



Employment
Policies

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Measuring the Cost of a Higher Minimum Wage for New York's Fast Food Restaurants

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Introduction

New York Governor Andrew Cuomo announced in a *New York Times* op-ed this spring his intention to empanel a state wage board to consider a minimum wage increase specific to the fast food industry. All three members of the governor’s wage board—who represent the public, labor, and the business community—are on-record supporting a minimum wage increase, leading some critics to conclude that the outcome is a foregone conclusion.

Still, the board will hear public testimony before making its recommendations. Unfortunately, recent history

suggests that public hearings aren’t always a hospitable venue for business owners to express their opinions: In Los Angeles county and Seattle, businesses who opposed a higher minimum wage found themselves heckled or even the subject of a boycott.

To better voice the concerns of fast food restaurants in the state, the Employment Policies Institute surveyed hundreds of fast food businesses in New York that would be affected by a \$15 minimum wage. The results, presented below, suggest that the wage board should proceed with caution in its recommendations.



Who Was Surveyed

During the last week of May, over 10,000 restaurants in New York State were contacted by telephone regarding survey participation. (Full details are available on page 7.) The results below represent the responses of 924 businesses that self-identified as fast food operations, and that would be affected by a \$15 minimum wage. A majority of the businesses (84%) reported employing 50 or fewer people; just over half of the respondents reported employing 15 or fewer people. Just over half of the surveyed businesses were from the greater New York City area, including Long Island and Westchester County.

The survey has weaknesses: The results aren't representative of the state as a whole, and the wage board might identify fast food businesses differently than the owners identified themselves. Still, the nearly 1,000 responses below represent a snapshot of state fast food businesses that's far larger than what the wage board will be exposed to at its public hearings.

Approximately how many people do you employ (including all locations in New York)?

1-15 Employees	467	51%
16-30 Employees	209	23%
31-50 Employees	89	10%
51-100 Employees	45	5%
101-500 Employees	21	2%
More than 500 Employees	7	1%
Unsure/Don't Know	86	9%
TOTAL	924	100%

What part of the state is your restaurant located in?

New York City	293	32%
Long Island	156	17%
Westchester	49	5%
Albany Metropolitan	86	9%
Buffalo Metropolitan	72	8%
Rochester Metropolitan	70	8%
Syracuse Metropolitan	56	6%
Binghamton Metropolitan	17	2%
Another Location in New York	125	14%
TOTAL	924	100%

Consequences

Though Governor Cuomo has focused on the global revenues of the fast food industry as proof that a wage mandate is workable, the profit margins reported by survey respondents are quite modest. (Note: Just over 30 percent were able to report a 2014 profit margin.) Nearly two-thirds of respondents to this question reported a margin of two percent or less; over 80 percent of respondents reported a profit margin of four percent or less.

These low single-digit profit margins, which are typical for the fast food industry, explain why business owners in the state report considering a series of off-setting measures to adapt to a \$15 minimum wage. For instance, 70 percent are “very likely” to raise prices in response to a \$15 wage requirement recommended by the wage board. However, price increases aren’t a cure-all – if they were, there wouldn’t be a debate over raising the minimum wage.

Because customers are price sensitive, business owners often take actions instead of (or in addition to) higher prices to offset the cost. In New York, nearly half of the surveyed businesses said they were “very likely” to reduce employees’ hours or staffing levels in response to a \$15 minimum wage. Perhaps most concerning, 22 percent—or just over one in five fast food businesses—said they were “very likely” to close if faced with a \$15 minimum wage.

Some of the surveyed businesses are facing more than price-sensitive customers: They’re also facing competition across the border. 12 percent of surveyed businesses were located near the state border with Pennsylvania, where the minimum wage is \$7.25—over 50 percent lower than the proposed \$15 wage mandate.

Last year, after paying all expenses, approximately what percent of your revenue did you retain in profit?

My profit was less than 1 percent	111	38%
My profit was 1-2 percent	78	27%
My profit was 3-4 percent	47	16%
My profit was 5-6 percent	23	8%
My profit was 7-8 percent	4	1%
My profit more than 8 percent	30	10%
TOTAL	293	100%

How likely are you to raise prices in response to a \$15 minimum wage?

Very Likely	649	70%
Somewhat Likely	149	16%
Unlikely	45	5%
Undecided/Refused	81	9%
TOTAL	924	100%

How likely are you to reduce employees' hours or reduce staffing levels in response to a \$15 minimum wage?

Very Likely	447	48%
Somewhat Likely	327	35%
Unlikely	79	9%
Undecided/Refused	71	8%
TOTAL	924	100%

Is your restaurant located near the state border with Pennsylvania, where the minimum wage is \$7.25?

Yes	111	12%
No	766	83%
Undecided/Refused	47	5%
TOTAL	924	100%

How likely are you to close your restaurant in response to a \$15 minimum wage?

Very Likely	206	22%
Somewhat Likely	194	21%
Unlikely	301	33%
Undecided/Refused	223	24%
TOTAL	924	100%



Results for Greater New York

New York Mayor Bill de Blasio has expressed interest in a \$15 minimum wage in New York City, and the State Assembly passed a bill that would establish a \$15 wage floor in New York City, Long Island, and Westchester County. Nearly 500 of the businesses surveyed were from this region, and the results below suggest they face similar cost pressures to fast food businesses elsewhere in the state. Over 70 percent report that they're very likely to raise prices in response to a \$15 minimum wage; 53 percent are very likely to reduce employees' hours or staffing levels; and 27 percent are very likely to close.

How likely are you to raise prices in response to a \$15 minimum wage?

Very Likely	357	72%
Somewhat Likely	92	18%
Unlikely	21	4%
Undecided/Refused	28	6%
TOTAL	498	100%

How likely are you to reduce employees' hours or reduce staffing levels in response to a \$15 minimum wage?

Very Likely	262	53%
Somewhat Likely	168	34%
Unlikely	38	8%
Undecided/Refused	30	6%
TOTAL	498	100%

How likely are you to close your restaurant in response to a \$15 minimum wage?

Very Likely	135	27%
Somewhat Likely	113	23%
Unlikely	167	34%
Undecided/Refused	83	17%
TOTAL	498	100%

Methodology

The survey was conducted by Connection Strategy during a four-day period at the end of May. Over 10,000 restaurant business records for New York, identified by SIC code, were purchased. Businesses were screened on whether they identified as quick-service, and whether

they would be affected by a \$15 minimum wage. The “refusals” category below includes both those who declined to participate, and those who were screened out for one of the aforementioned reasons.

	Total
Total Contacts	10,732
Completes	924
Initial Refusals	9,808

Employment Policies

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