15-percent tip on a $100 meal is now $15, not $17.24, small change on a single receipt but meaningful savings over time. As Quebec Justice Minister put it: "We shouldn't have to feel pressure when we're paying the bill."

Australia's minimum wage **sits** at C$20 per hour and tipping is largely optional and uncommon. Across much of Europe, the displayed price is the one you pay. French law requires that service be included in all restaurant prices – conventionally around 15 percent. Switzerland mandates that service charges be built into published prices by law. Hence, countries where tipping is marginal or absent have either high minimum wages or mandated service charges, rather than leaving it to individual transactions.

Quebec's Bill 72 a set of consumer-protection measures aimed at reducing the pressure to tip and the size of suggested tips. It does not address workers' reliance on tips and whether wages would be more desirable forms of compensation. However, wage-specific measures must be approached with caution due to the significant costs they would incur for businesses.

The Canadian tipping debate is ultimately about how to protect consumer choices and ensure service workers are correctly compensated in a digital pay era. Getting there will require some reflection about the role of voluntary decisions and individual actions, as well as other complicated questions. Quebec's actions should create some lessons for other provinces going forward.

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