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ECONOMIST SURVEY
IMPACT OF
FAST RECOVERY ACT

CALIFORNIA'S FAST FOOD ACCOUNTABILITY AND STANDARDS RECOVERY ACT

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Executive Summary

To better understand economists' views of the potential impacts of adopting California's Fast Food Accountability and Standards Recovery Act (AB 257) on the fast-food restaurant industry, a survey of U.S. economists was conducted in August 2022.

Key Findings

- A strong majority of economists (83%) oppose the adoption of the FAST Recovery Act (somewhat, 12%; strongly 71%).
- The majority think the FAST Recovery Act will have a negative impact on fast-food restaurants:
 - The cost of operating a franchise will increase (93%).
 - Fewer restaurant chains will be willing to operate in California and other states with similar laws (84%).
 - Prices will be raised for consumers as business owners pass on higher costs created by council mandates (84%).
 - The law would undermine the current franchise business model by creating joint legal liability for independently-owned franchisees and the franchisor (75%).
 - Franchisees will close restaurants (73%).
 - The law would lead to additional legal liability for small business owners (63%).
- Most (84%) agree that the law's proposed 13-member state council—and up to 82 local-level councils—that sets wage and labor standards would have a negative impact on the fast-food restaurant industry's growth in California (negative, 32%; very negative, 52%).
- Nine-in-ten (89%) think there will be price inflation if the law's 13-member council sets wage and labor standards for fast-food restaurants (moderate, 60%; significant, 29%).
- Eighty-seven percent think the impact on growth and hiring will be negative (negative, 39%; very negative, 48%).
- Most (87%) think if similar laws were adopted in other states or nationally, it would have a negative impact on the total number of jobs in the fast-food restaurant industry (negative, 48%; very negative, 39%).

Surveying U.S. Economists on the Impacts of California’s Fast Food Accountability and Recovery Act

In a proposed extension of California’s workplace regulations, the legislature is considering a first-of-its-kind bill to regulate fast-food chains with 30 or more locations, called the Fast Food Accountability and Standards Recovery Act (AB 257). If passed, the legislation could be considered and adopted by other states. The proposed law would:

- Create a 13-member, politically appointed council to set wage and labor standards across the fast-food industry—standards that would effectively override state law.
- Allow each city and county with a population over 200,000 (82 entities) to create their own council, which would be similarly empowered to create a patchwork of new wage and labor mandates.
- Assign joint legal liability to restaurant chains—not just independent franchise owners—when workers claim minimum wage or unpaid overtime violations.
- Let workers and the state name restaurant chains as a responsible party, not just franchisees (which is the current law).

To better understand how U.S. economists view the likely impact of this new legislation of the fast-food industry, a survey of 67 economists was conducted in August 2022.

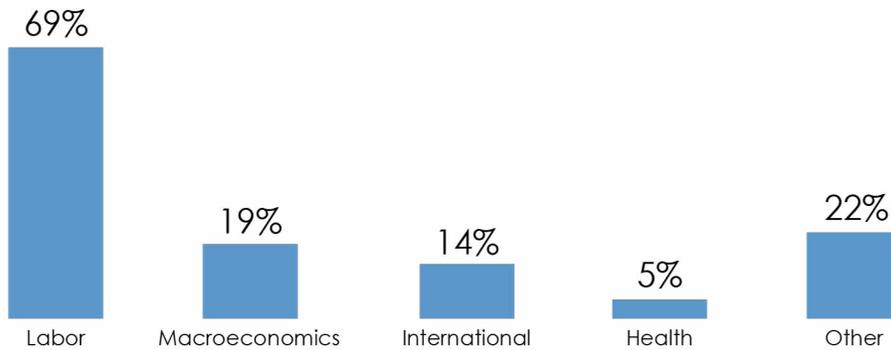
Methods

An online survey of 67 U.S. economists was conducted between August 22, 2022 and August 24, 2022. Table 1 provides a profile of the economists who responded to this survey. A total of 658 individuals were invited to participate based on a contact list maintained by the Institute for the Study of Labor. This survey had a response rate of 10 percent.

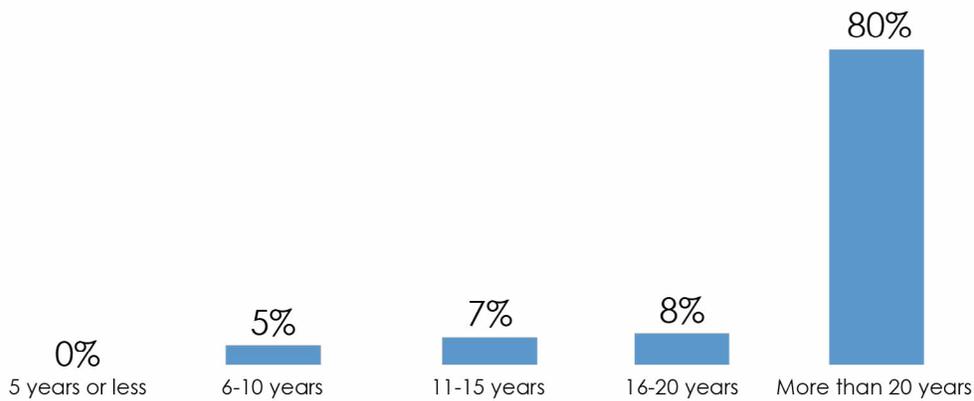
Economists were primarily focused on labor (69%), employed by an academic institution (89%) and most have been working as an economist for more than 20 years (80%). Most describe their political affiliation as Independent (56%), while fewer are Democrat (18%), Republican (16%) or other (10%).

Table 1

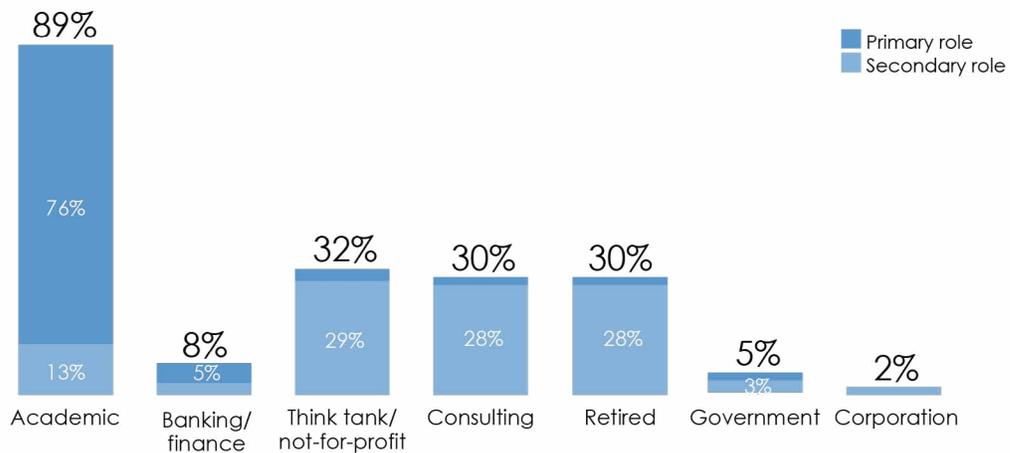
U.S. Economists Profile



What do you consider to be your area(s) of specialty in economics?



How many years have you worked as an economist?



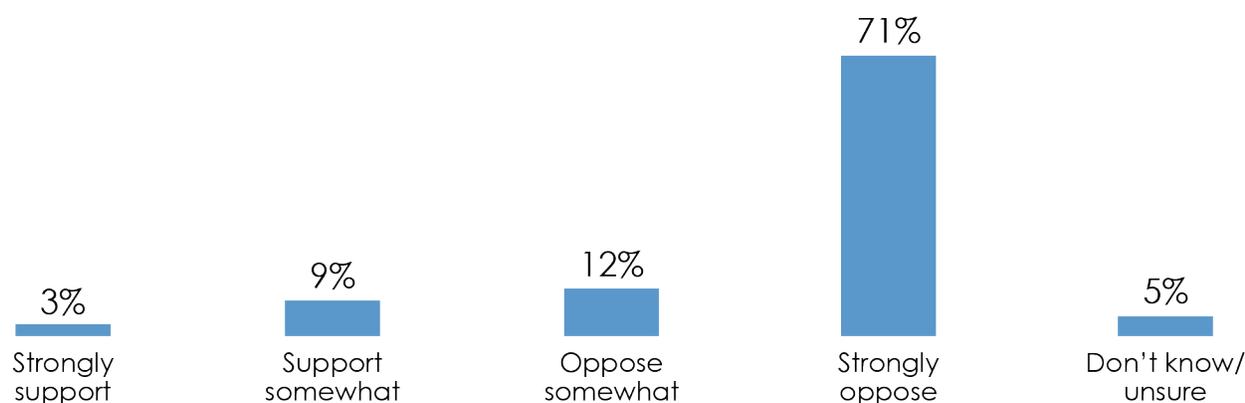
Which of the following best describes the organization(s) you are associated with?

Support for FAST Recovery Act

A strong majority of economists (83%) oppose the adoption of the FAST Recovery Act, with 12 percent saying they oppose it “somewhat,” but nearly six times as many (71%) opposing it “strongly” (Table 2). Twelve percent favor the adoption of this type of legislation, with nine percent saying they support it “somewhat” and three percent saying they support it “strongly.”

Table 2
Support for the FAST Recovery Act Support

Do you support or oppose the adoption of this type of legislation?



Opinions of the New Legislation on the Restaurant Industry in California

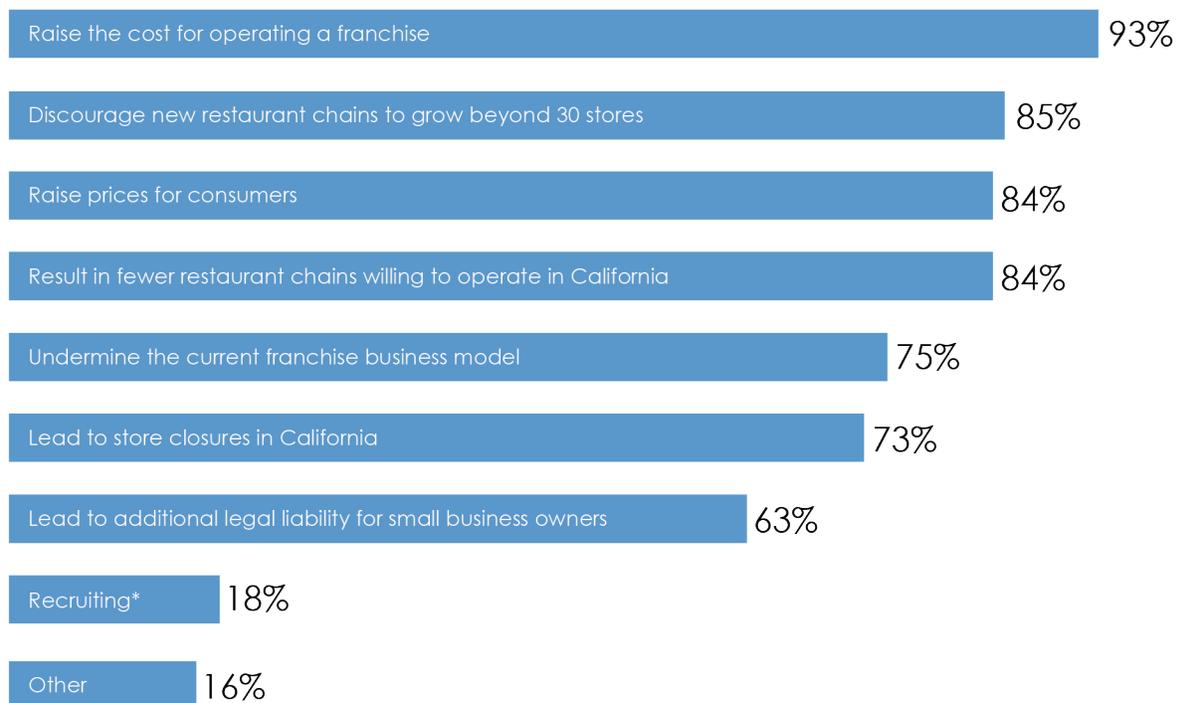
The majority of economists think the FAST Recovery Act will have an overall negative impact on the restaurant industry (Table 3). Most agree that the cost of operating a franchise will increase (93%), cutting into California’s fast-food existing profit margins, many of which are estimated to be relatively low.

Economists think the law will hinder the future growth of individual restaurant chains, because of the 30-store requirement. Other negative impacts will likely be fewer restaurant chains willing to operate in California and other states with similar laws (84%), raising prices for consumers as business owners pass on higher costs created by council mandates (84%) and leading to store closures in California (73%).

Three-fourths of economists (75%) think the law would undermine the current franchise business model by creating joint legal liability for independently owned franchisees and the franchisor. More than half (63%) of economists also think that the law would lead to additional legal liability for small business owners.

Table 3 FAST Recovery Act Impact.

If passed, what are the likely impacts of this new legislation on the restaurant industry in California?



*Make recruiting restaurant workers more difficult

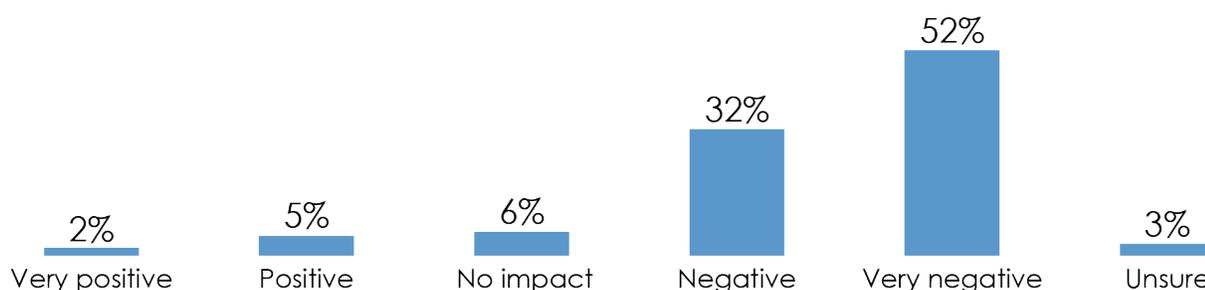
Impact on Restaurant Industry Growth and Price Inflation in California

Fast-Food Restaurant Industry Growth

Most surveyed economists (84%) agree that the law’s proposed 13-member state council—and up to 82 local-level councils—that sets wage and labor standards would have a negative impact on the fast-food restaurant industry’s growth in California (Table 4). While 32 percent think the impact will be “negative,” nearly twice as many think it will be “very negative” (52%). These results suggest that the law will likely have a significantly adverse effect on the future growth of the Golden State’s nearly 15,000 franchisees.

Table 4
Impact on Fast-Food Restaurant Growth in California

What impact do you think having a 13-member state council—and up to 82 local-level councils— that sets wage and labor standards would have on the fast-food restaurant industry’s growth in California?

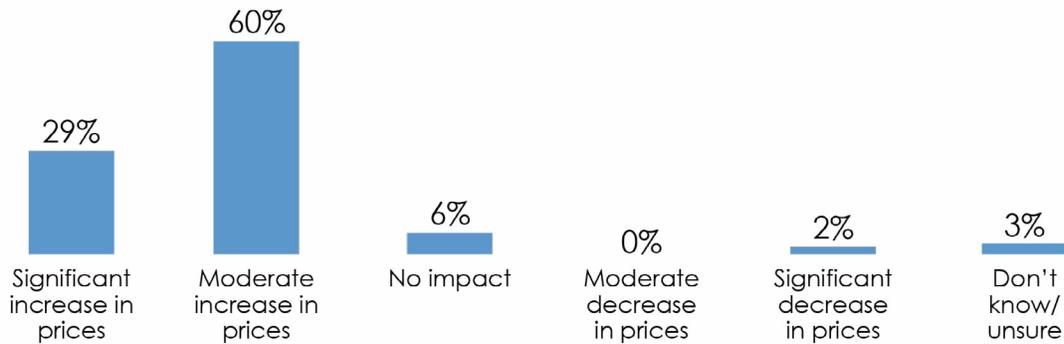


Fast-Food Restaurant Price Inflation

Nine-in-ten (89%) economists think there will be price inflation if the law's 13-member council sets wage and labor standards for fast food restaurants (Table 5). While 60 percent think the increases will be moderate, 29 percent think they will be significant. These results confirm that most economists believe there will be price inflation regardless of political party.

Table 5 Price Inflation

What impact do you think having a 13-member council that sets wage and labor standards for fast food would have on restaurant price inflation in California?



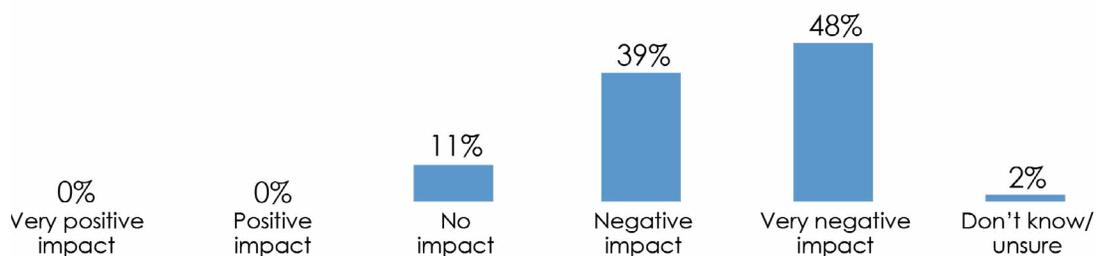
Impact on Employment Growth and Total Number of Jobs at Fast-Food Restaurant Chains if Similar Laws Adopted Nationally

Employment Growth and Hiring

If similar laws were adopted by similar states or nationally, no economist saw any positive impact for fast-food restaurant chains in terms of economic growth and hiring/new jobs (Table 6). In fact, 87 percent think the impact would be negative with 39 percent saying “negative” and nearly twice as many saying “very negative” (48%). Only 11 percent thought there would be no impact on growth and hiring.

Table 6
Employment Growth and Hiring

What would be the impact on employment growth and hiring (new jobs) at restaurant chains if similar laws were adopted in other states or nationally?

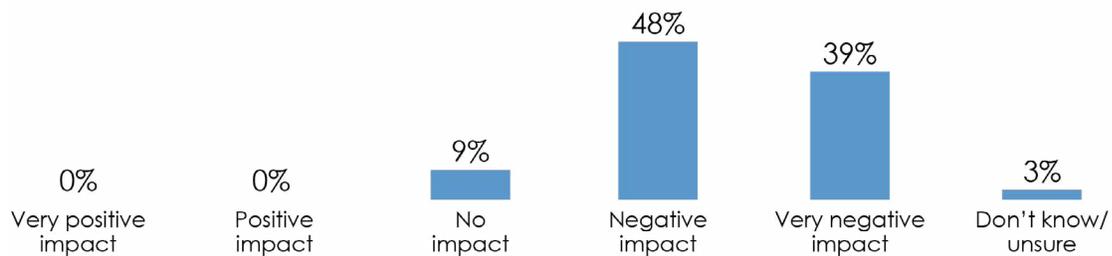


Total Number of Jobs at Fast-Food Restaurant Chains

Most economists (87%) think if similar laws were adopted in other states or nationally, it would have a negative impact on the total number of jobs in the fast-food restaurant industry (Table 7). Economists are divided on whether the impact would be “negative” (48%) or “very negative” (39%). Only one-in-ten (9%) think the law would have “no impact.” No economist thinks the law would provide any positive benefit on the total number of restaurant jobs.

Table 7
Total Number of Jobs

What would be the impact on total number of jobs at restaurant chains if similar laws were adopted in other states or nationally?



Economist Opinions of the Potential Impact of the FAST Recovery Act Survey 2022

1. If passed, what are the likely impacts of this new legislation on the restaurant industry in California? Select all that apply.

- Undermine the current franchise business model by creating joint legal liability for independently-owned franchisees and the franchisor
- Raise the cost for operating a franchise
- Raise prices for consumers as business owners pass on higher costs created by council mandates
- Lead to additional legal liability for small business owners
- Make recruiting restaurant workers more difficult
- Lead to store closures in California
- Result in fewer restaurant chains willing to operate in California and other states with similar laws
- Discourage new restaurant chains to grow beyond 30 stores
- Other (specify): _____

2. What impact do you think having a 13-member state council—and up to 82 local-level councils— that sets wage and labor standards would have on the fast-food restaurant industry's growth in California?

- Very positive impact
- Positive impact
- No impact
- Negative impact
- Very negative impact
- Don't know/unsure

3. What impact do you think having a 13-member council that sets wage and labor standards for fast food would have on restaurant price inflation in California?

- Significant increase in prices
- Moderate increase in prices
- No impact
- Moderate decrease in prices
- Significant decrease in prices
- Don't know/unsure

Survey Questions

4. Do you support or oppose the adoption of this type of legislation?

- Strongly support
- Support somewhat
- Oppose somewhat
- Strongly oppose
- Don't know / unsure

5. What would be the impact on employment growth and hiring (new jobs) at restaurant chains if similar laws were adopted in other states or nationally?

- Very positive impact
- Positive impact
- No impact
- Negative impact
- Very negative impact
- Don't know/unsure

6. What would be the impact on total number of jobs at restaurant chains if similar laws were adopted in other states or nationally?

- Very positive impact
- Positive impact
- No impact
- Negative impact
- Very negative impact
- Don't know/unsure

7. What do you consider to be your area(s) of specialty in economics? Select all that apply.

- Health
- Labor
- Macroeconomics
- International
- Other (specify): _____

8. Which of the following best describes the organization(s) you are associated with? Please indicate your primary role (full-time) and your secondary role (part-time/periodic). Please select "N/A" if you are not associated with an organization.

- Academic
- Think tank / not-for-profit
- Corporation
- Government
- Banking / finance
- Consulting
- Retired

9. How many years have you worked as an economist?

- 5 years or less
- 6 - 10 years
- 11 - 15 years
- 16 - 20 years
- More than 20 years

10. Generally speaking, do you usually think of yourself as a Republican, a Democrat, an Independent or other?

- Republican
- Democrat
- Independent
- Other (specify): _____

Employment Policies

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