Employment Policies INSTITUTE

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POLICY BRIEF

UNION-BACKED RESEARCHERS MISS THE MARK ON CALIFORNIA'S $20 FAST FOOD WAGE

KEY FINDINGS

- UC-Berkeley's Institute for Research on Labor and Education (IRLE) researchers claim fast food employment has not suffered as a result of California's $20 fast food minimum wage. Yet seasonally-adjusted federal data shows more than 4,400 California fast food jobs have been lost since January.
- These job losses are unique to California's fast food industry: California's full-service restaurant and total employment numbers grew and neighboring states' fast food industries have gained jobs over the same time period.
- IRLE researchers downplay "modest" price increases in California fast food restaurants. Their analysis relies on data from just two weeks prior and two weeks after the minimum wage hike took effect on April 1, 2024, despite media reports indicating restaurants began raising prices as early as November 2023.
- Other analysis finds fast food restaurant menu prices have more than doubled the estimates of the UC-Berkeley analysis - as high as 10.1 percent menu price increases by April 2024 since the law's passage in 2023.
- IRLE is a taxpayer- and union-funded research center, receiving millions per year in taxpayer dollars and union dollars.
- Previous IRLE research on the impacts of minimum wage hikes has been debunked by other academics and news outlets including 80 percent of economists who find minimum wage hikes cause employment losses.

Recent reports released by the University of California-Berkeley's Institute for Research on Labor and Education (IRLE) and The Shift Project, a Berkeley IRLE-funded outfit run by Harvard Kennedy School's Daniel Schneider and UC-San Francisco's Kristen Harknett, claim California's new $20 minimum wage for fast food restaurants has not hurt restaurant operators, employees, or consumers.

Not only do these claims run counter to reports dating back to fall 2023 after the wage law was signed by Governor Gavin Newsom, but federal data and other reports show otherwise. California's fast food industry employment is down since the beginning of the year, menu prices in California have spiked by roughly double the amount Berkeley researchers estimate, and a supermajority of operators say further staffing and pricing adjustments may be required to continue to adjust in the next year.

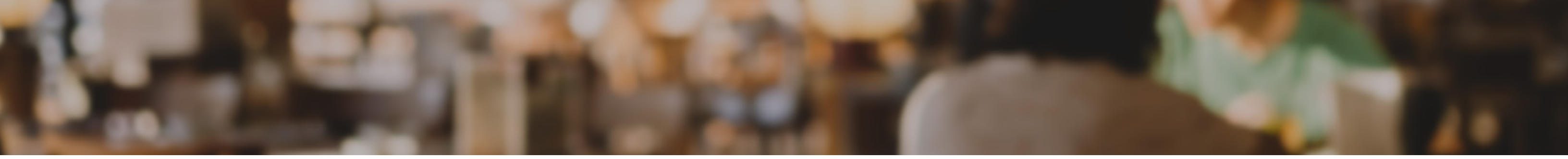
INTRODUCTION

Since California Governor Gavin Newsom signed AB 1228 into law in September 2023, the state's fast food restaurant industry has been in crisis. The AB 1228 legislation required all fast food restaurants with 60 or more locations nationwide to pay all employees a minimum wage of $20 per hour. The law created a 25 percent increase in labor costs in just a matter of months– jumping past the state's highest-in-the-nation $16 minimum wage for all employees, regardless of industry.

Beginning in late 2023, restaurant operators and brands began to raise concerns and announce new strategies to mitigate negative impacts of the law. As early as November 2023, operators announced layoffs, menu price hikes, and reliance on automation as ways to stay in operation under the new law.

Governor Newsom has claimed these concerns never materialized and there have been no negative impacts on the state's fast food industry. Federal employment data shows otherwise. Now, researchers from a taxpayer-funded labor center at the University of California-Berkeley say they can corroborate the Governor's claims.

This policy brief explores how the recent UC-Berkeley and another affiliated analysis provides a flawed view of California's fast food industry. These "studies" rely on convoluted data sources to make their claims and forgo widely accepted data practices to measure impacts of laws like the $20 minimum wage hike.



WHAT ARE THE UC LABOR CENTERS?

For decades, California taxpayers have funded installations at University of California campuses once dedicated to "industrial relations."[1] Currently, such centers focus on "areas such as minimum wage policies" and "public sector labor and employment law."[2] In 2023, California lawmakers allocated $13 million to these centers, with $3 million of that total going directly to UC Berkeley's labor center, officially called the "Institute for Research on Labor and Employment (IRLE)." Additional funding and personnel for these centers come from labor unions; the funding totals run to millions of dollars.

Union Funding

UC labor centers like the one at UC-Berkeley and UCLA routinely receive funding from unions. Data from the U.S. Department of Labor Office of Labor-Management Standards (OLMS) shows totals given since 2005.[3] The Service Employees International Union (SEIU) tops the list with over $673,000 given to UC labor centers – a union that began the "Fight for $15" campaign that has pushed for $15 minimum wage legislation, and now higher, across the country.

UNION DOLLARS PAID TO UC LABOR CENTERS SINCE 2005

Service Employees	SEIU	$673,975
Electrical Workers IBEW AFL-CIO	IBEW	$324,465
Food And Commercial Wkrs	UFCW	$129,625
Teamsters	IBT	$72,507
Bldg And Constrn Trades Dept AFL-CIO	BCTD	$25,000
Engineers, Prof And Tech, AFL-CIO	PTE	$24,573
Fire Fighters AFL-CIO	IAFF	$15,000
Transport Workers AFL-CIO	TWU	$11,471
Longshore And Warehouse Union	ILWU	$10,000
Unite Here	UNITHE	$10,000
Iron Workers AFL-CIO	BSOIW	$8,000
State County And Muni Empls AFL-CIO	AFSCME	$7,200
Steelworkers, AFL-CIO	USW	$6,200
Teachers AFL-CIO	AFT	$5,500
Carpenters Ind	CJA	$5,000
Coalition Of Kaiser Permanente Unions	UNAFF	$5,000
TOTAL		**$1,333,516**

Source: U.S. Department of Labor Office of Labor-Management Standards (OLMS) • Created with Datawrapper

Academic Bias

In the past, UC-Berkeley's labor center has been tasked with – and executed – creating reports that support progressive labor policies. For example, public records show Michael Reich pushed through a report at the behest of the Seattle mayor that discredited city-commissioned researchers who found a $15 minimum wage policy was reaping negative impacts.[4]

Despite their home in some of the best public universities in the country, the "research" they produce overwhelmingly supports labor unions and union-friendly lawmakers who support their preferred policies. For example, Sen. Maria Elena Durazo cited UC-Berkeley's Labor Center research to prompt passage of a state Senate bill she supported that preceded the current AB 1228 law,[5] while she also supported permanent recurring funding for UC labor centers like Berkeley's.[6]

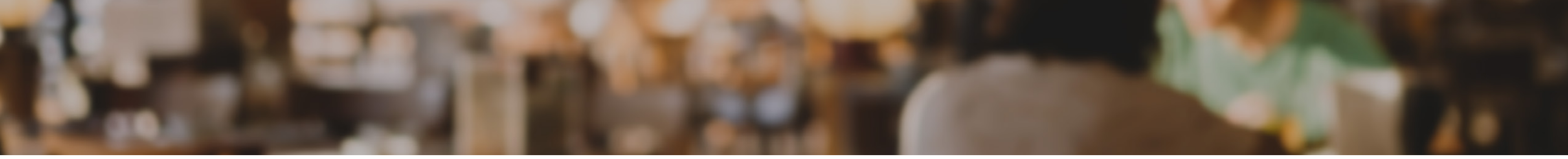
In a fight over AB 257, the precursor to the current $20 minimum wage and fast food council regulations in AB 1228, email records show unions worked with labor center researchers at the UCLA campus to contradict the state's own wage theft enforcement data, which showed California's fast food industry had relatively low levels of wage theft violations compared to other industries.[7]

The Albany Times-Union also called out Reich and an IRLE colleague for working with the Service Employees International Union (SEIU) on research supporting a New York minimum wage increase.[8]

Repeatedly Debunked

Previous research from Michael Reich and the IRLE has been debunked by other academics and news outlets. Despite IRLE researchers' repeated claims that minimum wage hikes cause minimal to no job losses, a review of 30 years of research conducted on the impacts of minimum wage hikes shows a "clear preponderance" of evidence to the contrary. In fact, nearly 80 percent of all studies over that period show negative employment effects due to minimum wage increases.[9] For example, Reich claimed that a $15 minimum wage in San Francisco would have "modest" impacts on businesses.[10] Yet, research from Harvard found that the wage hike led to a rash of restaurant closures.[11]

Despite a history of biased research and blatant activism, California taxpayers are footing the bill for these labor centers, which now exist across many University of California campuses. The most recent budget cycle's $13 million appropriation to UC labor centers referred to the funds as "ongoing."[12]



Reviewing Claims on California's $20 Fast Food Wage

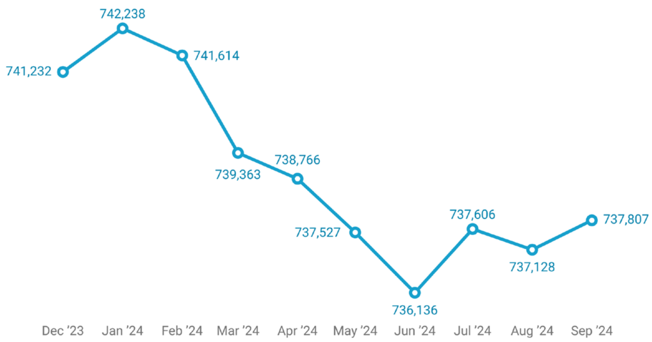
EMPLOYMENT CONSEQUENCES

The Berkeley authors claim they "do not detect evidence of an adverse employment effect." There are several issues with the analysis they present.

1. **They use non-seasonally adjusted numbers to make these assumptions. This method misrepresents the on-the-ground reality.** When using the Bureau of Labor Statistics revised data set – which accounts for normal seasonal variation that occurs unrelated to policy changes – California's fast food industry currently reports a net loss of more than 4,400 jobs since January 2024, when state and national news outlets began reporting concerns brewing over the upcoming implementation of AB 1228 and the $20 minimum wage.[13]
2. **They also claim that California's trends are not statistically unique, and therefore employment changes cannot be attributed to the new AB 1228 law (pages 11-12). This is false.** California's fast food industry employment has dropped compared to its total and full-service restaurant industry employment (which is not subject to the $20 minimum wage standard). When looking at employment changes from the most recent period (September 2024) since the end of last year, the fast food industry is the only sector that has experienced negative net job loss.

   When we compare this to the same time frame last year, the California fast food industry had positive growth from January to September 2023, as did full-service jobs, and all non-farm jobs. In summary, the only sector and time frame in which California experienced a negative job loss for the purposes of this analysis was in the fast food industry from January 2024 to the present.

California Limited-Service Restaurant and Other Eating Places Employment (Monthly)



Seasonally adjusted.

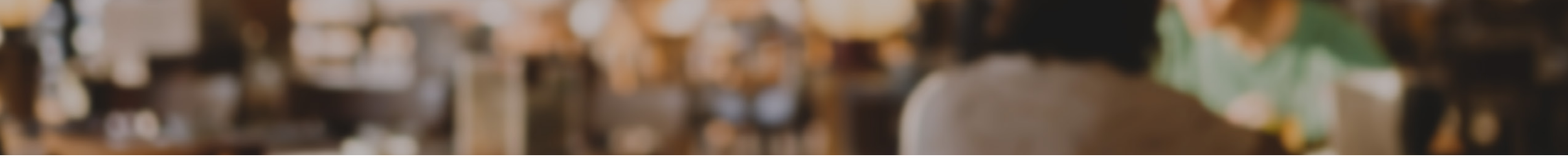
Source: Bureau of Labor Statistics State and Local Area Employment and Federal Reserve Bank of St. Louis. • Created with Datawrapper

Employment by Selected Sector (Monthly)

	Total Non-farm	LSRs	FSRs
Jan 2023	17,781,600	732,565	611,241
Sep 2023	17,832,400	736,433	614,478
Jan 2024	17,974,500	742,238	613,089
Sep 2024	18,097,700	737,807	613,270
Jan-Sep 2023	0.3%	0.5%	0.5%
Jan-Sep 2024	0.7%	−0.6%	0.0%

Seasonally adjusted.

Source: Bureau of Labor Statistics and Federal Reserve Bank of St. Louis; All Employees: Total Nonfarm in California [CANA], All Employees: Leisure and Hospitality: Full-Service Restaurants in California [SMU06000007072251101SA], All Employees: Leisure and Hospitality: Limited-Service Restaurants and Other Eating Places in California [SMU06000007072259001SA]. • Created with Datawrapper



3. **These trends are also unique to California when we compare data from other West Coast neighboring states Oregon and Nevada.** When analyzing fast food industry employment data from these states, California's[14] industry losses are an outlier. Oregon[15] and Nevada,[16] the only West Coast neighbors with fast food industry-level data, both experienced net increases in fast food jobs over the same period (January 2024 to the present).

4. **The best available data confirm these monthly trends.** Researchers from IRLE concur that the Bureau of Labor Statistics Quarterly Census of Employment and Wages (QCEW) is one of the best datasets to measure employment changes.

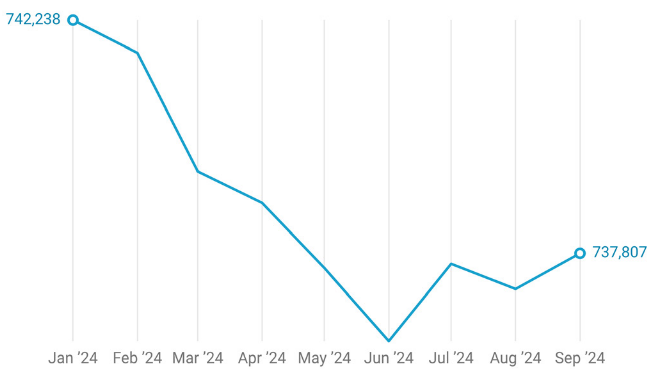
   Data from the QCEW lags several quarters behind because it compiles based on actual employer filings and represents more than 95 percent of all employers.

   While data do not yet exist for the period following April 1, earlier data confirm trends in the monthly estimates and headlines regarding layoffs reported months before the law took effect.

   In conclusion, seasonally revised monthly data and quarterly data that covers most employers show California is losing fast food industry jobs at unprecedented levels.

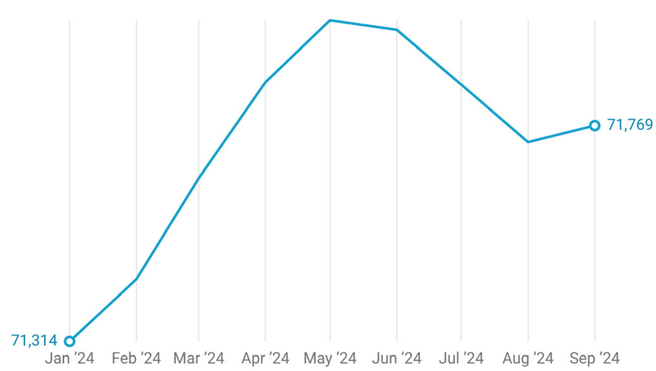
STATE LIMITED-SERVICE RESTAURANT AND OTHER EATING PLACES EMPLOYMENT (MONTHLY)

California



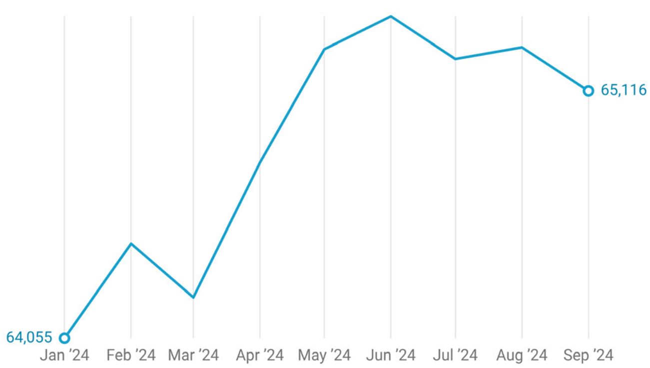
Seasonally adjusted.
Source: Bureau of Labor Statistics and Federal Reserve Bank of St. Louis. • Created with Datawrapper

Oregon



Seasonally adjusted.
Source: Bureau of Labor Statistics and Federal Reserve Bank of St. Louis. • Created with Datawrapper

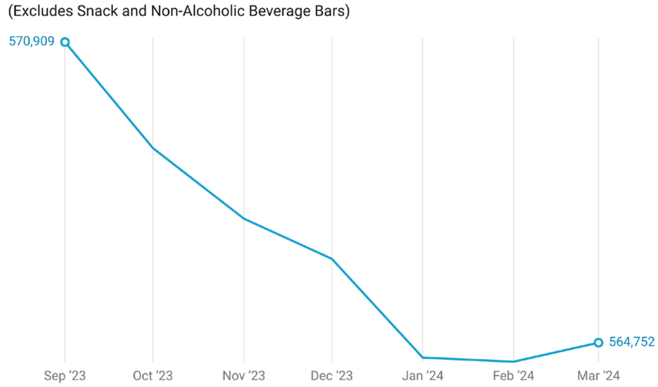
Nevada



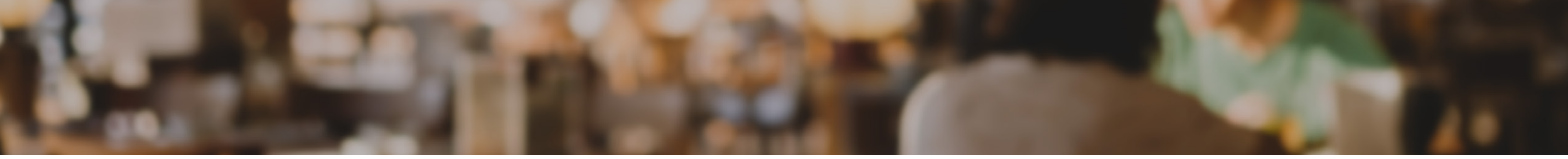
Seasonally adjusted.
Source: Bureau of Labor Statistics and Federal Reserve Bank of St. Louis. • Created with Datawrapper

California Limited-Service Restaurant Employment (Quarterly)

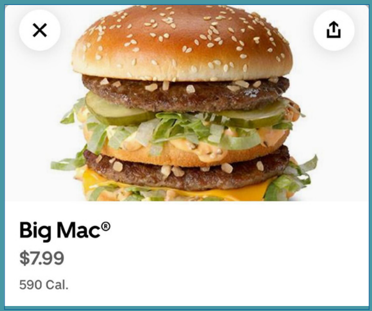
(Excludes Snack and Non-Alcoholic Beverage Bars)

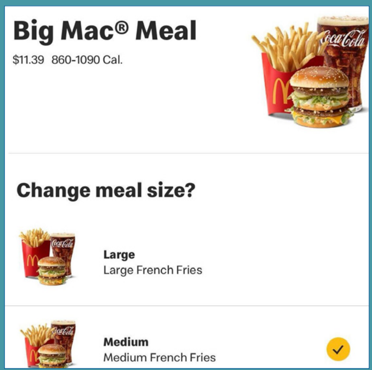


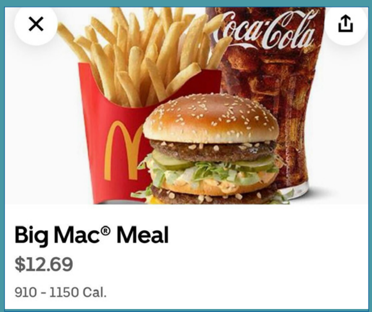
Source: Bureau of Labor Statistics Quarterly Census of Employment and Wages • Created with Datawrapper



COMPARING PRICES FOR LOS ANGELES MCDONALD'S AT 690 ALAMEDA STREET (MCDONALD'S APP)[24]







PRICES

The UC-Berkeley labor center's creative use of data to make their claims does not stop with employment.

Despite reports beginning in fall 2023 that fast food restaurants were making price changes to adjust for the upcoming April 2024 wage hike, and survey data showing most California fast food operators were forced to raise prices, the Berkeley researchers use third-party UberEats data to measure the entire fast food industry.

There are several problems with this methodology.

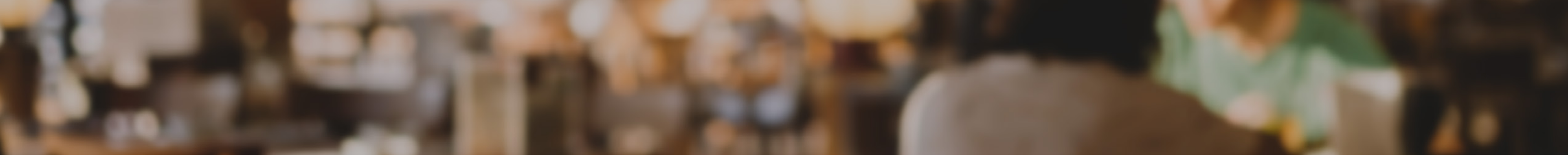
1. **The report only looks at prices two weeks prior and two weeks after the April 1, 2024 implementation date of the $20 minimum wage.** This represents a misleading representation of how restaurant economics work, as setting prices to anticipate future regulatory changes cannot possibly always happen on the date a new law is implemented. Berkeley researchers acknowledge this fact themselves, saying "the main threat to our identification strategy involves firms' anticipating the policy and beginning to adjust their prices before the policy becomes effective."[17]

   In fact, concerned restaurant operators began preparing for the increase early. Reports of restaurant price hikes began surfacing as early as November 2023,[18] and franchisees and brands such as McDonald's,[19] Fatburger,[20] Chipotle,[21] El Pollo Loco,[22] and others followed suit as early as January 2024.

2. **The UberEats platform is a third-party app that includes pricing that is different from actual brick-and-mortar or direct restaurant online menus.** UberEats also collects a percentage of sales from restaurants who list on the platform, so it is less clear how menu prices are structured to directly reflect regulatory or other business cycle changes.[23] Relying on this as a metric of fast food prices across the state has potential to exclude restaurants who do not participate in third-party platforms and do not account for restaurants' costs of using third-party platforms which can lead to inflated pricing.

3. **As a result of this poor metric for analyzing actual price changes, the Berkeley report brandishes falsely "modest" price increases.** Following the passage of AB 1228 in September 2023, Datassential reported California "led the nation" in limited service restaurant price increases, with their menu price inflation of 10.1% between September 2023 and April 2024. This was more than double the rate of menu price inflation for California's full-service restaurants.[25] As reported in *Barron's*, Gordon Haskett Research Advisors found core menu item prices at certain chains more than doubled Berkeley's estimated 3.7 percent price hikes, when looking two months prior to the April 1 increases.[26] For example:

Chick-fil-A	Starbucks	Shake Shack	Chipotle
Prices rose 10.6%	Prices rose 8.3%	Prices rose 7.7%	Prices rose 6.9%



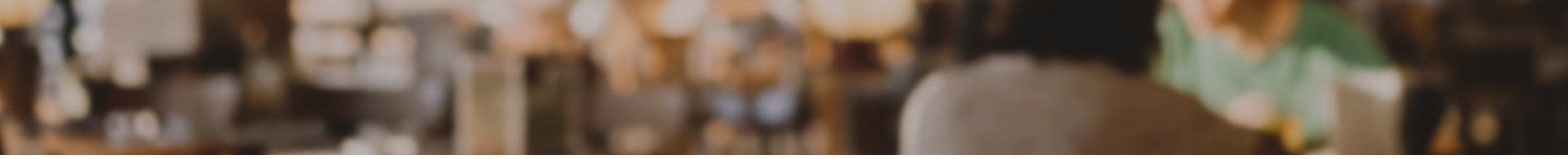
An EPI survey of fast food operators in June 2024 found that 93 percent responded they would be forced to raise menu prices in the following year.[27]

4. **Consumers have been reporting concerns over fast food price hikes for months.**
   - Consumers have taken note of particularly large price increases in California, calling it "sticker shock." One customer told *Business Insider* "you don't think it tastes as good anymore because you're paying a lot more for it."[28]
   - Consumers reported "feeling ripped off," "looking to cut back," and "eating out …much more selectively" according to a *Wall Street Journal* report a month after the implementation of the law.[29]
   - Consumers have reported cutting their frequency of fast food consumption in half in California, saying "we try to avoid" eating fast food, according to *Business Insider.*[30]
   - Restaurant operators are aware of this concern, claiming if they raised their prices enough to offset the wage hike, they would be "unaffordable."[31]
   - These concerns are materializing. A study of customer foot traffic in fast food restaurants following April 1, 2024 found the number of weekly visits to fast food chain restaurants significantly dropped after the $20 wage went into effect.[32]

DEBUNKING A FOLLOW UP REPORT

Shortly after UC-Berkeley's IRLE released its findings, a sister project released another report with similarly optimistic findings. The Shift Project is partially funded by the UC-Berkeley labor center and founded by UC-Berkeley sociology professor and Harvard Kennedy School social policy professor Daniel Schneider and UC-San Francisco sociologist Kristen Harknett.[33] The Project notably includes anti-business partners, including former Department of Labor Wage and Hour administrator David Weil[34] and union-funded Columbia Labor Lab co-founder Adam Reich.[35]

- This report also claims the $20 fast food minimum wage has not caused any employment losses. This finding is also suspect due to its alternative data sources and methodology, and is out of sync with federal data on employment.
- The Shift Project advocated for AB 257, predecessor legislation to raise the industry's minimum wage to $20 per hour and institute a Fast Food Council, as early as 2022 while still being actively considered by the state Senate, and prior to the introduction of AB 1228. Researchers claimed the proposed legislation "would have widespread impacts affecting around half-a-million workers in the state." This advocacy activity, combined with its methods, undermines the academic integrity of the Shift Project's reporting on the subsequent impacts of AB 1228.[36]
- The report relies on a survey of hourly workers in fast food restaurants and retail, with pre-AB 1228 responses going back to 2016 and just a single set of responses following the implementation of AB 1228 between April and June 2024.
- The survey measures employment changes by asking workers about usual weekly hours they work, whether they have had a scheduled shift canceled in the past month, how far in advance they know their work schedules, whether or not they wish they could work more hours at their current job, among other questions. While these questions may reveal certain scheduling trends or employee sentiments about their schedules and "normal" hours, this is far from objective analysis on actual hours reductions. It also does not appear to ask about nor take into account any employees that may have lost their jobs entirely.
- The survey also asked about whether or not employees felt their workplace was understaffed before and after the law went into effect, which is a subjective-at-best measurement of staffing level changes as a result of AB 1228. This does not take into account changing foot traffic levels (which Business Insider reports have decreased since the law went into effect), in-store automation, and other ways consumers and restaurants have changed their operations to adjust to the new law.[37]
- The survey does ask respondents about how their scheduling has changed after the law went into effect, and results are far from positive. One in three reported they were involuntarily on part-time schedules (instead of desired full-time schedules), and nearly two-thirds reported "last minute" schedule changes, indicative of managers scrambling to make staffing decisions under the law.[38]

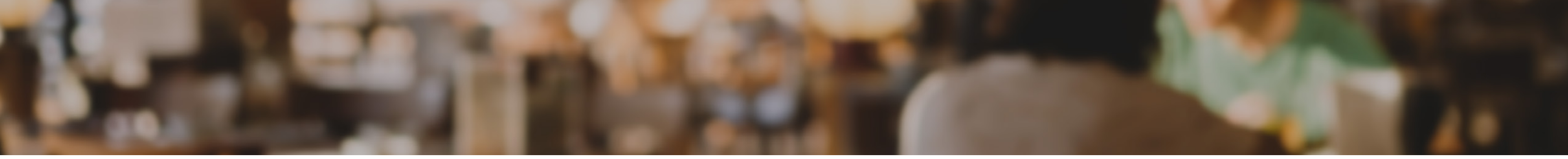


Conclusions

In contrast, the federal employment data provided by state and industry by the Bureau of Labor Statistics shows a clear net decline in jobs in California's fast food industry compared to a growing full-service restaurant industry in-state and growing fast food industries in other West Coast states.

Regardless of various alternative data sources employed by researchers at the University of California-Berkeley and others, government data standardized across all industries and states reveals California's unique fast food employment crisis.

In addition, news headlines and operator, employee, and consumer testimonials have revealed the true situation on the ground: residents are concerned about distinctly higher menu prices, operators are concerned about maintaining staff, and employees are concerned about getting enough scheduled hours or even keeping their jobs.



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