

California's \$20 Fast Food Minimum Wage Sees No Job Loss, Slight Price Hikes

Farida Jhabvala Romero, NPR, September 30 2024.

California's \$20-an-hour minimum wage for larger fast food chains has not led to overall job losses, according to a new report by UC Berkeley's Institute for Research on Labor and Employment. The new wage floor, the highest in the U.S., went into effect on April 1. According to research by economists Michael Reich of UC Berkeley and Denis Sosinskiy of UC Davis, menu prices have only slightly increased.

The study found that hundreds of thousands of fast-food workers saw their hourly pay rise by an average of 18%, yet the wage hike did not reduce employment, as industry groups had warned. Menu prices grew by about 15 cents on a \$4 hamburger. "The policy did not affect employment adversely. It did increase fast food prices, on a one-time basis only, by about 3.7%," the authors concluded. The results are consistent with the bulk of minimum wage studies, which find "minimal employment effects," Reich and Sosinskiy wrote.

To assess the policy's effect on industry employment, Reich and Sosinskiy used the U.S. Bureau of Labor Statistics' Current Employment Statistics. In a category of businesses dominated by fast food, the data show about 750,000 jobs statewide in July 2024 and July 2023. The report comes as California voters will decide the fate of a minimum wage bump to \$18 an hour by 2026 for all employees. Opponents of Proposition 32, which is on the November ballot, argue that businesses adjusting to a more costly payroll would be forced to raise consumer prices and slash jobs, a position similar to those who fought the fast food wage hike when it was being considered.

Proposition 32 would not impact higher pay floors already set by dozens of cities and counties or in certain industries, such as fast food and health care. Most health care facilities will be required to start gradually increasing the hourly minimum wage to \$25 as early as Oct. 15.

Last month, Gov. Gavin Newsom, who signed the state law enacting the fast food wage hike last September, touted federal jobs data pointing to industry growth despite higher payroll expenses. Critics responded by highlighting a separate federal data set adjusted for seasonal variations, which shows relatively small job losses of about 2,200 from April through August in quick-service restaurants.

Statewide, there were approximately 737,000 fast food jobs as of last month, according to the U.S. Bureau of Labor Statistics. Most fast-food employees in California are adult women of color who, in 2022, made an hourly average of \$16.21.

To mitigate the impacts on smaller businesses, the law Newsom signed in 2023 only applies to fast food restaurants in chains that have 60 or more locations nationwide to mitigate the impacts on smaller businesses.

The legislation also established a first-of-its-kind Fast Food Council made up of worker and employer representatives. It has the authority to keep increasing the industry's minimum wage by up to 3.5% annually. At a council meeting in Los Angeles earlier this month, dozens of franchise restaurant owners requested the nine-member council hold off from mandating another increase.

Many said they struggled financially to cope with the current pay of at least \$20 an hour, had reduced work hours or jobs and even closed stores.

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