

# DoorDash And Amazon Won't Change Tipping Policy After Instacart Controversy; If You're Worried, Carry Cash

The tipping controversy that prompted Instacart to [reverse a compensation plan](#) to its contract workers isn't likely to go away: Rivals DoorDash and Amazon Flex are continuing to adjust driver pay based on how much they get tipped, saying doing so ensures a minimum payout.

The practice, which has its roots in the way brick-and-mortar restaurants pay waitstaff, has been adapted to suit the needs of app-based delivery companies. The difference is that gig-economy workers are independent contractors, and so aren't protected by the minimum wage laws.

Instacart, a [\\$7.6 billion grocery delivery company](#), made a change in October 2018 that workers would receive at least \$10 per delivery order. Customers and shoppers didn't realize that the tips were counting towards that minimum instead of being a bonus on top. So if someone tipped more, Instacart effectively had to pay less. That's how one Instacart delivery driver ended up with Instacart [only paying 80 cents](#) and the rest of the minimum being met with tips.

The company reversed its decision on Wednesday after public outcry, admitting that counting tips in its payout totals was "misguided" and has moved to a new pay scale that doesn't factor in tips at all. But DoorDash and [Amazon Flex](#), the contract workforce that delivers packages for Prime Now, continued to stand their ground. DoorDash claims it has been transparent about the tips being part of its delivery driver pay since it made the change in 2017, including [on a blog post on whether customers should tip](#), and maintains that delivery-driver retention and overall satisfaction both "increased significantly" since the change.

Both DoorDash and Instacart insist that they never turned the payment dial down if someone received a large tip. Instead, both companies used an algorithm to calculate a base pay rate that would include things like time and effort it took to deliver. If that base pay plus tip fell short of the price they guaranteed, then both companies would pay out more to make sure its delivery drivers reached the payout they had been promised. But in cases where the tip plus its initial calculation reached the promised payout, then the companies would only contribute the amount that the algorithm had calculated the delivery person deserved.

DoorDash says it pays at least \$1 per job (and frequently more), but Instacart had failed to establish a minimum, a situation that allowed a tip to comprise the bulk of the driver's pay.

Adjusting a company's contribution, depending on the tip, flies in the face of how consumers have traditionally viewed the act of tipping: as a bonus that's in addition to a set, if low, base salary from the company. But businesses can use these as a "tip credit" to underwrite the wages they pay, says Sylvia Allegretto, co-chair of the [Center on Wage and Employment Dynamics](#) at the University of California, Berkeley.

"Tips are not always tips. Tips are not always gratuities," Allegretto told *Forbes*. "A lot of tips are actually a wage subsidy to the company and not to the worker."

The idea of tips being a part of a minimum payment isn't a concept just invented by these venture-fueled tech startups. It's actually long been a standard in the U.S. to have tips make up part of a worker's wages.

The concept is called subminimum wage or a tipped wage: Under federal government regulations, restaurants or other businesses can pay workers who receive tips a minimum of \$2.13 per hour instead of the federal minimum wage of \$7.25. The idea is to make up that difference (and hopefully exceed it) with tips. However, if a worker's tips don't reach the minimum of \$7.25, then the employer is forced to make up the difference.

Today, 18 states still use the tipped minimum wage of \$2.13 per hour even though some states have set higher minimum wages, according to the [Economic Policy Institute](#), which frequently advocates minimum wage increases. In Nebraska, for example, the minimum wage is \$9 while tipped workers still only make \$2.13 an hour—meaning around \$7 per hour is accounted for with tips. ([EPI has a map](#) that tracks the differences in each state.)

Eight states, including California where both DoorDash and Instacart are headquartered, have entirely done away with tipped minimum wage and require companies to pay waitstaff and servers the state's minimum wage in addition to tips.

The problem is: Delivery drivers at the new generation of gig economy companies are independent contractors, not employees, and aren't protected by minimum wage laws. Instead, any base payouts are set by the companies and are typically calculated by an algorithm which weighs the time, distance and effort needed to complete the task.

Some states like New York are [starting to push back](#) and demand companies like Lyft and Uber pay a minimum wage to ride-hailing drivers. The [backlash](#) surrounding the delivery companies tipping regulation could just be the start of more policy debates to come on how to protect gig economy workers.

Until policies catch up though, Allegretto says there is a simple solution if you want to make sure your tip gets into the hand of your digital delivery worker: tip in cash.

<https://forbesmiddleeast.com/doordash-and-amazon-wont-change-tipping-policy-after-instacart-controversy-if-youre-worried-carry-cash>