

The First Birthday of California's \$20 Fast Food Wage

Over 16,000 Jobs Lost, Price Increases, Restaurants Closed

Executive Summary

A.B. 1228 enacted a \$20 minimum wage and standards-setting council for California's fast food industry. The law was signed in September 2023 and went into effect starting April 1, 2024. Soon after Governor Gavin Newsom's signing of the law, restaurants, customers, and employees alike began bracing for its impacts, even before April.

Headlines broke as early as October 2023 following the signing, in which operators warned about how the law would force them to adapt.¹ Many chains reported they would be forced to raise prices², lay off staff³, or potentially close down.⁴

While some adjustments began as early as the fall of 2023, the consequences of the \$20 minimum wage are still ongoing a year after the \$20 minimum wage went into effect. California's fast food restaurants:

- Lost 16,000 jobs since the law was signed, including over 14,000 lost since it went into effect in April 2024;
- These job losses represented roughly two-thirds of all fast food job losses nationwide during the same period, and significantly outpaced the rate of losses for California's total private workforce;
- Saw prices increase by as much as 14.5% since the law was signed, doubling the rate of price increases nationwide in fast food restaurants;
- Saw prices rise 56% faster than California sit-down, full-service restaurants, a gap five times larger than the gap between fast food and full-service restaurants nationwide; and
- Have seen customer foot traffic decrease following implementation of the law.

Now the state's Fast Food Council is being pushed by unions to issue another increase to this mandate – as much as 3.5 percent. Yet Californians and local operators have barely been able to assess the damage from the past year.

While Newsom and other advocates refuse to acknowledge the consequences caused by the \$20 wage law for fast food operators, workers, and California residents – the economic evidence is piling up.

The following brief outlines the timing and growing evidence that California's \$20 minimum wage has caused a historic decline in the Golden State's fast food industry.

Introduction

Shortly after A.B. 1228 was signed in the fall of 2023, it became clear that fast food (also called “limited service”) operators in California were bracing for the impacts of the \$20 minimum wage. In late 2023, news headlines both national and local were reporting how operators were being forced to change their businesses to adapt to the mandate. This included:

- Downsizing staff;
- Raising menu prices;
- Turning to automation; and
- Shutting down or moving out of state.

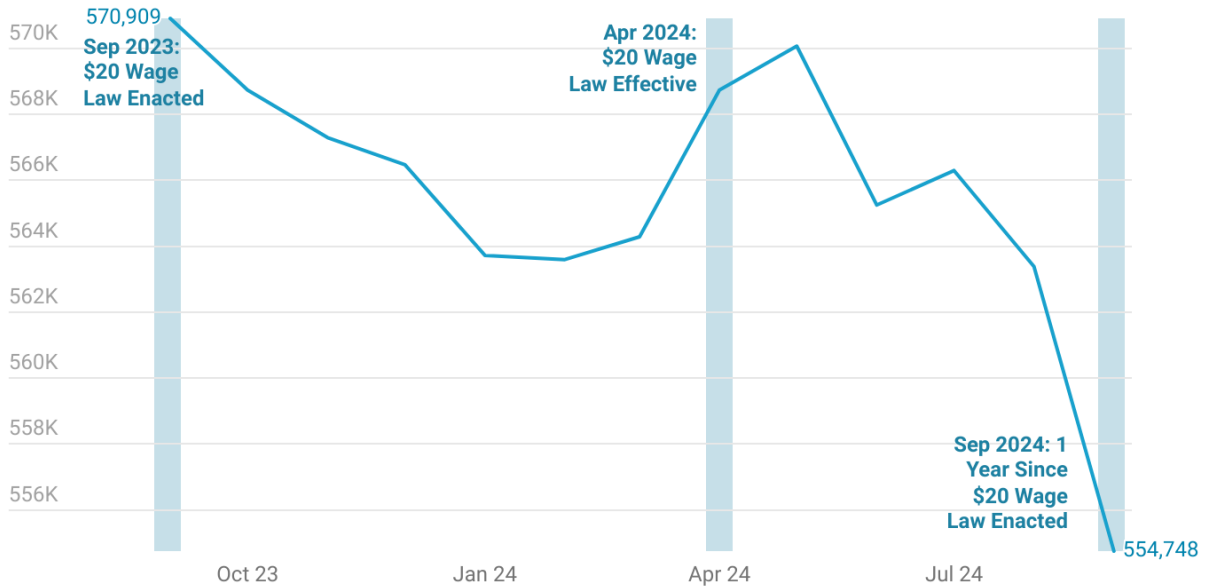
One year ago on April 1, 2024, A.B. 1228 took effect. Shortly after, the Employment Policies Institute surveyed nearly 200 local fast food restaurant operators on how they were adapting. Most said they had already cut staff, reduced workers’ scheduled hours, and raised menu prices. They also said in the coming year, even more would be forced to take these measures, as well as consider shutting down or moving out of the state and doing business elsewhere.

News headlines were right, surveys were right, and most importantly, operators, workers, and customers were right: the bulk of available data shows the law has led to an unprecedented decline for California’s fast food industry.

Thousands of Jobs Lost

The Bureau of Labor Statistics Quarterly Census of Employment and Wages (QCEW) takes mandatory employer-reported employment data that covers most workers⁵ – and is described as a “near universe” of data on employment.⁶ The latest from this best-available federal dataset shows California has lost over 16,000 jobs since A.B. 1228 was signed into law. This makes sense knowing many operators were bracing for the wage hike impact before it even went into effect. Even looking at jobs lost since the April 1, 2024 implementation date, almost 14,000 jobs have been lost.⁷

California Fast Food Jobs Under \$20 Fast Food Wage



Source: U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages, NAICS 722513 • Created with Datawrapper

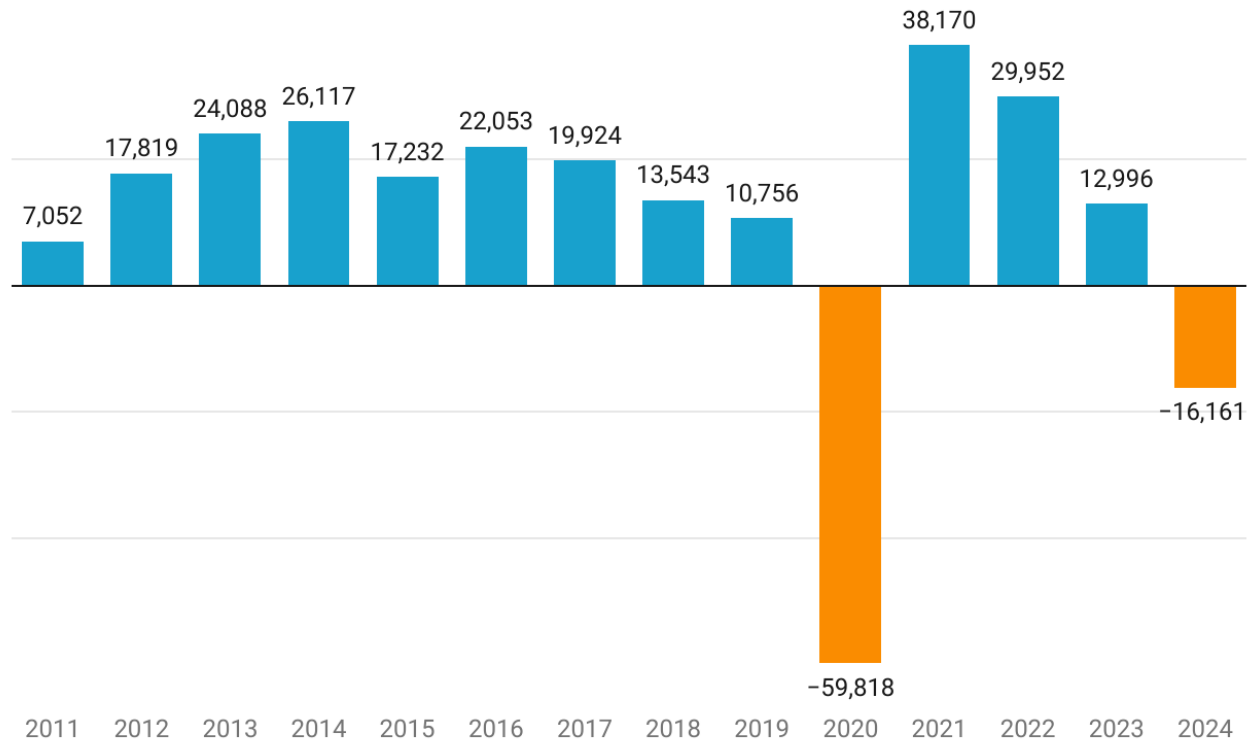
California Limited Service Restaurant Jobs 2010-2024

| Period | Limited-service jobs | Year-over-year change |
|----------|----------------------|-----------------------|
| Sep 2010 | 391,025 | - |
| Sep 2011 | 398,077 | 7,052 |
| Sep 2012 | 415,896 | 17,819 |
| Sep 2013 | 439,984 | 24,088 |
| Sep 2014 | 466,101 | 26,117 |
| Sep 2015 | 482,887 | 17,232 |
| Sep 2016 | 505,386 | 22,053 |
| Sep 2017 | 525,310 | 19,924 |
| Sep 2018 | 538,853 | 13,543 |
| Sep 2019 | 549,609 | 10,756 |
| Sep 2020 | 489,791 | -59,818 |
| Sep 2021 | 527,961 | 38,170 |
| Sep 2022 | 557,913 | 29,952 |
| Sep 2023 | 570,909 | 12,996 |
| Sep 2024 | 554,748 | -16,161 |

Source: U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages, NAICS 722513 • Created with Datawrapper

Historically, this decline is unprecedented. Typically, the restaurant industry is subject to some employment fluctuations due to seasonal trends. Yet even looking at the same seasonal periods in past years, California’s fast food job losses beginning after A.B. 1228 are unheard of in recent history. Comparing this year-over-year loss with any year before, this was the only year seeing job losses in the fast food industry in California in 15 years (except for COVID-related losses in 2020).

Annual Change in CA Fast Food Jobs



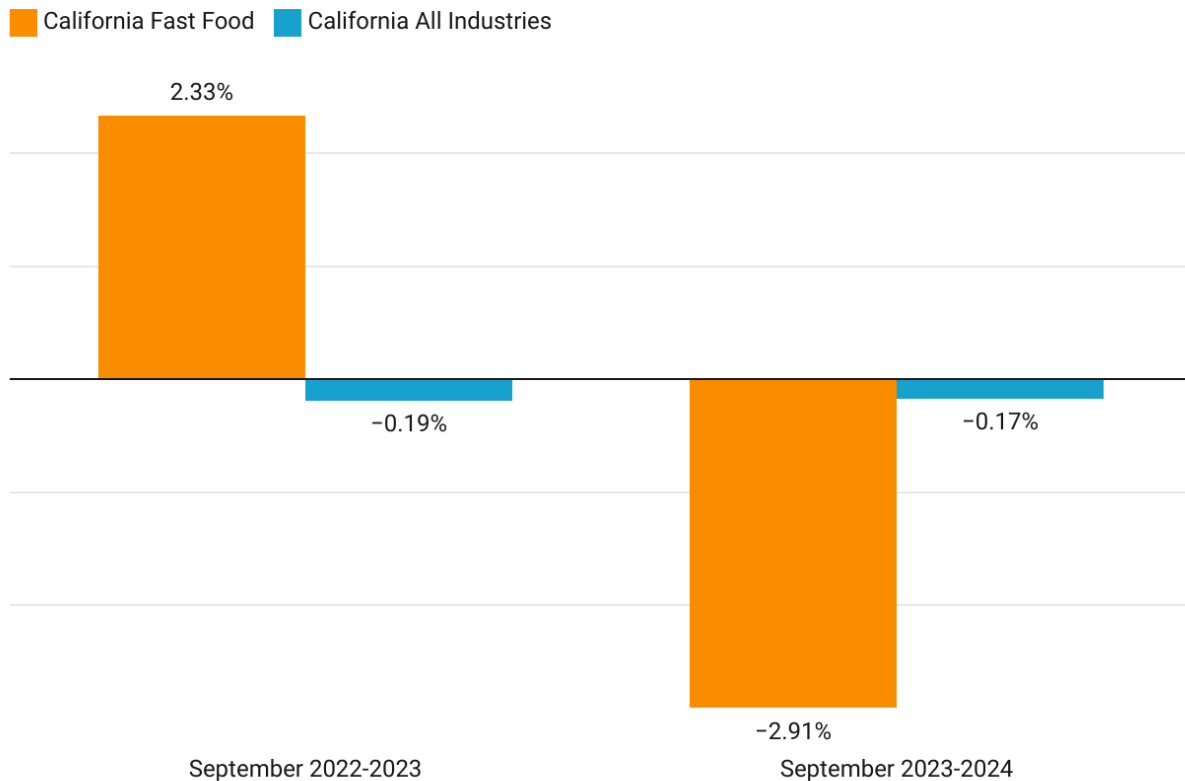
September to September.

Source: U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages, NAICS 722513 • Created with Datawrapper

California’s fast food restaurant losses outpaced statewide employment (for all industries)⁸ – signaling the unique impact of the \$20 minimum wage law on the fast food industry. The year prior to the \$20 minimum wage law’s enactment (September 2022 to September 2023), the state’s fast food restaurants’ employment grew by 2.3%.

Yet following the signing of the law, the state’s fast food restaurant losses were much larger in magnitude than the state’s overall losses.

Comparing California Fast Food Restaurant Employment to All Industries Statewide

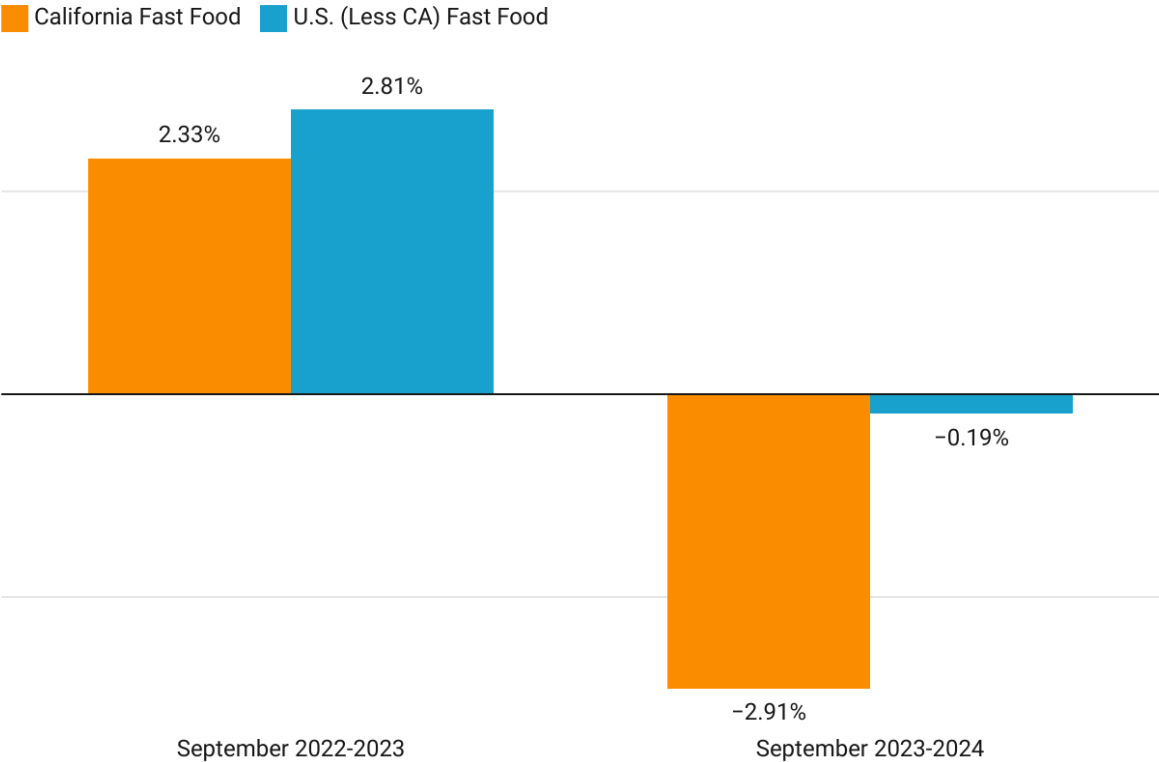


Source: U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages, NAICS 722513 • Created with Datawrapper

California’s fast food restaurant employment decline also significantly outpaced nationwide trends. California’s fast food industry losses under the \$20 minimum wage law in 2024 represented a -2.9% industry employment loss – while the rest of the nation only lost a fraction of a percentage point in fast food jobs (-0.19%). California’s fast food restaurant job losses (-16,161) under the law represent an outsized proportion of the nation’s total fast food job losses (-23,987)⁹ – accounting for roughly two-thirds of all fast food job losses nationwide as of September 2024.

In fact, the decline in the year-over-year employment growth rate in September 2024 for California fast food restaurants was almost double the decline experienced nationwide.

Comparing California Fast Food Restaurant Employment Growth to Rest of U.S.



Source: U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages, NAICS 722513 • Created with Datawrapper

Price Hikes in the Double Digits

Soon after A.B. 1228 was signed into law, local fast food restaurants reported they would have to raise their menu prices to account for rising wage bills due to the \$20 minimum wage. Reports of restaurant price hikes began surfacing as early as November 2023¹⁰, and franchisees and brands such as McDonald's¹¹, Fatburger¹², Chipotle¹³, El Pollo Loco¹⁴, and others followed suit as early as January 2024.

In fact, an Employment Policies Institute survey of nearly 200 fast food operators in California conducted in June and July 2024, right after the law was implemented, found most (98%) had already been forced to increase their menu prices to adapt to the new mandate.¹⁵

In the first month of existence, *Barron's* featured a study analyzing price increases by individual brands as a result of the \$20 wage mandate between February and May 2024. Gordon Haskett Research Advisors found core menu item prices in California rose as much as 10%, when looking two months prior to the April 1 implementation date.¹⁶

Now, we have several more months of data to understand the longer-term effects of the mandate. Data from 27 national fast food chains compiled by Datassential stands as the best indicator of in-store prices for affected restaurants in California and compares them to their counterparts across the United States.¹⁷

Datassential's latest-available data extends through the fall of 2024 – and year-over-year analysis shows California prices in fast food restaurants outpaced prices in full-service restaurants (which are not included in the \$20 wage mandate) and roughly doubled the growth rate of fast food prices elsewhere in the country.

Based on analysis of this data by the Berkeley Research Group, California's prices in limited-service restaurants (CA LSR) grew by 14.5% since September 2024 – compared to just 8.2% price growth in limited-service restaurants elsewhere in the U.S. (US LSR). California fast food prices also outpace sit-down, full-service restaurant prices in the state (CA FSR), which grew by just 9.3% in the same period.¹⁸

Price Indexes for California and U.S. Limited-Service and Full-Service Restaurants

Based on index methodology from Berkeley Research Group

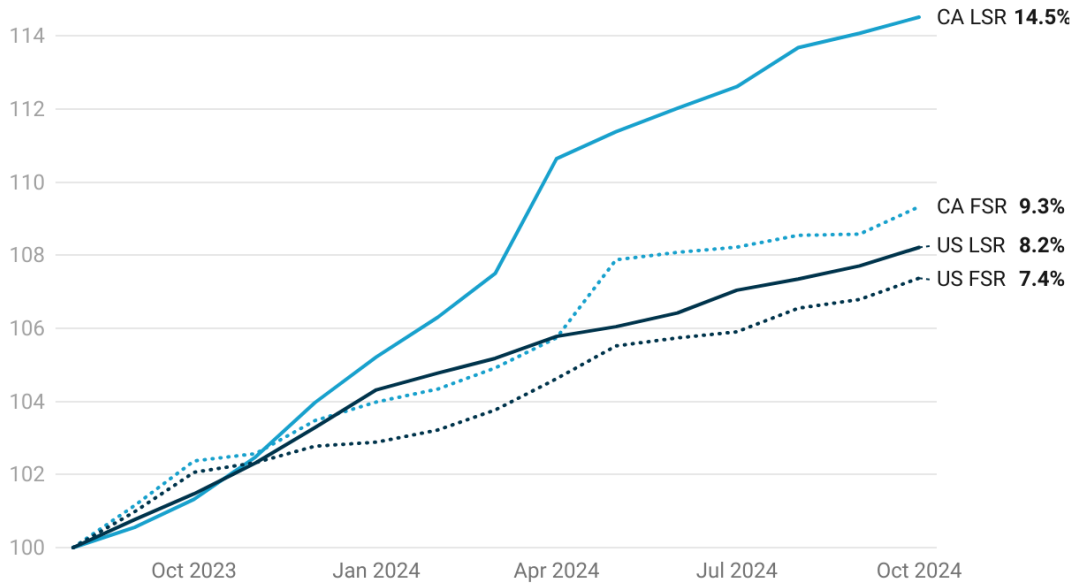


Chart: Employment Policies Institute • Source: Datassential Price Monitor • Created with Datawrapper

This gap between California’s limited-service and full-service restaurants is also nearly three times larger than the inflation gap between limited-service and full-service restaurants across the country.

Comparing California Fast Food Restaurant Inflation to U.S.

Based on index methodology from Berkeley Research Group

■ Limited-Service Restaurants ■ Full-Service Restaurants

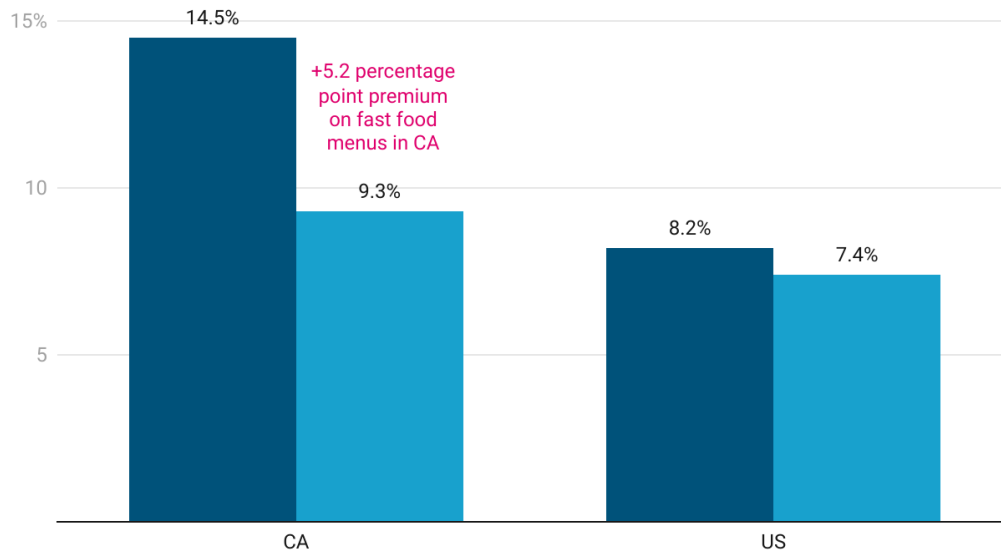


Chart: Employment Policies Institute • Source: Datassential Price Monitor • Created with Datawrapper

Restaurant Customers Staying Home

As prices shot up for fast food meals in California, customers adjusted their eating habits.

A study by Placer.ai, as featured in *Business Insider*, draws a link between the fast food minimum wage, rising menu prices, and customers' foot traffic declining in fast food restaurants.¹⁹

The study, which looks at fast food chains in California and the rest of the country, found that in the early months of 2024 prior to the implementation of the \$20 minimum wage in April, weekly foot traffic compared to the same week in the prior year in these locations was “slightly ahead” of the national average. Yet following the April 1 date when the \$20 minimum went into effect, California began to severely lag behind national foot traffic trends – even incurring steep declines in year-over-year weekly visit levels.²⁰

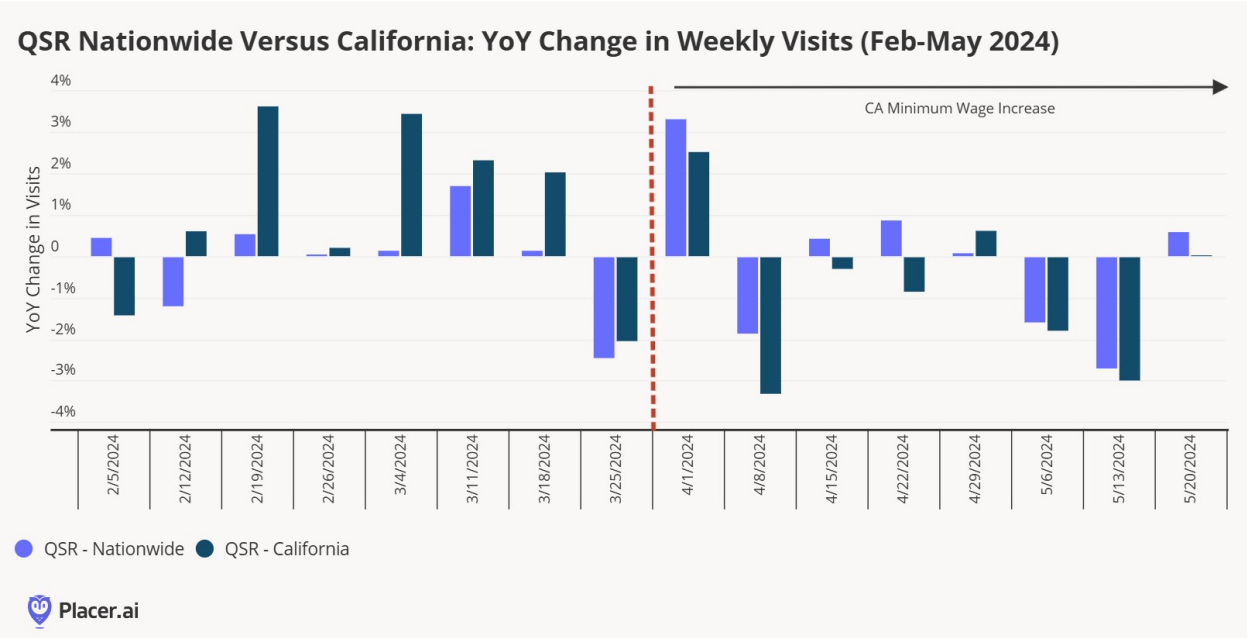


Image courtesy of Placer.ai.

What's Next for Fast Food Under A.B. 1228

The Fast Food Council created by A.B. 1228 received the authority to institute new wage hike mandates for the industry every year through 2029 – as high as 3.5%. While the Council has had several meetings in its first year and hired administrative staff, it has not yet acted on this authority to date.

That has not stopped the original proponents of the law from pushing for new increases with no recognition of the damage already caused by this unprecedented wage hike, let alone the additional damage that could come from such a rapid escalation of the mandated wage rate.

The Employment Policies Institute survey of California fast food restaurant operators found they expect the job losses and price hikes to continue if the law remained in place.²¹

These operators also reported even more dire consequences:

- 89% of employers said the law has made them less likely to expand in California;
- A majority (59%) said they are more likely to expand in other states outside of California; and
- Three-fourths (74%) say the law has increased the likelihood of shutting their restaurants down.

Some restaurants have already been forced to shut down, as reported by the *Orange County Register*²², the *Fresno Bee*²³, and the *New York Post*.²⁴

California lawmakers including Governor Gavin Newsom have failed to acknowledge, let alone audit, the disaster this has caused for thousands of families whose members previously held jobs in fast food, and for many individual operators who have been forced to downsize or close their restaurants as a result of A.B. 1228.

One year in, California has been a sobering example of how drastic minimum wage increases hurt businesses and workers alike.

Endnotes

- ¹ CalMatters: <https://calmatters.org/newsletter/minimum-wage-california/>
- ² Business Insider: <https://www.businessinsider.com/chipotle-california-fast-food-minimum-wage-definitely-pass-menu-prices-2023-10>
- ³ Los Angeles Times: <https://www.latimes.com/california/story/2023-12-27/california-pizza-hut-franchises-to-lay-off-more-than-1-000-delivery-drivers>
- ⁴ California Globe: <https://californiaglobe.com/fr/fast-food-ceos-warn-of-dire-consequences-coming-over-new-20-fast-food-minimum-wage/>
- ⁵ U.S. Bureau of Labor Statistics: <https://www.bls.gov/cew/overview.htm>
- ⁶ University of California-Berkeley: <https://irle.berkeley.edu/wp-content/uploads/2024/09/Sectoral-Wage-Setting-in-California-09-30-2024.pdf>
- ⁷ U.S. Bureau of Labor Statistics, QCEW, California, NAICS 722513: https://data.bls.gov/cew/apps/table_maker/v4/table_maker.htm#type=17&from=2020&to=2024&qtr=1&own=5&ind=722513&area=06000&supp=1
- ⁸ U.S. Bureau of Labor Statistics, QCEW, California, All Industries: https://data.bls.gov/cew/apps/table_maker/v4/table_maker.htm#type=17&from=2020&to=2024&qtr=1&own=5&ind=10&area=06000&supp=1
- ⁹ U.S. Bureau of Labor Statistics, QCEW, U.S. Total, NAICS 722513: https://data.bls.gov/cew/apps/table_maker/v4/table_maker.htm#type=17&from=2020&to=2024&qtr=1&own=5&ind=722513&area=US000&supp=1
- ¹⁰ Restaurant Dive: <https://www.restaurantdive.com/news/how-5-restaurant-chains-are-preparing-for-20-wage-in-california/701155/>
- ¹¹ Yahoo News: <https://www.yahoo.com/news/hike-fast-food-prices-hitting-071925698.html>
- ¹² New York Post: <https://nypost.com/2024/01/16/business/fatburger-owner-to-raise-prices-trim-hours-amid-minimum-wage-hike/>
- ¹³ Restaurant Dive: <https://www.restaurantdive.com/news/california-20-dollar-fast-food-wage-poses-risk-and-reward-restaurant-execs-icr/705317/>
- ¹⁴ ABC News: <https://abcnews.go.com/GMA/Food/california-restaurants-face-stark-realities-burdens-after-minimum/story?id=109741431>
- ¹⁵ Employment Policies Institute: <https://epionline.org/app/uploads/2024/07/2024-06-California-Limited-Service-Restaurant-Operator-Survey-Final-Booklet.pdf>
- ¹⁶ Barron's: <https://www.barrons.com/amp/articles/burgers-and-tacos-cost-more-in-california-biggest-reason-why-e46af9d4>
- ¹⁷ Datassential: <https://datassential.com/resource/california-fast-food-worker-minimum-wage-year-end-update-on-pricing-trends/>
- ¹⁸ Berkeley Research Group: https://www.dropbox.com/scl/fi/qwllx1iv8q1ecudz6z59v/BRG_Impacts-of-20-Min-Wage-Report_2.18.25_FINAL.pdf?e=2
- ¹⁹ Business Insider: <https://www.businessinsider.com/california-mcdonalds-burger-king-visits-drop-minimum-wage-price-hikes-2024-6>
- ²⁰ Placer.ai: <https://anchor.placer.ai/the-anchor/measuring-the-impact-of-californias-minimum-wage-increase-on-restaurants>
- ²¹ Employment Policies Institute: <https://epionline.org/app/uploads/2024/07/2024-06-California-Limited-Service-Restaurant-Operator-Survey-Final-Booklet.pdf>
- ²² Orange County Register: <https://www.ocregister.com/2024/06/03/rubios-closes-48-restaurants-in-california-citing-business-climate/>
- ²³ Fresno Bee: <https://www.fresnobee.com/living/food-drink/bethany-clough/article291030335.html>
- ²⁴ New York Post: <https://nypost.com/2024/04/04/business/mod-pizza-closes-5-california-locations-as-minimum-wage-law-takes-effect/>