

UC study finds little impact from wage hike

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Section: A, NEWS; Pg. A007**Length:** 1239 words**Byline:** Jessica Roy**Highlight:** 1) PHOTO: After California's \$20 fast food minimum wage went into effect, workers made more money, employment remained stable and a \$4 burger cost only 15 cents more. (Damian Dovarganes/Associated Press)

Body

Did California's \$20 fast food minimum wage immediately cost the state jobs and lead to massive price hikes when it went into effect? Critics predicted it would. A new study says it didn't.

The Center on Wage and Employment Dynamics at UC Berkeley released research examining what impact the new requirement had in the first few months.

The study's findings: Wages increased by 18%, employment numbers remained stable, and menu prices increased by only 3.7% -- the equivalent of a 15-cent increase on a \$4 burger. The \$20 hourly wage floor represents an increase of \$4 per hour from the statewide minimum wage of \$16 in California.

The increase went into effect April 1 of this year, and it applies only to fast food chains with at least 60 locations nationwide. On Wednesday, the minimum wage for health care workers in California rose to \$18 to \$23 an hour, depending on the employer. And in November, voters will decide whether to further increase the statewide minimum wage to \$18 an hour. If Proposition 32 fails, it will increase to \$16.50 an hour in January.

Related: California health care workers get a pay bump under a new minimum wage law.

Michael Reich, a co-author of the study who's a labor economist and a professor at UC Berkeley, said the minimum wage has been a consistent political football since Franklin D. Roosevelt signed America's first one into existence in 1938. In the intervening decades of research on the subject, he said, meta-analyses of minimum wage studies have repeatedly found "minimal" negative impacts.

Another study examining California's new \$20 fast-food wage from researchers at Harvard and UC San Francisco found it increased pay without impacting staffing, scheduling or benefits. The study also said the minimum wage issue was largely settled by science: "The potential effect of minimum wage increases on employment has been extensively litigated in the economics research literature, with the verdict that negative impacts, if any, are not very substantial -- and especially so in the service sector."

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"Economists have reached a consensus on the minimum wage," Reich said -- adding it's the public, and public policymakers, who need to catch up.

How researchers studied the impact of a \$20 minimum wage

Reich said there were a few reasons he wanted to examine the impact of the law. For starters, no study has ever been able to analyze the employment impact of a minimum wage that high: California's \$20 floor is "well beyond what people have studied before." Minimum wage is a "big, bold policy," he said, and in California, it's one that affects around 750,000 workers in the fast-food industry alone.

To get information on how the new law impacted pay, Reich and co-author Denis Sosinskiy looked at 35,680 job posts from California and other states on the website Glassdoor. The paper describes Glassdoor's "give and get" user policy: You can only use it to look for jobs if you submit information about your current (or most recent) job and wage.

Before the new law went into effect, the average hourly rate for fast food workers in California based on Glassdoor data was \$16.96 per hour. After, it was \$20 -- an 18% increase.

Prop 32 endorsement: When wages aren't enough to survive in California's cheapest county, something has to change.

The gold standard for employment data is the Quarterly Census of Employment and Wages. But that data has a six- to nine-month lag time, so researchers weren't able to use it for this study.

Instead, Reich said, they looked at the Bureau of Labor Statistics' Current Employment Statistics data from January 2023 through July 2024. Researchers compared employment in fast food and full-service restaurants in California, and also compared those figures to fast-food and full-service restaurant numbers for the entire U.S. Those numbers indicated employment had remained steady in California's fast food industry after the minimum wage increase.

For pricing data, researchers scraped menu data from fast food websites and Uber Eats two weeks before and two weeks after the new wage went into effect. They looked specifically at burger-oriented restaurants, which Reich said represent the largest segment of the fast food industry and pay some of the lowest wages. Researchers compared prices from fast food restaurants impacted by the wage change to prices at full-service restaurants and smaller fast food locations that didn't have to increase worker pay, as well as prices at the same fast-food chains in other states.

"We find that the policy led to modest price increases, contrary to multiple but dubious reports in the business press," the report said. "For McDonald's four main menu items -- a regular hamburger, a cheeseburger, a Big Mac and a Combo meal -- prices in California increased between 1.3 and 1.7 percent after the new standard went into effect, relative to price changes in the control group of states."

Overall, relative to control groups, the study found prices at fast food restaurants impacted by the new wages increased by 3.7%.

"To summarize, the \$20 minimum wage increase has raised pay, has not affected employment adversely and has modestly increased fast food prices," the report said.

Defying doom-and-gloom predictions

The results defy a lot of the doom-and-gloom predictions made when Gov. Gavin Newsom signed AB1228 back in September 2023. Many of them originated with a survey conducted by the Employment Policies Institute, a think tank founded by a former restaurant industry lobbyist named Richard Berman -- once described by TIME Magazine as "the wage warrior" who "has been publicly railing against the very idea of a minimum wage since at least the late 1980s."

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It conducted a survey of fast food restaurant operators in June and July 2024 asking them to predict what changes they might have to make to contend with increased worker pay. Three quarters of the 182 respondents said they anticipated the number of employees would decrease. Ninety-eight percent said they'd already raised menu prices to account for costs. Ninety-nine percent said prices would increase, with 73% saying prices would "increase significantly."

But what people predict they might do and what they actually do are sometimes different things, Reich said. His study doesn't dispute that prices went up, but notes they rose by only 3.7% overall. And fast food prices have gone up everywhere: An analysis by financial news website TheStreet found that fast food price hikes have outpaced even the record inflation levels of the past five years.

The fast food operator survey also said 89% of respondents had already cut worker hours. But the Harvard/UCSF study, which was based on survey data from fast food restaurant workers, found the opposite: "Weekly work hours stayed about the same for California fast food workers, and levels of understaffing appeared to ease."

Reich said since his study came out, he's personally received criticism and questions from people in the fast food industry, including a member of the state's newly formed Fast Food Council. A website run by the Employment Policies Institute cites the EPI's previous restaurant operator study as rebuttal, along with different job statistics it says proves employment numbers have fallen.

None of the criticism has made Reich reconsider his findings, he said: "I haven't seen anything that makes me doubt our study."

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