

## Communication from Public

**Name:** California Fast Food Workers Union  
**Date Submitted:** 03/11/2025 12:28 PM  
**Council File No:** 19-0229-S2  
**Comments for Public Posting:** Please post the attached study to the council file related to fast food workers. Thank you.

# Wage Theft in the Fast Food Industry: Minimum Wage Violations in Los Angeles

## Key Findings:

- More and more LA-area fast food workers are experiencing minimum wage violations. One in four fast food workers were paid below the minimum wage in 2024. That's *eight times* the 3 percent rate in 2009.
- A bigger share of LA-area fast food workers experience this form of wage theft than any of the other industries we analyzed – restaurants (not fast food); health care support; retail; and transportation/warehousing.
- Fast food workers in the LA area lose almost \$3,500 a year – about 16 percent of their income – because employers are paying them below the minimum wage. That adds up to over a quarter of a billion dollars in the last six years.

Since 2016, the minimum wage in California has grown from \$10 per hour to \$16.50 today; in the city of Los Angeles, the minimum wage has grown from \$10 per hour to \$17.28 per hour. Studies have shown that these increases have produced significant [wage growth](#) for California workers, had minimal effects on [employment](#), led to minor increases in [prices](#), and generated valuable [revenue](#) for the state.

Statutory minimum wage increases, however, do not guarantee that workers will collect the full amount they have earned and to which they are legally entitled. A recent study found that over [\\$1.5 billion](#) in unpaid wages were recovered by state and federal authorities between 2021 and 2023 through enforcement and litigation. This figure represents only the

tip of the iceberg, however, as [most instances](#) of wage theft still go [unreported](#).

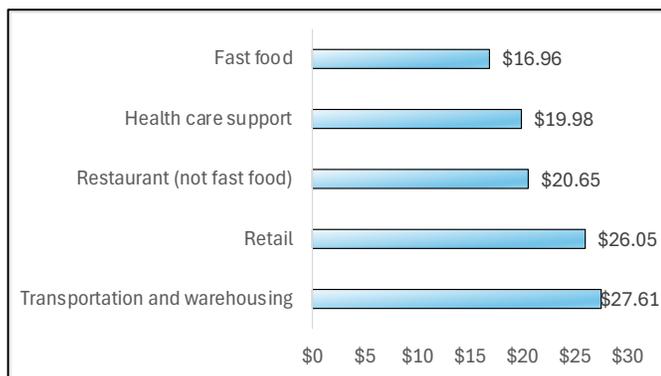
This research brief uses survey data to examine underlying rates of wage theft in the fast food industry in greater Los Angeles.<sup>1</sup>

We find that a growing number of fast food workers are experiencing minimum wage violations; a higher share of fast food workers suffer this form of wage theft than workers in comparable industries; and the losses fast food workers incur are significant (16% of their income). With [88 percent](#) of fast food workers lacking full knowledge of basic workplace rights, these findings underscore the need for mandatory third-party “know your rights” trainings as [recently proposed](#) to the Los Angeles City Council.

## Fast food workers in Los Angeles

Fast food workers in greater Los Angeles have historically earned lower wages, on average, than comparable workers. As shown in **Fig. 1**, between 2019 and 2024, fast food workers earned \$16.96 per hour on average—significantly less than workers in other service-sector industries.

**Fig. 1: Average Hourly Wage in Greater Los Angeles, 2019-2024**



California’s Fast Food Accountability and Standards (FAST) Recovery Act ([AB 1228](#)), as [amended](#) in 2023, raised the minimum wage for fast food workers across the state to \$20 beginning April 1, 2024. The law also established a Fast Food Council to monitor and set minimum wages and adopt other employment standards in the industry. Scholars have shown that since April 2024, the new law has provided [much-needed support](#) to the approximately 750,000 fast food workers whose wages and working conditions have long lagged behind those of comparable workers in the state.

We still do not have a good sense, however, of (a) the prevalence of minimum wage violations in the fast food industry; (b) how fast food violation rates compare to other industries; or (c) how violation rates and the costs to fast food workers have changed over time.

To address these questions, the Workplace Justice Lab turned to the Current Population Survey (CPS), which serves as the federal government’s primary source of monthly labor force statistics. The CPS is designed to produce reliable estimates at the national and state levels, as well as for the country’s largest metropolitan areas (including Los Angeles). CPS earnings and hours data, compiled in the CPS-Merged Outgoing Rotation Groups data, has been used by most social scientists who have sought to develop estimates of minimum wage violations since the 1970s.<sup>2</sup> We follow conventional methodological approaches here (see Methodological Appendix).

In this report, fast food workers are considered those who work in the “[food services and drinking places](#)” industry (8680) and in any of the following occupations: “[combined food prep and serving workers, incl fast food](#)” (4050), “[fast food and counter workers](#)” (4055), “[counter attendants, cafeteria, food concession, and coffeeshop](#)” workers (4060), or “[cashiers](#)” (4720).<sup>3</sup> We compare the experience of fast food workers to four comparable groups: all other restaurant workers (not in fast food); health care support workers; workers in the retail trade industry; and transportation and warehousing workers.

## Findings

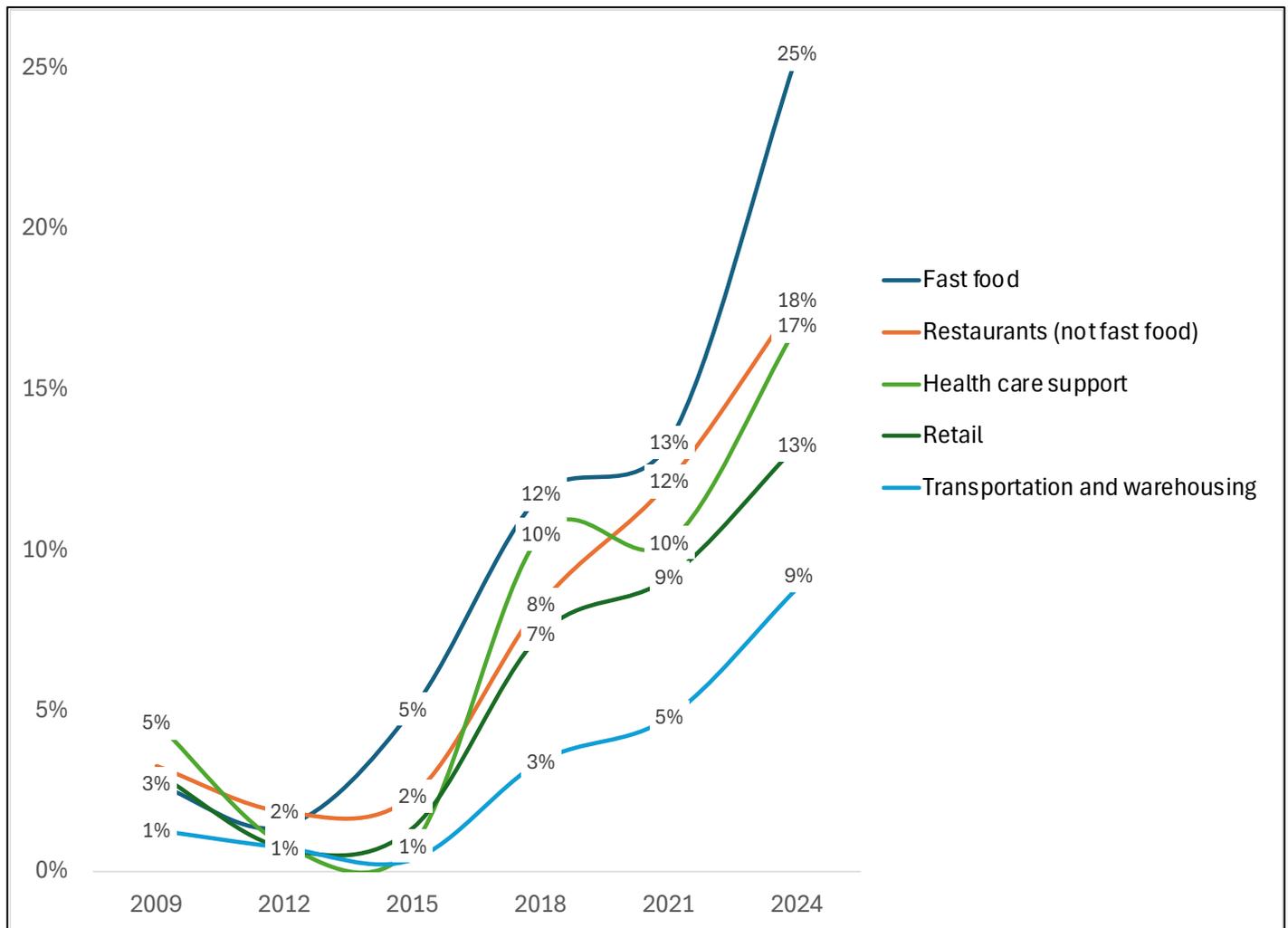
- More and more LA-area fast food workers are experiencing minimum wage violations. One in four fast food workers were paid below the minimum wage in 2024. That’s *eight times* the 3 percent rate in 2009.
- A bigger share of LA-area fast food workers experience this form of wage theft than any of the other industries we analyzed—restaurants (not fast food); health care support; retail; and transportation/warehousing.

- Fast food workers in the LA area lose almost \$3,500 a year—about 16 percent of their income—because employers are paying them below the minimum wage. That adds up to over a quarter of a billion dollars in the last six years.

As illustrated in **Fig 2** below, the violation rate in every industry began to rise when the state minimum wage increased in 2016.<sup>4</sup> Subsequent annual state minimum wage increases were similarly accompanied by increases in the

incidence of minimum wage underpayment. This correspondence is not surprising: prior research has shown that noncompliance with the minimum wage typically increases along with increases in the statutory minimum wage. This is likely due in part to both the time it takes some employers to adjust to the new wage and the unwillingness of other employers to pay it; it is also a function of the ability of state and local-level enforcement to account for changes in mandate, often with limited and/or stagnant resources.

Fig. 2: Minimum Wage Violation Rates by Industry in Los Angeles Metro Area



Notwithstanding higher violation rates following minimum wage increases, statutory increases have had positive effects on average wages in every industry examined here. **Table 1** shows the change in the average wage by industry between 2009 to 2024. Although average wages in fast food still lag behind comparable industries, fast food workers have seen the strongest wage growth (96%) between 2009 and 2024, notwithstanding their higher rates of wage theft.<sup>5</sup>

**Table 1: Average Wage Change by Industry in LA Area from 2009 to 2024**

	2009	2024	Rate of change
<b>Fast food</b>	\$9.33	\$18.27	<b>96%</b>
Restaurant	\$11.38	\$19.59	72%
Retail	\$12.94	\$20.60	59%
Health care support	\$13.02	\$19.66	51%
Trans. & warehousing	\$17.22	\$23.81	38%

**Table 2** summarizes our population and dollar-value estimates regarding the cost of minimum wage violations to fast food workers in greater Los Angeles. Between 2019 and 2024, an estimated 12,661 fast food workers per year—19% of all fast food workers in the Los Angeles metro area—were paid less than the lowest applicable statutory minimum wage.<sup>6</sup>

These workers lost \$2.53 per hour, on average, which represents 16% of the income to which they were entitled. Over this six-year period, estimated losses totaled over a quarter-billion dollars.

It is important to note that the CPS survey we rely on to generate these estimates contains measurement error (incorrect answers to survey questions) and other sampling limitations. These are problems that affect all survey research. One of the consequences of measurement error in the CPS is that our analyses likely *underestimate* the severity of the problem due to factors including: (a) under-representation of low-wage and undocumented workers in the survey; (b) the tendency of low-income workers to over-report their income, which would result in under-reporting of minimum wage violations; (c) and our use of the lowest applicable minimum wage—the state minimum wage—rather than the often higher city or county minimum wage rates to which many workers are entitled. The Methodological Appendix details the steps we take to address measurement error in our analyses.<sup>7</sup> All figures, nevertheless, should be interpreted as rough estimates that are likely conservative.

**Table 2: Cost of Minimum Wage Violations to LA-area Fast Food Workers, 2019-2024**

Total number of fast food workers per year	65,504
Total number of underpaid fast food workers per year	12,661
Share of fast food workers underpaid	19%
Average wage of underpaid fast food worker	\$12.90
Average minimum wage to which entitled	\$15.43
Amount lost per hour	\$2.53
Amount lost per week	\$66.90
Amount lost per year	\$3,479
Share of income lost	16%
Total aggregate amount lost per year	\$44,041,343
Total aggregate amount lost, 2019-2024	\$264,248,061

## Conclusion

Minimum wage noncompliance in the Los Angeles fast food industry is a chronic problem that has not improved with increases in the minimum wage.

Many workers [do not complain](#) when they are underpaid (or not paid at all) for their work. This is largely due to a lack of information and understanding of their workplace rights: a recent study found that [88 percent](#) of fast food workers in California lacked a full understanding of their basic rights on the job. Both the [U.S. Department of Labor](#) and the [California Department of Industrial Relations](#) have emphasized the importance of “know your rights” trainings as key tools in the fight to improve compliance with labor laws. By equipping workers with the information, knowledge, and understanding of where to go and what to do when faced with rights violations, [mandatory third-party “know your rights” trainings](#)—like those currently under consideration by the Los Angeles City Council—can empower workers to play a vital role in upholding core workplace standards.

## About Us

The Workplace Justice Lab @ Northwestern University (WJL@NU) conducts research on workers’ rights and economic inequality and collaborates with local, state, and federal government agencies as well as worker centers, unions, and legal nonprofits. WJL@NU is part of a multi-institutional partnership that is anchored by the [Workplace Justice Lab @ Rutgers University](#) and includes the [Pilipino Workers Center of Southern California](#).

**Daniel J. Galvin** is professor of political science, faculty fellow at the Institute for Policy

Research, and director of the Workplace Justice Lab @ Northwestern University.

**Jake Barnes** is the Research Program Manager at the Workplace Justice Lab @ Rutgers University and a Ph.D. candidate at the Rutgers School of Management and Labor Relations.

## Support

We gratefully acknowledge support from Workplace Justice Lab @ Rutgers University, the Institute for Policy Research at Northwestern University, and the Service Employees International Union.

## Methodological Appendix

Measuring the scope and depth of “wage theft” is difficult. No single data source systematically and reliably tracks the incidence of wage theft and records the precise amounts of money that are not being paid. Early studies of minimum wage compliance used data provided voluntarily by employers to the Bureau of Labor Statistics, but employer-reported data cannot be considered not reliable, as employers who violate the law cannot be trusted to report that information to government agencies.

Workers can report wage theft by filing lawsuits and/or lodging complaints with federal, state, and local enforcement agencies. But lawsuits are often too expensive for minimum wage workers and the costs of litigation frequently exceed the amounts of back pay owed. Complaints are also problematic measures because the workers who are more likely to be exploited are also more likely to be unaware of their right to complain (whether due to language barriers, lack of information and knowledge, or fear of retaliation, termination, or deportation).

Lawsuits and the complaints government agencies receive thus provide inaccurate and unreliable portraits of the actual number of violations. We must therefore turn to alternative methods to more accurately detect and measure violations. Survey data on hours and earnings are invaluable in this regard, as they enable us to estimate the true underlying incidence wage violations indirectly.

Most useful are the Current Population Survey's Merged Outgoing Rotation Groups (CPS-MORG) data, which serve as the federal government's primary source of monthly labor force statistics. The CPS is designed to produce reliable estimates at the national, state, and metropolitan levels (for the 12 largest metro areas, including Los Angeles). CPS earnings and hours data, compiled in the CPS-MORG, has been used by most social scientists who have sought to develop estimates of minimum wage violations since the 1970s (Ashenfelter and Smith 1979; Ehrenberg and Schumann 1982; Sellekaerts and Welch 1984; Trejo 1991, 1993; Weil and Pyles 2005; ERG 2014; Galvin 2016; Cooper and Kroeger 2017; Fine, Galvin, Round, and Shepherd 2021; Clemens and Strain 2022; Galvin 2024).

Because the CPS-MORG survey asks workers to report their hourly wages as part of a larger battery of demographic and other neutral questions—and does not mention wage theft, working conditions, or ask any other leading questions about the respondent's industry or occupation—it is safe to assume that respondents are not primed to report lower wages than what they actually earned. Indeed, some research finds that certain respondents tend to report *higher* earnings (Bollinger 1998).

The methodological approach employed here is consistent with previous research (In

particular, Galvin 2016; U.S. Department of Labor 2014; Cooper and Kroeger 2017). A few key points to keep in mind:

**Los Angeles.** The geographical focus of this study is the [Los Angeles Metropolitan Statistical Area](#) (Los Angeles-Long Beach-Anaheim MSA). This is because the CPS captures a representative sample of the population in the 12 largest metro areas, including Los Angeles, but not necessarily at the city or county level.

**Wages.** For hourly wages, we use variables that include wages earned from overtime, tips, and commissions. To ensure that our estimates of wage violations do not overstate the incidence or severity of violations, we follow Cooper and Kroeger (2017) in taking the higher of the reported wage (hourly wage or weekly pay divided by hours worked) for hourly workers who reported earning overtime, tips, and commissions.

**Calculating minimum wage violations.** Minimum wage violations are dichotomous measures of whether an individual's reported hourly wage was lower than the lowest applicable legal minimum wage (e.g., the California state minimum wage for small businesses, since CPS does not identify firm size), not the higher city/county minimum. We use the lowest applicable statutory minimum wage rate for each respondent as of the date (month) effective. The amount of wages lost is likewise calculated based on the lowest applicable minimum wage as of the date (month) effective.

**Exemptions.** We exclude from the analysis all respondents we can identify as exempt from the state minimum wage. In California, identifiable exemptions include only "outside salespeople," who account for a minuscule

fraction of the estimated total workforce (.04%). We are unable to identify other exemptions (immediate family members, apprentices, “learners” in their first 160 hours of employment in a new field, and mentally or physically disabled employees).

**Survey weights and standard errors.** All analyses, including population estimates, use the survey weights suggested by Davern et. al (2007), which are necessary given the sampling method of the CPS.

**Measurement error.** There is reason to believe that measurement error in the CPS may downward-bias the estimates of minimum wage violations.<sup>8</sup> First, despite going to great lengths to reach them, both Hispanics (Latinx) and undocumented immigrants are under-represented in the CPS (McKay 1992).<sup>9</sup> Because workers in these groups are at higher risk of experiencing minimum wage violations, the estimates of violations reported here should be considered conservative estimates (McKay 1992; Bernhardt et al. 2009; U.S. Department of Labor 2014). Second, in Bollinger’s study of measurement error in the CPS, he finds a “high over reporting of income for low-income men” driven by “about 10% of the reporters who grossly over report their income,” thus potentially biasing estimates downward even further (Bollinger 1998). Third, CPS data have a shortage of low-wage workers and an excess of high-wage workers relative to comparable survey data like SIPP; one effect of this imbalance could be to underestimate minimum wage violations (Roemer 2002; U.S. Department of Labor 2014). Roemer does find that the CPS reaches more “underground” workers than other large-scale surveys and is less biased than alternatives (2002). But given the high rates of violation discovered in the Bernhardt et al.

(2009) innovative survey of hard-to-reach workers in the “informal” labor market—higher than the estimates presented here—there is reason to suspect that these findings underestimate the prevalence of minimum wage violations across the board.

These considerations notwithstanding, the fact that measurement error surely exists recommends using caution when working with the point estimates reported here.

Although every survey contains measurement error, previous research has shown that measurement error in the CPS-MORG cannot predict key patterns or variations in the incidence of minimum wage underpayment; nor can it account for differences observed across industries, which is of primary interest here (Clemens and Strain 2022). Nevertheless, we take the following steps to address the possibility of measurement error: (1) Our sample includes only hourly workers and workers who report working over 10 hours per week. (2) Rather than calculate minimum wage violations as any reported wage less than the statutory minimum, we provide a \$0.25 buffer to account for rounding errors. (3) Because CPS-MORG tracks where respondents live but not where they work, we use the lowest applicable statutory minimum wage each month (the California state minimum wage for small businesses), not the higher city/county minimum wage to which most workers are actually entitled. (4) Exclude unemployed and self-employed workers; (5) Exclude all observations of workers not specifying hourly/nonhourly status; (6) Exclude respondents with imputed hours.

These steps reduce the likelihood that our estimates overstate the incidence of minimum wage violations. However, they increase the likelihood that our estimates represent

conservative *under*-estimates. True violation rates are likely higher.

**Data.** We use the CPS-MORG abstracts generated by Economic Policy Institute. 2024. Current Population Survey Extracts, Version 1.0.60, <https://microdata.epi.org>.

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## Endnotes

<sup>1</sup> The geographical focus of this study is the [Los Angeles Metropolitan Statistical Area](#).

<sup>2</sup> See Methodological Appendix.

<sup>3</sup> We follow the UC Berkeley Labor Center's [definition](#) of fast food workers. Census codes provided in parentheses. 4055 replaces 4050 and 4060 beginning in 2018. Using the Bureau of Labor Statistics' Occupational Employment Statistics (OES) data, we estimate that within the "restaurants and other food places" industry, virtually all

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“combined food prep and serving workers, incl fast food” and “fast food and counter workers” work in the fast food industry, and approximately 72% of “cashiers” in the restaurant industry work in fast food.

<sup>4</sup> The fast food violation rate was not only significantly higher than other industries, but the rate of change over this period of time was much greater as well. The violation rate for fast food workers increased *eight-fold* over this period, as compared to the rate of change in restaurant (four-fold), retail (three-fold), health care support (three-fold), and transportation and warehousing (six-fold).

<sup>5</sup> After the \$20 fast food minimum wage was introduced in April 2024, the average wage of fast food workers was \$19.06 -- lower than \$20 due to minimum wage violations. For those who were paid at or above the minimum wage, the average wage for fast food workers after April 1, 2024 was \$21.36.

<sup>6</sup> These estimates include only hourly fast food workers who worked over 10 hours per week in the occupations listed above who earned less than \$0.25 less than the lowest applicable statutory minimum wage. For more, see the Methodological Appendix.

<sup>7</sup> Although every survey contains measurement error, Clemens and Strain (2022) demonstrate that measurement error in the CPS cannot predict key patterns or variations in the incidence of minimum wage underpayment; nor can it account for differences observed across industries.

<sup>8</sup> For an excellent discussion of the advantages and limitations of using the CPS data to estimate minimum wage violations given the existence of measurement error and other issues, see U.S. Department of Labor 2014, Appendix B.

<sup>9</sup> As Bernhardt et al. 2009 write: “standard surveying techniques—phone interviews or census-style door-to-door interviews—rarely are able to fully capture the population that we are most interested in: low-wage workers who may be hard to identify from official databases, who may be vulnerable because of their immigration status, or who are reluctant to take part in a survey because they fear retaliation from their employers. Trust is also an issue when asking for the details about a worker’s job, the wages they receive, whether they are paid off the books or not, and their personal background” (56).

## Communication from Public

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**Date Submitted:** 03/11/2025 12:31 PM  
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## Effects of the \$20 California Fast-Food Minimum Wage: Highlights

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### **Abstract**

This policy brief represents the second in a series of reports on the effects of California's \$20 fast-food minimum wage. The [first report](#), issued on September 30, 2024, used early data to generate preliminary estimates of the policy's impacts in its first three months. The current report draws from the same data sources, but now through mid-December 2024, and from new data sources that became available only after the first report. I focus here on the highlights of our new results, as we plan to issue a third, more detailed report, later this year.

Our updated findings include: an estimated wage increase of 8 to 9 percent for workers covered by the policy; no spillovers to non-covered workers; no negative effects on fast-food employment; and price increases of about 1.5 percent— or about 6 cents on a four-dollar hamburger. The number of fast-food establishments grew faster in California than in the rest of the U.S. I also identify questionable methods in a recent industry report that claims the policy led to substantial negative employment effects and large price increases. That report cherry picks its numbers and does not use modern causal identification methods, casting doubt on its claims.

\*Professor, UC Berkeley and Chair, [Center on Wage and Employment Dynamics](#) (CWED). This brief reflects joint work with Denis Sosinskiy. CWED, housed at the UC Berkeley [Institute for Research on Employment](#), produces rigorous, peer-reviewed academic research on employment policy issues, including [influential studies of minimum wage policies](#).

## 1. Scope of the policy

### 1.1 Size of the increase

The \$20 fast-food minimum wage comprises the highest statewide minimum wage in the U.S. The \$4 increase from \$16, or 25 percent, in 2024 also is large for a policy implemented in a single step. However, historical and regional comparisons suggest this policy change is not unprecedented. Indeed, \$20 is nearly identical, after accounting for inflation in California, to the 1968 national minimum wage. Also, San Francisco and San Jose previously implemented 25 percent overnight increases in minimum wages, in 2004 and 2013, respectively. And about a third of the state's workers are employed in cities and counties with their own local minimum wages, reaching as high in July 2024 as \$18.67 in San Francisco.

### 1.2 Industries and workers covered

The \$20 policy applies to workers in fast-food restaurants and to the much smaller number of workers in snacks and nonalcoholic bars. The standard applies only to chains of restaurants and bars that have sixty or more locations nationwide. Since we lack data on the number of workers in covered snacks and nonalcoholic bars, I focus here on the results for fast food.

Using data provided to us by Datassential, Inc., a restaurant industry consulting company, we estimate that the wage standard applies to about 72 percent of fast-food workers. Using data provided to us by Glassdoor, a popular job posting site and Square, a payroll servicing company, we also estimate that wages in covered fast-food chains are considerably lower than in non-covered fast-food restaurants.

The partial coverage and lower wage levels in the covered sector suggest caution when using the BLS' Current Employment Survey or its Quarterly Census of Wages and Employment (QCEW) to analyze the effects of the policy. These datasets are available only for the entire California fast food industry. To address this issue, we rescale our QCEW-based estimates of wage effects to reflect the partial coverage of the policy among fast food workers.

## 2. Identifying the causal effects of the policy

### 2.1 Methods

A major issue for empirical economic analysis concerns how to distinguish correlation from causation. Simple correlations—such as changes to fast food employment rates immediately before and after a new wage standard—can occur without a causal relationship with the policy change. They may result from broader factors, such as variations in California's overall economic growth, that were unrelated to the minimum wage increase. A credible causal analysis requires comparing changes in the segment of California's fast-food industry affected by the policy to changes in valid control groups.

We use three control groups: fast-food restaurants in states that have not changed their minimum wages; small California fast-food restaurants not covered by the policy; and full-service California restaurants that were also not subject to the policy. To ensure that these control groups are valid, we check that they and the covered California fast-food restaurants exhibit similar pay and employment trends prior to the policy.

We use three standard statistical methods that isolate the causal effects of the policy from other simultaneous changes that affect fast food:

*Difference-in-differences.* This method compares before-after differences in our outcomes (wages, employment and prices) in covered fast-food restaurants in California with before-after differences in states that have not increased their minimum wages since 2009, and with before-after differences in non-covered fast food in California.

*Triple difference-in-differences.* This approach adds to the difference-in-differences method another set of comparisons: before-after differences in full-service restaurants in California and elsewhere. We prefer this approach to the difference-in-differences approach because it adds controls for changes in a closely related industry that is not covered by the policy.

*Wage gap analysis.* This method compares differences in wage outcomes between the covered fast-food restaurant chains that were more affected by the policy—because they were chains paying the lowest wages—to chains that had paid relatively higher wages before the policy. However, inter-chain wage differentials turn out to be very small. Consequently, this approach yielded basically the same results as our difference-in-differences methods. I therefore do not report them in this highlights brief, although they will be included in our forthcoming, expanded report.

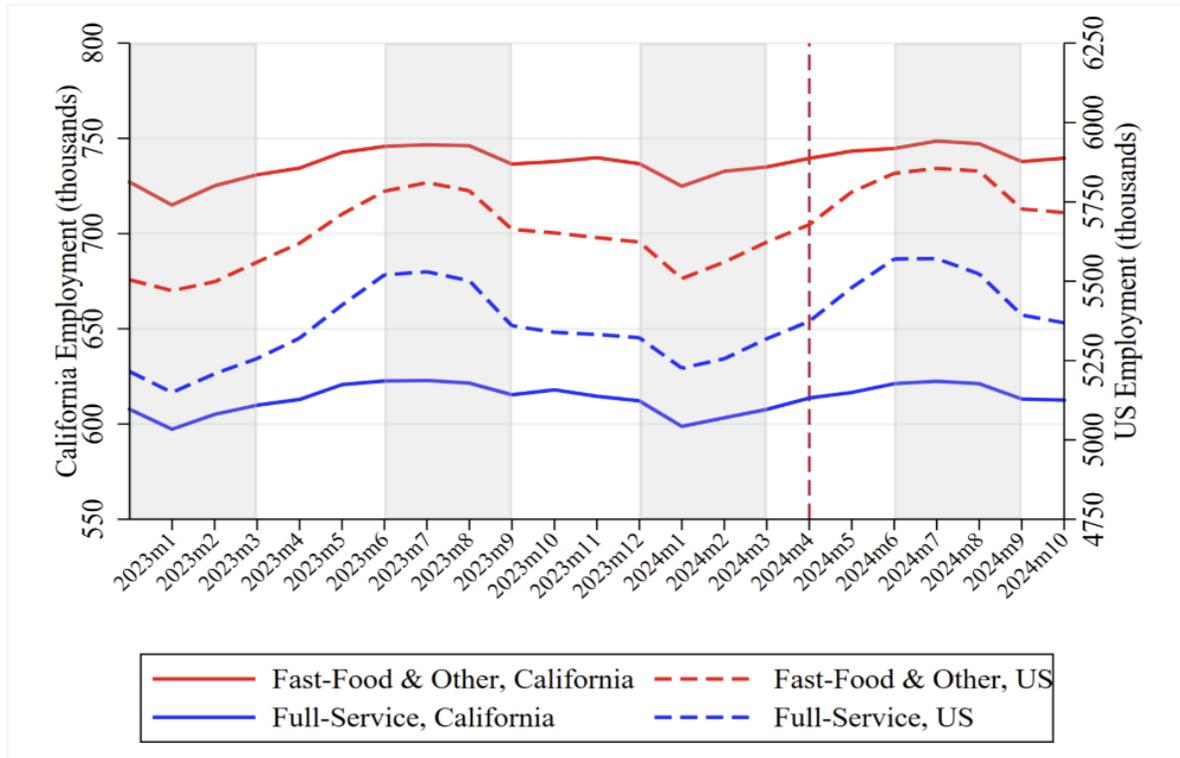
## 2.2 Corrections for seasonality

Consumption at fast-food restaurants tends to increase in the warmer months of the year and then to decrease when weather conditions become more adverse. The industry therefore exhibits substantial seasonal differences in employment. Accounting for seasonal differences thus can be important when examining data that do not cover an entire year.

Moreover, seasonal swings in fast food are more moderate in California than in the rest of the U.S., as one might expect for a state with a temperate climate. As a result, fast food upswings in the spring and summer months will be smaller in California than in the rest of the U.S., but not necessarily because of a minimum wage policy that began on April 1.

Figure 1 illustrates these differing amounts of seasonality in California and the U.S., for both fast food and full-service restaurants, in the year before the minimum wage policy took effect and for the first six months after the policy was implemented.

**Figure 1. Employment trends 2023m1 to 2024m10**



Notes: Constructed using BLS Current Employment Statistics data (CES). "Fast-food & Other" include NAICS codes 722513, 722514, 722515. CES does not provide state-level data for the fast-food industry individually. Full-service is NAICS 722511. The left y-axis shows employment in thousands of workers and ranges from 550 to 800. The right y-axis also shows employment in thousands of workers but has a different scale and a range of 4,750 to 6,250. The vertical dashed line is the month the new policy was introduced. Shading represents quarters.

We therefore adjust our data using a standard method that accounts for seasonality differences among states and that are specific to the fast-food and full-service restaurant industries. This method uses multiple years of data to eliminate spikes and dips of similar magnitude that happen at the same time of year. More specifically, we use pre-Covid and 2023-24 data to make these adjustments and we check their robustness to using monthly or quarterly data. We also tried excluding the last two years, to avoid the record-breaking California rainstorms of 2023-24. The results were similar regardless of the procedure.

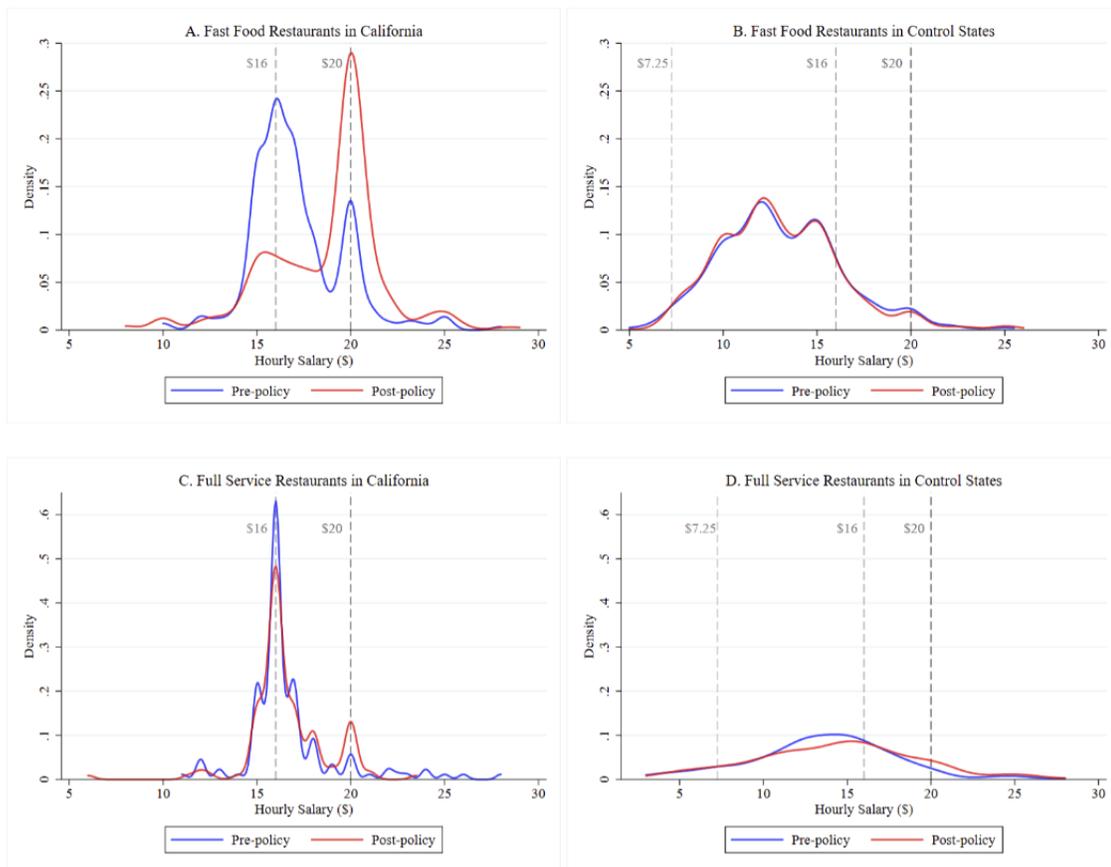
These seasonal adjustments safeguard against negatively biased estimates that would not accurately reflect the policy's employment effects—a pitfall in reports that omit such adjustments.

### 3. Wage effects

#### 3.1 Glassdoor wage data

Figure 2, which uses data from Glassdoor data, a popular online job posting site, shows the distribution of wages before and after the policy. We focus on the burger-oriented segment of the largest fast-food chains, which are well-represented on Glassdoor. As Figure 2 shows, fast-food wages increased after the policy among the covered chains in California, but not in any of the comparison groups.

**Figure 2. Wage effects using Glassdoor data**



Notes: Constructed using data provided by Glassdoor. The pre-policy period includes wages for 2024Q1; the post-policy includes wages for 2024Q2. Panels A and B include reported wages in the "Restaurants & Cafes" industry for fast food restaurants in our price data and the top 20 fast-food chains—ranked by the number of salaries reported in the period of interest in California. Panels C and D include wages for full-service restaurants in our price data and the top 25 full service chains ranked by the number of salaries reported in the period of interest in California. Distributions are constructed using kernel density approximation. Excludes managerial and sales occupations. The vertical dashed lines represent the pre-policy California minimum wage, \$16, and the new minimum wage for fast food in California, \$20.

*Using Glassdoor data, we estimate that average wages in these chains increased 9 percent.*

### *3.2 Comparison with our preliminary Glassdoor wage estimates*

Our estimate that average wages increased 9 percent among covered workers is much smaller than in our September 30, 2024 preliminary brief. Although both estimates use Glassdoor data, we now have a fuller understanding of the structure of their data. It turns out that many Glassdoor wage posts refer to previous jobs, not current jobs. Since wages on previous jobs typically were lower than on current jobs, we underestimated the pre-policy wage. Our new pre-policy wage estimates rely only on job data close to when the policy was implemented.

We now also use post-policy pay data from the QCEW. As we show below in Section 3.4, our QCEW wage effect estimate is 8.2 percent, close to our current 9 percent Glassdoor estimate. The similarity between the two reinforces our confidence in the current Glassdoor estimate. Moreover, a 9 percent wage effect of a 25 percent policy increase is more in line with wage effects in previous minimum wage studies. It also is more in line with our finding of minimal employment reductions and very modest price increases.

### *3.2 Square payroll data*

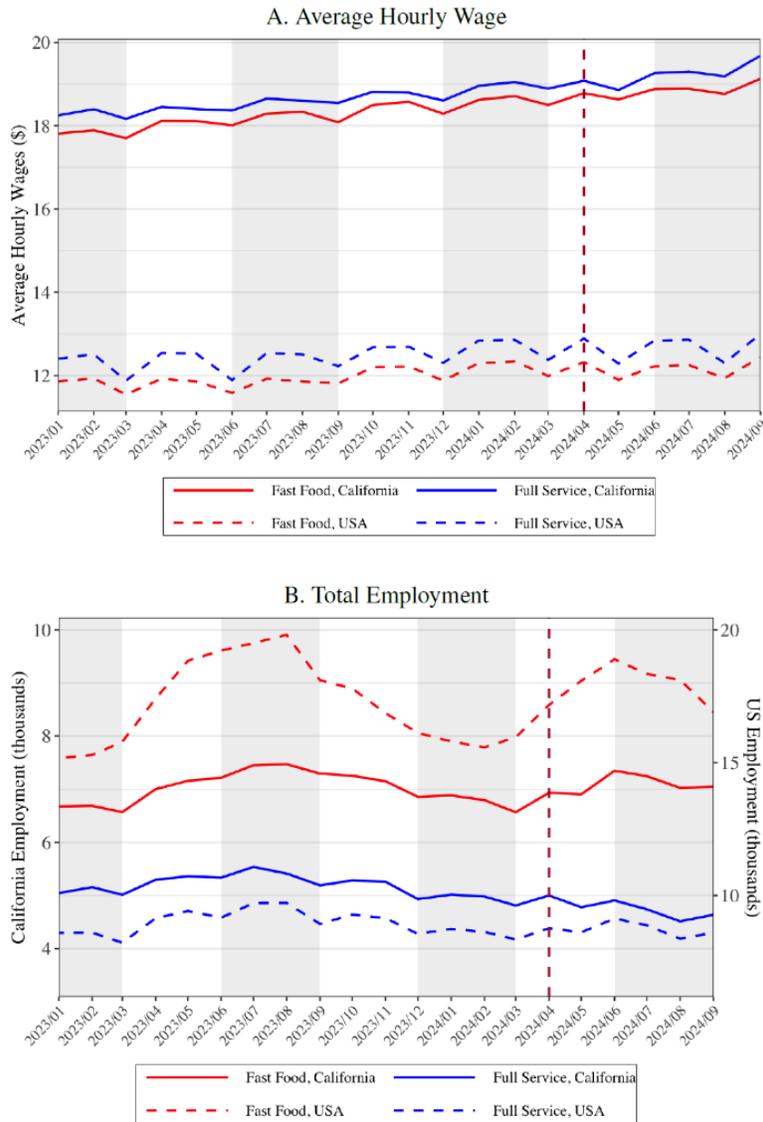
Figure 3A shows fast-food wages using data provided to us by Square, a payroll servicing company that services small, independent businesses. These uncovered restaurants provide one of our control groups. As Figure 3A shows, small restaurants that use Square pay higher wages in California than in control states; they also pay higher wages than do the large California chains.

In Figure 3A, we do not observe any changes in fast-food wages at these small restaurants at the time of the policy, in either California or in our group of control states. This result validates our methods: we find wage effects where we expect to and not where we do not expect to. This result also suggests the absence of any wage spillover effects of the policy to non-covered restaurants.

Figure 3B displays, again for small restaurants only, how total fast-food and full-service employment levels in California and control states changed between 2021m1 and 2024m9. These employment results come from restaurants that were in our Square dataset throughout this period. (They do not incorporate any seasonal adjustments, nor restaurants that might have closed during this period, and they do not include small restaurants that do not use payroll services.)

Figure 3B also shows that these fast-food restaurants also experience more seasonality than full-service restaurants—and less seasonality in California than in the control states. Figure 3B thus vividly displays the perils of not accounting correctly for seasonality by industry and state.

**Figure 3. Wage and employment trends, Square data**



Notes: Constructed using data from Square, a popular point of sale and payroll software provider. Panel A shows monthly average hourly wage in dollars. Panel B shows employment in thousands. The left y-axis ranges from 3 to 10. The right y-axis has a different scale and a range of 9 to 20. The vertical dashed line is the month the new policy was introduced. Shading represents quarters.

### 3.3 Government data

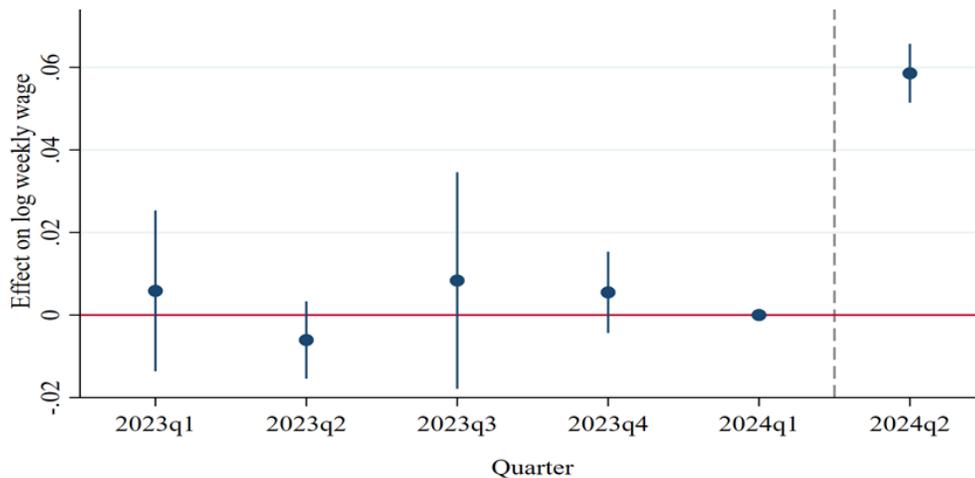
We present here our wage estimates that use BLS' most recent QCEW data release. QCEW data are based on mandatory employer payroll reports to state unemployment insurance system. BLS estimates that upward of 95 percent of all employers comply with this requirement. QCEW reports weekly wage data, but not weekly hours. However, the BLS' Current Employment Survey shows very little variation in weekly hours in fast food.

The QCEW data allows us to use both difference-in-differences and triple-difference methods to estimate wage effects. Since the two methods yield very similar results, we focus on our preferred triple-difference results.

In Figure 4, the dots indicate the percentage difference between wage changes in California fast food and wage changes in the control groups. The vertical bars indicate the statistical margins of error of the estimates. The vertical dashed line denotes when the policy became effective.

The estimates in Figure 4 show that wages trended similarly in California fast food and in the control groups prior to the policy, confirming the validity of the control groups. California fast-food wages then increased by 5.9 percent in the first quarter after the policy was implemented. After rescaling this estimate to account for the 72 percent coverage of the policy in fast food, we obtain a wage effect of 8.2 percent, remarkably close to our 9 percent estimate using the more granular private data.

**Figure 4. Triple differences effect on weekly wages in fast food using seasonally adjusted QCEW**



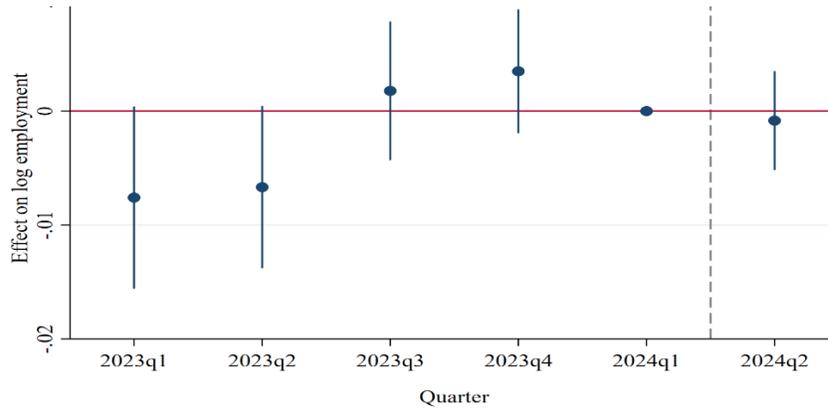
#### 4. Employment effects

Using our seasonally adjusted QCEW data, we again used both difference-in-differences and triple-differences methods to estimate the employment effects of the policy. Our difference-in-differences results suggest a very small (0.7 percent) negative employment effect. However, our preferred triple differences method does not find a significant negative employment effect.

Figure 5 presents our preferred triple-difference results. Employment trended similarly in California fast food and the control groups, just before the policy, again validating our control groups. Employment changes after the policy were not statistically

significantly different from zero. In other words, the \$20 minimum wage did not negatively affect fast-food employment.

**Figure 5. Triple differences effect on employment in fast food using seasonally adjusted QCEW**



*The policy did not affect the number of fast-food jobs in California.*

## 5. Establishment growth and exits

Using QCEW data, we examined changes in the number of fast-food establishments in California and in other states. In the quarter after the policy, the number of fast-food establishments grew faster in California than in the U.S., relative to establishment growth in the same quarter of the previous year. We also examined restaurant closures, using the representative sample of over 3,000 restaurants in our price data. We did not find any restaurants that closed in the first quarter after the policy—and only two that closed in the second quarter after the policy.

*The number of fast-food restaurants in California has grown since the \$20 minimum wage was implemented.*

## 6. Effects on prices

Table 1 displays price changes in large California fast food chains, relative to price changes in control groups, in the first and second quarters of the policy. We obtained this data from a representative set of 3,801 restaurants in California and in the twenty states that have not experienced minimum wage changes since 2009.

**Table 1. Difference-in-differences log price effect, by item and overall**

	(1) Hamburger	(2) Specialty Burger	(3) Combo	(4) Price Index
2024Q2	0.049*** (0.002)	0.040*** (0.003)	0.038*** (0.001)	0.041*** (0.002)
2024Q3	0.004 (0.004)	0.011*** (0.002)	0.015*** (0.003)	0.015*** (0.002)
N	2,742	3,513	2,196	3,801

Note: The outcomes represent the log price change of the stated item, which is equivalent, when multiplied by 100, to the percentage price change. The price index is a weighted average of five items (hamburger, cheeseburger, specialty burger, combo, and fries), with weights representing relative the pre-policy price. The estimates are weighted by the number of each chain's locations in California. Each specification includes restaurant and time fixed effects. The last row represents the number of observations for each regression. The entries in parentheses are the standard errors, which are clustered at the state level. Statistical significance is marked as: \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ .

The results indicate that the policy led to price increases of about 4.1 percent in the first quarter in California, relative to control states. Subsequently, between the first and second quarters, prices grew faster in the control states than in California. The overall increase two quarters after the policy is 1.5 percent, or about 6 cents for a \$4 hamburger. This pattern suggests that chains may have initially overestimated the likely costs of the policy.

## 7. Comparisons to an industry study

BRG, a business consulting firm, has also recently examined the effects of the \$20 policy. The BRG study claims to find substantial negative effects on employment, large effects on price increases, and evidence that the policy accelerated labor-saving automation. Each claim relies on questionable methods and does not use modern causal identification approaches. The report essentially cherry picks unrepresentative data to find adverse effects of the policy.

### 7.1 Employment

The introduction to the BRG study cites an employment decline of 1.9 percent in California fast-food employment between June 2023 and June 2024. But is this evidence of correlation or causation? BRG needs to control for employment changes in other states, in related industries and in prior years. The data they use does not control for differential seasonal employment patterns in California and the U.S. Their estimated employment decline thus cannot credibly represent the causal effects of the policy.

Indeed, the year-on-year results in the text of the report indicate that employment has trended downward since the first year after the pandemic, well before the \$20 policy was introduced. BRG reports an even greater employment decline before the policy was enacted-- 3 percent from 2022 to 2023-- than after. This pattern of negative pre-trends undermines the credibility of BRG's claims of finding causal employment effects and illustrates the need for appropriate control groups to identify the policy's effects.

## 7.2 Prices

BRG downloaded menu price data for California, and for the entire U.S., from Datassential.com. Unfortunately, Datassential does not provide any information on how it constructs its price index, which is crucial given the wide variety of fast-food cuisines and likely variation in price increases among a restaurant's many menu items. Consider, for example, that the California fast-food industry includes an above-average proportion of Mexican restaurants. What if the cost of ingredients in Mexican restaurants has increased more than costs in burger-oriented restaurants? Price comparisons across states need to adjust for such differences.

We focus our price data collection on burger-oriented restaurants for exactly this reason. And the Dataessential prices raise another caution flag: The timing of California fast-food price increases using Datassential data does not align well with much more reliable price data published by BLS (which we provided in our previous report).

BRG reports that California prices increased 14.5 percent since August of 2023, compared to 8.2 percent in the entire U.S., which they therefore suggest amounts to a 6.3 percent price effect. However, BRG assumes here that California fast-food restaurants began to gradually increase price changes as far back as August 2023, presumably in order not to make larger price changes when the policy went into effect on April 1, 2024.

This assumption rests on an implausible scenario: that competing fast-food restaurants would increase their prices in advance in a coordinated manner. There is no mechanism for such advance coordination; indeed, restaurants that hold back increasing their prices would gain market share from their competitors. And previous studies have not found that businesses adjust their wages or employment levels to anticipate future policy changes.

An entire industry will increase its prices only if all or most of its constituent businesses experience a common cost shock, such as a minimum wage increase. It is therefore more appropriate to consider how prices changed just before the introduction of the policy. Earlier price increases are evidence of correlation, not causation. Indeed, the Datassential data in the BRG report indicate a 3 percent price effect between March and June of 2024, which is similar to our finding of a 3.7 percent price effect.

### 7.3 Automation

BRG claims that the higher minimum wage has increased labor-saving automation. They measure automation as changes in the number of employees per establishment and show that this measure declined in California relative to in the U.S.

However, automation is conventionally defined as the adoption of technologies that reduce the quantity of labor input per unit of output. BRG does not have a measure of technological adoption and it lacks a measure of output. It therefore cannot make any credible claims about the effects of minimum wages on automation.

More rapid changes in the number of employees per establishment in California could instead result from other changes that became widespread in California than in the rest of the U.S. Possible examples include faster growth among smaller-scale fast food start-ups, increases in the proportion of meals eaten in cars (which reduces restaurant cleaning costs), and the outsourcing of meal delivery to meal delivery companies. Restaurants will make such changes even when wage costs do not increase. Indeed, the cost of restaurant technologies, such as online ordering and payment systems, has fallen by orders of magnitude more than changes in labor costs. As other studies have found, the widespread of such technologies is not related to minimum wage increases.

*The BRG study does not provide reliable estimates of the effects of the \$20 minimum wage on employment, prices or automation.*

## 8. Conclusions

In the first nine months of its existence, the California fast-food minimum wage policy has worked as intended. It has significantly increased the pay of fast-food workers. It has not had a negative effect on fast-food employment and the number of fast-food restaurants, and it has generated very modest price increases.

These results would be surprising in the theoretical world of perfectly competitive labor markets, where employed workers always have the option to move to a comparable job with another employer and employers can hire all the workers they want at the going wage. In such a world, increases in the price of labor reduce the demand for labor. However, as numerous studies have found, real world labor markets are far from competitive, low-wage labor markets especially so. In real world labor markets, frictions restrict the mobility of labor and employers must increase pay if they want to hire more workers.

In the real world, employers possess the power to set wages below the level that would obtain if the labor market was perfectly competitive. They use that power, even if the consequences include less attractive jobs, high employee turnover rates and difficulties filling their job vacancies. Minimum wage increases then make these jobs more attractive, reduce employee quits and reduce costly job vacancies.

As many previous studies have shown, these cost offsets, together with moderate price increases, explain why minimum wage policies such as the \$20 fast-food standard, do not reduce employment.

## Communication from Public

**Name:** California Fast Food Workers Union  
**Date Submitted:** 03/11/2025 12:33 PM  
**Council File No:** 19-0229-S2  
**Comments for Public Posting:** Please post the attached study to the council file related to fast food workers. Thank you.



IRLE WORKING PAPER  
#104-24  
September 2024

## Sectoral Wage-Setting in California

Michael Reich and Denis Sosinskiy

Cite as: Michael Reich and Denis Sosinskiy. (2024). "Sectoral Wage-Setting in California". IRLE Working Paper No. 104-24. <http://irle.berkeley.edu/publications/working-papers/sectoral-wage-setting-in-california/>

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**Berkeley**  
UNIVERSITY OF CALIFORNIA

# Sectoral Wage-Setting in California\*

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Denis Sosinskiy, University of California, Davis

September 2024

## Abstract

On April 1, 2024, California implemented its first sectoral wage policy, setting a \$20 floor on hourly pay for workers in the larger fast food restaurant chains and snack and nonalcoholic beverages chains. A tripartite Fast Food Council will determine future wage increases as well as recommend industry-wide standards for working conditions and training practices. The \$20 standard, the highest in the U.S., applies to an industry with about 750,000 workers. About 90 percent of the covered non-managerial workers were paid less than \$20 before the policy, more than twice as much as in previous policies. By these metrics, the new wage standard lies well outside the range of previous policies that have been studied in the minimum wage research literature.

To fill the knowledge gap, we use novel data on wages and prices at individual restaurants as well as BLS industry employment data and deploy difference-in-differences event designs to identify the sectoral policy's *causal* effects on wages, employment, prices and price pass-throughs. Our restaurant wage data come from 35,680 job posts on Glassdoor, an internet job site. We obtained price data by scraping menus from 1,585 California restaurants and 1,694 restaurants in states without a minimum wage increase since 2009. We find that the policy increased average hourly pay by a remarkable 18 percent, and yet it did not reduce employment.

The policy increased prices about 3.7 percent, or about 15 cents on a \$4 hamburger (on a one-time basis), contrary to industry claims of larger increases. About 62 percent of the increased costs were passed on to consumers in higher prices, suggesting that restaurant profit margins, which were above competitive levels before the policy, absorbed a substantial share of the cost increase. Since demand for fast food is highly price-inelastic, the price increases likely raised restaurant revenue. Franchise owners pay a fixed share of their revenue in royalty fees to their chains' parent companies. The sectoral wage standard thus benefits the parent companies.

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\*We are grateful to the Institute for Research on Labor and Employment at UC Berkeley for research support, to Alyssa Nguyen and Sakshi Kolli for research assistance, Ana Fox-Hodess for careful editing, and especially to Daniel Zhao, Lead Economist at Glassdoor, for assistance with Glassdoor's restaurant wage data.

# 1 Introduction

AB 1228, enacted on September 28, 2023, established a \$20 minimum wage for workers in California’s fast-food restaurants and snack and nonalcoholic beverage bars, effective April 1, 2024.<sup>1</sup> These two industries employed nearly 750,000 workers in early 2024; to mitigate the effects on smaller businesses, the policy exempts fast-food restaurants in chains that have fewer than 60 locations nationwide as well as restaurants located inside airports, stadiums and convention centers. The policy constitutes the highest minimum wage in the U.S.<sup>2</sup> Moreover, about 90 percent of the non-managerial workers in the two industries were paid less than \$20 before the policy.<sup>3</sup> These metrics indicate an aggressive policy that lies well beyond the evidential range in previous minimum wage research.

AB 1228 came about through an agreement negotiated by the governor, the legislature, the International Franchise Association (IFA) and the Service Employees International Union (SEIU), to replace an earlier law. AB 257, passed in September 2022, had established a Fast Council with the power to set a fast food minimum wage as high as \$22 and with the power to set industry-wide standards for working conditions (Egelko 2023).

After the passage of AB 257, IFA successfully placed an initiative on the state ballot that could have invalidated the law. The governor, legislative leaders and SEIU then agreed to lower the wage standard to \$20, to limit the power of the Fast Food Council to regulate working conditions, and to other concessions, in exchange for the withdrawal of the ballot measure and to repeal of AB 257. AB 1228 nonetheless established a tripartite industry group– the Fast Food Council, composed of members from industry, labor and government– that is charged with developing and recommending industry-wide standards to state agencies; these standards would cover working conditions and training practices. The council is also empowered to set future minimum wage increases, up to 3.5 percent per year.

Since its passage, AB 1228’s sectoral wage policy has attracted considerable media attention. Franchise owners complained that they had been largely left out of the negotiations; that the agreement placed all the burden of the new minimum wage on the franchises and that price increases would increase the royalty payments they must make to the parent companies (Liedke 2023). Numerous critical articles in the business press marshalled anecdotal evidence of substantial cuts in jobs and hours and reported that prices had increased “from single digits into the mid-teens.”<sup>4</sup> In a Septem-

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<sup>1</sup><https://www.dir.ca.gov/dlse/Fast-Food-Minimum-Wage-FAQ.htm>. Snack and nonalcoholic bars include chains like Dunkin Donuts, Jamba Juice, Starbucks and TCBY.

<sup>2</sup>With the minor exceptions of the \$20.29 minimum wage for large employers in two Seattle suburbs: Renton, WA, population 104,000 and Tukwila, WA, population 22,000.

<sup>3</sup>Estimated from percentile wages for fast food occupations reported by the BLS’ Occupational and Employment Wage Survey, May 2023, California.

<sup>4</sup>These reports typically did not use control groups or measure price indices according to basic economics principles. See for example, <https://anchor.placer.ai/the-anchor/measuring-the-impact-of-californias-minimum-wage-increase-on-restaurants>.

ber 18, 2024 opinion column in Fox News, California Governor Gavin Newsom weighed in, citing BLS data that show consistent growth to date in year-over-year fast food employment.<sup>5</sup> As of this writing, the Fast Food Council has heard from stakeholders, but has not yet made any decisions about minimum wage increases for 2025.

Although economists have conducted numerous studies of minimum wage effects, only one study (Wiltshire et al. 2024) has estimated the causal effects of minimum wages as high as \$15. To our knowledge, only one study by an economist (Bronars 2024) has examined the effects of AB 1228.<sup>6</sup> But Bronars simply asserts that minimum wage increases will always produce negative employment effects because the demand for labor slopes downward. He thus ignores two decades of research that have found minimal employment effects of minimum wage increases, even for substantial increases.<sup>7</sup>

Bronars also seems unaware of the substantial number of economic studies demonstrating that employers in low-wage labor markets possess power to set wages lower than they would be if labor markets were perfectly competitive.<sup>8</sup> In such circumstances, employment is determined by an upward-sloping labor supply schedule, not by the labor demand schedule, so long as the wage standard remains below the wage that a competitive labor market would generate. The results of the minimum wage literature suggest that we have not yet identified the wage at which such disemployment effects would be detected.

Given the interest in the effects of the \$20 sectoral wage floor and the absence of prior careful studies, we provide here an interim report on the early *causal* effects of AB 1228 on wages, employment and prices in California fast food restaurants. To do so, we use the best systematic data available at this time and scientific causal identification methods that distinguish correlations from causation.<sup>9</sup> We do not study effects on hours because of the unavailability of state-level data on hours worked in fast food restaurants.<sup>10</sup>

What might be the effects of a \$20 sectoral wage floor that raises the pay of most of its covered workers by nearly four dollars? As we have already mentioned, the bulk of recent research on minimum wages has found minimal employment effects; however, the highest minimum wage

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<sup>5</sup>See for example, <https://ktla.com/news/california/experts-have-mixed-views-of-california-fast-food-jobs-data/>; <https://ktla.com/news/california/instead-of-raising-prices-california-fast-food-restaurants-should-do-this-franchisee-says/?ipid=promo-link-block2>; <https://www.foxnews.com/opinion/gavin-newsom-critics-said-californias-minimum-wage-increase-would-job-killer-opposite-happened>

<sup>6</sup>Bronars' study was issued by the Edgeworth Institute, a consulting firm that mainly serves the business community.

<sup>7</sup>For recent reviews of the minimum wage literature, see Dube and Lindner (2024) and Dube and Zipperer (2024)

<sup>8</sup>For a recent review, see Manning (2021b). Wiltshire et al. (2024) found evidence of employer wage-setting power in their study of fast food.

<sup>9</sup>We plan to issue a fuller study once the BLS makes available Quarterly Census of Wages and Employment data for the second quarter of 2024.

<sup>10</sup>However, Daniel Zhao, Lead Economist at the internet job site Glassdoor, has reported to us (personal communication) that discussions on the site about fast food working hours have not increased since the policy went into effect. Allegretto, Dube and Reich (2011) found that minimum wage increases did not reduce teen hours or employment.

in these studies was only \$12. The study closest to ours (Wiltshire et al. 2024) found that \$15 minimum wages in California and New York increased fast food wages and did not negatively affect fast food employment, while substantially reducing hiring and employee retention costs and modestly increasing prices at McDonald's. In that study, about 40 to 50 percent of all California restaurant workers were paid less than the upcoming minimum wage.

Interestingly, the sectoral wage policy might generate potential benefits for franchisers—the parent companies of franchised restaurants. If higher labor costs cause prices to rise, restaurant revenues would likely increase, as Rao and Risch (2024) found using tax data.<sup>11</sup> The revenue increase in turn would raise the fees the franchises are obligated to pay to their parent companies.

The magnitude of expected price increases depends upon on four factors: how much a higher minimum wage raises average wages; the share of labor costs in firms' operating costs; savings in recruitment and retention costs when minimum wage increases reduce labor turnover; and the extent to which restaurant profit margins were above the level that would obtain if restaurant labor markets were more competitive. However, only a few recent studies have examined the price effects of minimum wages. Most, but not all, find that the bulk of the labor cost increases are passed through to consumers as higher prices (Dube and Lindner 2024). However, Wiltshire et al. (2024), who use a careful stacked synthetic control causal identification method, find that about half the operating cost increases were passed through to prices.

Labor costs constitute about 30 percent of operating costs in fast food. If a \$20 minimum wage causes average wages to increase about 18 percent, a 3.7 percent price increase implies a 62 percent pass-through of higher labor costs to prices. As Wiltshire et al. (2024) argue, a partial pass-through suggests that labor cost increases were absorbed partly by price increases and partly by reduced monopsony-level profits of restaurants.<sup>12</sup>

We use a novel dataset for restaurant wages, consisting of 35,680 job reports on the Glassdoor internet job platform (10,623 in California and 25,057 in controls states), posted before and after the policy. Our Glassdoor wage data includes 1,425 different individual restaurants in California. We estimate that fast food workers averaged \$16.96 before the policy and increased about 18 percent to \$20 soon after. In contrast, hourly wages did not increase for workers in the same chains who were located outside of California, nor among most California full service restaurant workers. These results, all of which satisfy parallel trends tests, suggest we have identified the causal wage effect of the policy.

Using the BLS' Current Employment Statistics (the establishment survey), we find that California fast-food employment continued to increase at its previous trend after April 1, 2024, as did employment in full-service California restaurants. These findings suggest that the policy has not had

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<sup>11</sup>Revenues increase when product demand is price-inelastic, as is the case for fast food (Okrent and Alston 2012).

<sup>12</sup>The minimum wage literature has also found that lower employee separation rates absorb some of the wage cost increases through savings in hiring and recruitment costs. We will investigate this adjustment channel in the future, when the Quarterly Workforce Indicators' data on employee turnover become available for 2024q2.

adverse effects on employment.

To study the policy’s causal effects on prices, we scraped menu prices two weeks before and two weeks after the April 1, 2024 effective date of the policy. We drew our scraped price data from a large representative sample of restaurants that use the popular Uber Eats platform to deliver meals to customers. To facilitate comparisons among menu items and chains, we restricted our sample to the burger-oriented segment of fast food. Our menu data include 1,491 restaurants in California and 1,694 restaurants in states that still have \$7.25 minimum wages. We also use a triple-difference estimator, which compares price changes in fast food restaurants in California to those in states that have not experienced a minimum wage increase since 2009– and to price changes in fast food to price changes in full service restaurants.

We find that the policy led to modest price increases, contrary to multiple but dubious reports in the business press. 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. Our triple-difference estimator finds that prices in our sample of large fast food restaurant chains increased 3.7 percent, relative to the control groups.<sup>13</sup> To provide some context, fast food prices increased 4.8 percent between April 2023 and April 2024, when the \$20 wage standard went into effect.

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

We discuss our data and methods in Section 2 and present our findings on pay in Section 3, on employment in Section 4 and on price increases in Section 5. Section 6 concludes.

## **2 Data and methods**

We begin by describing our wage and employment data, then turn to a detailed description of our novel price dataset, and end with our difference-in-differences event study methods.

### **2.1 Wage and employment data**

(Note: The QCEW, which we will use in a future analysis, provides a near-universe of establishment-level quarterly payroll reports, reports data for detailed six-digit NAICS industries. The QCEW will thus allow us to separately examine changes in pay and employment in the limited service and full service restaurant industries as well as the snack and nonalcoholic beverage bar industry. We will also be able to examine whether the sectoral wage policy has created wage spillovers in other low-wage industries. We will use the QCEW data after data for 2024q2 become available (scheduled

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<sup>13</sup>A 3.7 percent price increase on a \$4 hamburger amounts to 15 cents. The price increase is a one-time change that will not repeat in future years.

for December 2024).<sup>14)</sup>

We use wage data on full-time and part-time fast food jobs provided to us by Glassdoor, a well-known internet jobs platform. Notably, our Glassdoor data identifies employer names, allowing us to analyze wages for individual chains as well as groups of fast-food chains. Glassdoor uses a "give and get" model: workers can search for jobs on Glassdoor if they share information about the pay and working conditions of their current– or most recent– job (Chamberlain 2016). Posts are thus voluntary and do not constitute a probability sample. However, pay rates across fast food chains are likely to be more similar than pay rates across the entire fast food industry. A randomized sample might therefore yield similar pay rates as the self-reported pay rates on Glassdoor.<sup>15</sup> For our purposes, the data contain one major drawback: posted pay information might refer to pay when a job began, imparting a possible lag for measuring current pay.

Since post-policy QCEW data are not yet available, we use the BLS' Current Employment Statistics (CES) to assess the effect of the policy on employment. The CES reports monthly employment data separately for NAICS codes 722511 (full service restaurants) and for the sum of 722513 (limited service restaurants), 722514 (cafeterias) and 722515 (snack and nonalcoholic beverage bars), for both California and the U.S. We can therefore make difference-in-differences comparisons to estimate the early employment effects of the policy.<sup>16</sup>

## 2.2 Price data

To collect price data, we used a web scraping algorithm to collect menu data on the platform of Uber Eats, a popular food delivery service used by almost all fast food chains.<sup>17</sup> To our knowledge, our price data for multiple named restaurants and chains across the U.S. constitutes the most comprehensive price dataset ever used in minimum wage research. The fast food industry comprises numerous ethnic cuisines as well as chains that specialize in different dishes– burgers, chicken dishes, pizza and others. To make the price measurement process more manageable, we focus on the largest segment of the industry– burger-oriented restaurants– and on their five most popular menu items: cheeseburgers, hamburgers, specialty items, fries and combo meals. Specialty dishes represent a chain's signature dish, such as a McDonald's Big Mac or a Burger King Whopper.

We collected menu prices from three categories of burger-oriented restaurants: the largest fast-food chains in California and the U.S.; the largest full-service restaurant chains serving "American cuisine;" and independent (non-chain) burger-oriented fast-food restaurants in California. Obtaining data for restaurants with comparable menus (or some overlapping items) allows us to examine

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<sup>14</sup>The QCEW has been used to study the effects of minimum wages by Dube, Lester, and Reich (2010), Godoey and Reich (2021), and Wiltshire et al. (2024).

<sup>15</sup>See also Karabarbounis and Pinto (2018), who show that most occupational pay rates on Glassdoor are similar to those in the QCEW.

<sup>16</sup>The CES surveys 119,000 businesses and government agencies, representing approximately 629,000 worksites throughout the U.S.

<sup>17</sup>We were unable to obtain price data on snack and nonalcoholic bars, as most do not use delivery platform services.

prices by item, making comparisons more precise and excluding potential counterfactuals that affect the prices of certain meals. Our sample of burger restaurants (American cuisine) includes some of the largest U.S. fast-food and full-service chains, as measured by estimated market share and number of employees (companiesmarketcap.com).

For the cheeseburger, hamburger, fries and combo menu items, we search for a perfect text match to identify the item. If we do not identify a perfect match, we make choices manually: a hamburger represents a smaller, simpler burger without cheese; a cheeseburger is a smaller burger with cheese; fries are french fries of a default size; and a combo meal combines a default size specialty item, a side and a drink. We identify each chain's specialty item using its marketing materials and media. We also verify that they are comparable in size between the chains.

The \$20 sectoral wage standard applies to chains in California that have at least 60 locations nationwide. Hence, the California locations of the largest burger-oriented fast food chains provide our sample of the treated group, while locations outside of California for the same chains serve as a natural control group. To obtain the cleanest estimates of the effect of new minimum wage policy, we limit our control group to restaurants in states without a binding state minimum wage. We identified the largest chains using published industry sources ([www.qsrmagazine.com/slideshow/americas-50-biggest-fast-food-chains/](http://www.qsrmagazine.com/slideshow/americas-50-biggest-fast-food-chains/); [www.businessinsider.com/biggest-fast-food-chains-in-the-us-ranked-2024-7](http://www.businessinsider.com/biggest-fast-food-chains-in-the-us-ranked-2024-7)). Table 1 lists our sample of chains and the corresponding number of restaurant locations.

We also collected prices for large national full service restaurant chains, both in California and in our control states. These restaurant chains constitute a natural control group for our study. We include these chains also to examine wage spillovers from the fast food industry. While employers in the full service industry are not covered by the new policy, their employees are similar to the the fast food industry workforce. Full service restaurants thus might need to respond to wage pressures generated by the policy.

Finally, we also collected price data from small burger-oriented fast-food chains that are not covered by the policy because they have fewer than 60 locations. These restaurants constitute another natural control group. However, since they compete directly with large fast-food chains, smaller chains can be affected indirectly by the new policy. Since there is no systematic database of all local fast-food restaurants in California, we selected around 100 local restaurants and chains with the word "burger" in their names, using web sources, such as the list of fast food independent California restaurants compiled by Manta ([www.manta.com](http://www.manta.com)).<sup>18</sup>

In addition to choosing the sample of restaurants, our first round of scraping used "search addresses" in the geographical areas of interest. To enable future county-level analyses, we defined the 25 largest counties in California as our treated locations; these counties cover 95 percent of fast food employment in the state. For controls, we chose the 95 most populous counties in states that do not have state-wide minimum wage policies. This selection of counties, which follows Wiltshire

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<sup>18</sup>Since our sample of independent restaurants was too small to obtain precise results, we do not report those here. We expect to obtain larger samples as we continue to collect menu data.

et al. (2024), is suitable for our difference-in-differences estimation.

For each county in our sample, we scraped menus in up to three of the most populated cities, depending on the county’s population. For each city, we use the address of its City Hall as an input to the Uber Eats algorithm. The algorithm identifies up to six of the closest restaurants in each chain. For each restaurant, we scraped the full menu on the restaurant’s page.

For the second wave of price data collection (the first post-policy collection), we used the same search algorithm. In addition, we collect prices from any restaurants we missed in the first wave, thereby maximizing the number of restaurants in each time period in our data.<sup>19</sup>

As Table 1 indicates, we obtained prices before and after the policy for 1,120 fast food California restaurants: including 226 McDonald’s stores, and 1,002 fast food restaurants in other states. Our sample of full service included 371 California restaurants and 692 restaurants in other states. As Table 1 shows, the number of restaurants for each chain in our sample is highly correlated with the total number of restaurants of the chain in California and elsewhere.

Menu prices on delivery platforms may differ from in-store prices. Some restaurants may choose to post higher delivery-based prices either because they perceive delivery to be more price-inelastic or to compensate for commissions charged by delivery platforms.<sup>20</sup> To assess potential differences between Uber Eats menu prices and in-store prices, we collected prices directly from the websites of three fast food chains in our sample (Burger King, Wendy’s and Carl’s Jr). We can therefore examine whether prices on the restaurant’s website differ from those on Uber Eats and whether the price effects differ using Uber Eats’ prices. Since we did not detect any systematic differences in price increases, we do not include these results in this report.

### 2.3 Difference-in-differences model

To assess the causal effect of the minimum wage policy on restaurant prices, we conduct a difference-in-differences event study. The estimated model is:

$$P_{ic,t} = \alpha_{ic} + \tau_t + \sum_{t=1,2} \beta_t \times CA_i \times Post_t + \varepsilon_{ic,t} \quad (1)$$

where  $P_{ic,t}$  is the price of an item in location  $i$  of chain  $c$  at event time  $t$ .  $\alpha_{ic}$  and  $\tau_t$  are location-chain and time fixed effects, respectively.  $CA_i$  is an identifier equal to one if the location is in California (subject to the policy), and  $Post_t$  equals one for prices after the minimum wage increase.  $\varepsilon_{ic,t}$  is a random error. Finally,  $\beta_t$  is a coefficient of interest representing a causal effect of the \$20

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<sup>19</sup>We collected a third wave of price data in mid-September 2024, which we will analyze in a future version of this study.

<sup>20</sup>Massimo (2021) reports that prices are higher on Uber Eats than in restaurants.

minimum wage  $t$  quarters after the implementation. We use the month before the policy as our reference period  $t = 0$ . Each consecutive  $t$  represents a quarter shift in time.<sup>21</sup>

We estimate price effects for each individual chain and pooling all the chains together. The individual chain estimates provide a price change by item for a particular chain (e.g., McDonald’s or Burger King). The pooled estimate averages the price changes among all chains for each menu item. We weight the pooled results by the number of each chain’s California locations. Such weighting provides the most representative price effect for the fast-food in California.

Our model assumes parallel trends before the policy: that within-chain price changes before the policy trend similarly in California locations as in other states. To select control groups without the policy that are most likely to trend similarly, we restrict our control group to locations in the same chains in the largest counties in states that never adopted a state-wide minimum wage policy. This control group closely follows the donor pool in Wiltshire et al. (2024), who find parallel pre-trends for fast food earnings and employment.

The main threat to our identification strategy involves firms’ anticipating the policy and beginning to adjust their prices before the policy became effective. Since we collected pre-policy data in mid-March 2024, our research design accounts for anticipation effects that occurred within two weeks of the policy’s effective date. Although we cannot detect earlier anticipatory price changes, we do not expect those to be as common. An individual firm that raised its prices well before the effective date might find that other firms do not follow its lead. As a result, a strategy of increasing prices too early risks losing market share to firms that did not increase their prices. However, as the effective date of the policy approaches, the common shock to all firms makes it more likely that one firm’s price increases will coincide with price increases by their competitors.

## 2.4 Triple differences model

To relax some assumptions of the difference-in-differences model we described above, we also present estimates based on the triple difference-in-differences specification. In addition to comparisons between states, this model compares the fast food industry to the full service industry, which is not subject to the new policy. The model is described using the equation below.

$$P_{ic,t} = \alpha_{ic} + \tau_t + \lambda_c + \sum_{t=1,2} \beta_t \times CA_i \times Post_t \times FastFood_c + \varepsilon_{ic,t} \quad (2)$$

The model builds on 1, adding a fast-food fixed effect,  $\lambda_c$ , and adding an interaction term,  $FastFood_c$ , which equals one for fast food chains. The specification is equivalent to the difference between two difference-in-differences estimates. The specification leverages that fast food restaurants outside

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<sup>21</sup>This version of our paper includes only  $t = 0$  and  $t = 1$ , transforming our event study into a simple difference-in-differences model with one pre and one post-treatment period.

of California are not subject to the new policy, and that full service restaurants in California are also not subject to the new policy.

Moreover, this approach provides the cleanest control group, relaxing the identifying assumption of parallel trends. This specification requires the difference between fast-food prices and full-service prices in California to trend similarly pre-policy to the difference between fast-food prices and full-service prices in control states. In other words, the parallel trend assumption is now concerned with trends in differentials rather than trends in levels, as in the difference-in-differences specification.<sup>22</sup> We consider the estimates that use this specification to constitute the cleanest approach to estimating the policy’s price effects.

### 3 Glassdoor pay data through September 2024

Glassdoor job searchers post self-reported hourly base pay for current or past part-time and full-time jobs.<sup>23</sup> Job searchers enter their pay rate when they post information on the platform about their current or most recent job. Importantly, the posting date often occurs several months after the last job began, creating some ambiguity about the relevant time period. As a result, some posted pay rates refer to much earlier time periods. We return to this issue below.

We display the distribution of pre-policy and post-policy wages in the four panels of Figure 1. The two upper panels (A and B) display hourly wage distributions for fast food restaurants; the lower panels (C and D) do the same for full service restaurants. The two left panels (A and C) report wage distributions in California, while the two right panels (B and D) do the same for wage distributions in our control states. In each panel, the blue lines show the pre-policy (pre-April 1) wage distributions and the red lines show the post-policy distributions. The pre-policy data consists of pay rates posted in 2024q1; the post-policy data consists of pay rates posted in 2024q2.<sup>24</sup>

In Panel A of Figure 1, we estimate that the distribution of pre-policy wages (blue line) in California fast food restaurants implies an average pre-policy wage of \$16.96, with most jobs paying between \$14 and \$18. A considerable mass of jobs in the pre-policy period paid less than \$16, which was the state minimum wage in 2024q1. Do these jobs reflect noncompliance with the minimum wage or do they reflect the Glassdoor reporting lags that we mentioned earlier? Fast food chain restaurants generally hire third-party payroll services (such as Paychex and others); it seems safe to assume that the payroll services ensured compliance with the applicable minimum wage laws in 2024q1. The pre-policy job posts that reported paying less than \$16 probably reflect jobs that began earlier than when they were posted on Glassdoor.

The mass of pre-policy wages above \$16 likely reflects higher local minimum wages, some of

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<sup>22</sup>Olden and Moen (2022) provide an in-depth discussion of the triple difference estimator.

<sup>23</sup>We are grateful to Glassdoor for sharing their data with us. Our data excludes temporary employment and managerial positions.

<sup>24</sup>We also inspected, but do not report here, pay trends in 2023; the pre-trends are parallel .

which reached \$18.67 in 2024, as well as higher pay rates for more experienced workers, and higher pay scales at some chains than others. The small blue spike at \$20 may also reflect the tendency of workers to report pay in round numbers.

Consider now the post-policy (red) line in Panel A of Figure 1. The red line shows that pay rates bunched quickly at \$20 after the sectoral policy went into effect. The red line in Panel A of Figure 1 also shows some continued but bunching at \$16. We hypothesize that this hump again reflects reporting lags, rather than noncompliance with the wage standard. But even with imperfect reporting, the probability of being paid \$20 or higher jumped threefold. We therefore regard the legal minimum of \$20 as our best estimate of the post-policy average wage among treated restaurants. The policy increase from \$16.96 to \$20 represents an 18 percent increase.

Panel B of Figure 1 presents pre and post wage distributions for the same restaurant chains that make up Panel A, but that are located in our control group of states— those with \$7.25 minimum wages. The mass of pre-policy wages in this panel bunches at round numbers— \$10, \$12 and \$15, indicating that the \$7.25 standard is not binding. The post-policy wage distribution is identical to the pre-policy distribution, which is what we would expect, and reinforces our confidence in the results in Panel A.

Our results in Panel A are also supported by the results for full service restaurants, displayed in Panels C and D. The pre and post policy wage distributions are nearly identical. The wage distribution for full service restaurants in Panel C makes clear that the sectoral wage standard had little effect on pay in most full service restaurant jobs; however, the small red spike at \$20 indicates wage spillovers for about 10 percent of full service restaurant jobs.

In summary, the sectoral pay policy increased average pay in fast food restaurants by 18 percent, or nearly 75 percent of the nominal 25 percent increase. By comparison, previous minimum wage increases increased average fast food pay by about 20 percent of the mandated increases (Wiltshire et al. 2024).

## 4 Employment before and after the policy

We present employment trends from 2023m1 through 2024m7 for fast food and full service restaurants in Figure 3. The data come from the BLS’ monthly Current Establishment Survey (CES).<sup>25</sup> The two red lines refer to California restaurants; the two blue lines refer to restaurants in the U.S. The solid lines refer to fast food and other; the dashed lines refer to full service. To view these lines on the same graph, we use the left vertical axis to measure California employment and the right vertical axis to measure U.S. employment.

The solid red and blue lines (fast food, California and fast food, U.S.) are parallel until the beginning of 2024, when California fast food employment begins to grow faster than U.S. fast food

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<sup>25</sup>CES data on fast food and related employment is available for California, but not for any other state. No other state or locality raised its minimum wage on or near April 1, 2024.

employment. Comparing the two solid lines thus suggests that the minimum wage change did not affect trends in fast food employment.<sup>26</sup>

This conclusion is reinforced by comparing the dashed red and blue lines (full service, California and full service, U.S.) in Figure 3. In the first three months of 2024, California full service employment grew more slowly than did U.S. full service employment. The divergence between the two dashed lines then grows in April and May of 2024.

The pattern of smaller growth of California full service employment (relative to U.S. full service employment) contrasts with the greater growth of California fast food employment (relative to U.S. fast food employment). The contrast is not consistent with a confounding shock that would similarly affect California fast food and full service restaurants. Moreover, as Panel A of Figure 4 indicates, California GDP and U.S. GDP have grown at the same rates since the end of 2023.

Taken together, the CES employment patterns in Figure 3 suggest a small positive effect of the higher minimum wage on fast food employment. However, survey data such as the CES are subject to sampling errors, particularly when looking at detailed industries at the state level. Since we cannot yet access the QCEW's near-census of establishments for 2024q2, we adopt a more cautious conclusion: we do not detect evidence of an adverse employment effect.

## **5 Prices before and after the policy**

### **5.1 Price levels before the policy**

Table 2 displays pre-policy prices for five main menu items in each of nine burger-oriented fast food chains. These prices are for California stores only. The chain are arrayed according to the number of stores in California. The bottom two rows display menu item price averages across the nine chains. The row marked unweighted displays the simple average of the cells above. The row marked weighted takes into account heterogeneity in the number of California stores in each chain.

The larger chains tend to have lower prices across all five menu items than do the smaller ones. Prices for each item are relatively low and similar among the largest four chains: McDonald's, Burger King, Jack in the Box and Wendy's. Prices may be lower because of scale economies in operations, and/or because they target a different segment of fast-food consumers. On the other hand, price variation within a chain, measured by the standard deviation of prices and reported in parentheses in Table 2, is greater in these four chains, indicating that franchisees are given some leeway to choose prices, or that Uber Eats' menus vary by geography from in-store menu prices.

### **5.2 Price changes**

Panel B of Figure 4 compares recent restaurant price changes in two major California metros with recent restaurant price changes in the U.S. as a whole. The price indices come from the large

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<sup>26</sup>The lines also exhibit parallel trends in the pre-trend period.

surveys undertaken by the BLS to construct the monthly Consumer Price Index.<sup>27</sup>

Table 3 reports our difference-in-differences estimates of price changes for fast food and full service. These results can be interpreted as percent changes. On average, fast food prices increased 2.6 to 3.8 percent, depending on the menu item. Interestingly, the price of a specialty burger decreased in price by 1.3 percent (although the estimate is less statistically significant). This pattern might indicate the importance of pricing of "signature" items (such as a Big Mac or Whopper) for marketing purposes and to keep customers from switching to competitors.

The bottom row of Table 3 displays price changes for full service restaurants. We do not expect to see direct effects of the policy on full service restaurants, since they are not covered by the policy. However, some spillover effects are possible. The estimated price effects for all three menu items in our full service restaurants are statistically insignificant and small in magnitude, ranging between -0.01 and 0.05 percent. This result suggests the absence of spillover effects among full service restaurants.

As additional evidence, we present results in Table 4 for our strongest identifying specification, triple-differences. Since the model uses data for both fast food and full service restaurants, we can study only the three menu items—cheeseburgers, hamburgers and fries—that are present in both types of restaurants. Our overall estimated price increase for these three items is 3.7 percent. We estimate price effects for all fast food chains for cheeseburger and fries to be 3.7 and 4.0 percent, respectively. Both are statistically significant and very close to their difference-in-differences counterparts. In contrast, our triple difference estimate of price changes for hamburgers is lower than our difference-in-differences estimate (3.3 vs. 3.8 percent); and it is statistically insignificant. This result may reflect the large price increase for hamburgers in the full service industry (Table 3), which reduces the triple difference estimate. Also standard errors are higher by construction in triple difference estimates, which reduces statistical significance.

Finally, Table A1 presents difference-in-difference price effect estimates by fast food chain. Remarkably, every reported estimate in the table is statistically significant at the 99 percent level (with the exception of Shake Shack, which did not change any prices).<sup>28</sup> The smallest increases are observed at McDonald's, ranging from 1.3 to 1.7 percent. We observe the largest changes at Burger King, ranging from -7.3 percent, for its signature Whopper, to 24.9 percent for a regular hamburger.<sup>29</sup> Price increases were lower for each chain's specialty item (becoming negative for

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<sup>27</sup>Unfortunately, the BLS does not report separate price indices for fast food and full service restaurants. According to BLS, restaurant prices increased 5.2 percent during 2023 and at an annual rate of 2.8 percent in 2024q1.

In the twelve months before the sectoral wage policy began, the California and U.S. lines are parallel, indicating similar changes in restaurant prices. After April 1, California restaurant prices increase faster than do restaurant prices in the U.S. as a whole.

<sup>28</sup>To respond to publicity about fast food price increases since the pandemic, many of the chains introduced lower price point items—\$5 value meals. Although these new items were introduced April 1, they were added to menus throughout the U.S., not just in California. They therefore do not appear to represent a response to price increases specific to California.

<sup>29</sup>This negative estimate does not imply that Whopper prices fell in California. A negative estimate can occur when

some), validating our decision to collect data on these items.

To summarize, price increases varied somewhat by menu item and chain, as one would expect because menu items vary in their labor-intensity and because wage increases also varied by chain. Nonetheless, the results in Tables 3, 4 and A1 suggest that almost all of the individual price increases were modest, relative to price changes in full service restaurants and price changes in other states. Our preferred triple differences estimates in Table 4 indicate that the sectoral wage policy caused prices to increase only 3.7 percent.

### **5.3 Cost pass-throughs to prices**

We consider here the extent to which increases in labor costs were passed on to consumers in higher prices or were absorbed by restaurants in reduced profits. Since labor costs represent about 30 percent of a fast food restaurant's operating costs, an increase of wages of 18 percent could be fully absorbed by a price increase of  $.3 \times 18$  or 6 percent, without any reduction in profits. Our estimated price increase of 3.7 percent thus indicates that 62 percent (3.7 divided by 6) of the cost increases were borne by consumers. The rest is absorbed by savings in hiring and retention costs and by reductions in what were restaurant's monopsonistic (higher than competitive) profit margins.

The price increases most likely translated into higher restaurant revenues, since the price increases were much greater than any reduction in consumer demand. Franchise licenses granted by a chain's parent company to individual restaurant owners call for a royalty fee to be paid to the parent company. The fee is usually a fixed percentage of the restaurant's revenue. Restaurant owners may thus have to pay a greater amount to the parent companies at the same time that the restaurant owners face declining profit margins.

## **6 Conclusions**

On April 1, 2024, California established a \$20 sectoral wage standard for fast food and related workers in large chains. The statewide minimum wage for all other workers remained \$16. The \$20 sectoral standard, which covers about 750,000 workers, is higher than any minimum wage in the nation. It is also higher than the pay received by about 90 percent of the non-managerial workforce in the covered industries. Although the bulk of recent minimum wage studies find minimal employment effects, many of these studies examine minimum wages up to only \$12; only one examines the effects of \$15 minimum wages.

In this report, we use novel Glassdoor wage data for fast food and full service restaurants in California and in a control group of states without a minimum wage increase since 2009, BLS data on employment in fast food and full service restaurants in California and the U.S., and novel scraped data on menu prices in burger-oriented fast food and full service restaurants in California and in

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prices rise more in the control states than in California.

states without a minimum wage increase since 2009. To identify the causal effects of the sectoral wage policy, we deploy difference-in-differences event study methods that control for changes in other states and in full service restaurants.

We find that the sectoral wage standard raised average pay of non-managerial fast food workers by nearly 18 percent, a remarkably large increase when compared to previous minimum wage policies. Nonetheless, the policy did not affect employment adversely. It did increase fast food prices, on a one-time basis only, by about 3.7 percent, or about 15 cents for a \$4 item. Consumers therefore absorbed about 62 percent of the cost increases. These effects are benign. However, restaurant profit margins likely fell and the royalty fees restaurant operators pay to franchisors likely increased.

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## Tables and Figures

Table 1: Number of restaurants overall and in our sample, by chain and location

	Overall		Sample	
	California	Non-California	California	Non-California
<b>Fast-Food</b>				
McDonald's*	1221	12308	226	173
Jack in the Box*	942	1251	203	109
Carl's Jr and Hardee's	647	1990	93	97
Burger King*	534	6193	164	170
Wendy's	297	5711	133	139
The Habit*	258	109	131	14
Five Guys	123	1377	100	128
Sonic	82	3430	34	117
Shake Shack	60	290	36	55
Total			1120	1002
<b>Full-Service</b>				
Denny's	358	996	141	142
Applebee's*	106	1430	75	144
Buffalo Wild Wings	99	1199	70	149
Red Robin*	57	438	48	83
Outback Steakhouse	44	632	36	145
TGI Fridays	16	209	1	29
Total			371	692
<b>Local Fast-Food</b>				
Total			94	

*Note:* This table depicts the number of restaurants by chain in California and other states. Columns 1-2 show the overall number of restaurants in each chain. Columns 3-4 show the number of restaurants in our collected data. All restaurants in the sample are present in each wave of data collection. Overall numbers are from each company's public documents.

\*The company does not report a number of locations publicly; we use an estimate provided by a web scraping service ScarapeHero.

Table 2: Average pre-policy fast food prices in California

	(1) Cheeseburger	(2) Hamburger	(3) Specialty burger	(4) Fries	(5) Combo
<i>A. By group</i>					
All chains	4.25 (1.60)	4.14 (1.56)	7.76 (1.56)	4.92 (0.78)	13.44 (1.78)
Lower-price chains	3.90 (0.83)	3.85 (1.12)	7.53 (1.22)	4.89 (0.64)	13.22 (1.60)
Higher-price chains	9.06 (1.57)	7.98 (1.56)	10.52 (2.43)	5.27 (1.70)	16.93 (0.58)
<i>B. By chain</i>					
McDonald's	3.85 (0.60)	3.41 (0.52)	7.51 (0.83)	5.07 (0.59)	12.75 (1.57)
Jack in the Box	3.83 (0.42)	3.48 (0.34)	6.58 (0.73)	4.93 (0.40)	13.02 (1.17)
Carl's Jr and Hardee's	5.57 (0.88)	5.42 (1.07)	8.42 (0.47)	4.02 (0.55)	13.95 (0.60)
Burger King	3.18 (0.73)	5.46 (1.41)	9.47 (0.85)	4.89 (0.80)	15.21 (0.96)
Wendy's	3.45 (0.45)	2.91 (0.53)	7.98 (0.96)	2.43 (.)	–
The Habit	8.14 (0.21)	7.02 (0.20)	9.12 (0.29)	4.24 (0.22)	16.93 (0.58)
Five Guys	11.57 (0.97)	10.45 (0.78)	14.55 (1.00)	8.05 (0.76)	–
Sonic	4.72 (0.25)	–	9.33 (0.64)	–	–
Shake Shack	9.31 (0.17)	8.94 (0.12)	9.54 (0.12)	5.59 (0.14)	–

*Note:* This table reports average prices of selected items in the collected data by group and by fast food chain. Panel A is weighted by number of locations in California of each chain. All averages are reported in U.S. dollars. Standard deviations are reported in parentheses. Missing cells represent items either not included in the chain's menu or not captured by the data-collection algorithm. Items for each franchise are selected manually if no perfect match by name is found. "Higher-price chains" include The Habit, Five Guys, and Shake Shack. "Lower-price chains" include all other chains in the sample.

Table 3: Difference-in-differences log price effect by item and group

	(1) Cheeseburger	(2) Hamburger	(3) Specialty Burger	(4) Fries	(5) Combo
<b>Fast-Food</b>					
All Chains	0.036*** (0.004)	0.038*** (0.008)	-0.013** (0.006)	0.041*** (0.004)	0.026*** (0.004)
Lower-price Chains	0.036*** (0.005)	0.038*** (0.010)	-0.015** (0.007)	0.039*** (0.005)	0.025*** (0.004)
Higher-price Chains	0.036*** (0.002)	0.038*** (0.002)	0.037*** (0.002)	0.051*** (0.003)	0.052*** (0.004)
<b>Full-Service</b>					
All Chains	-0.001 (0.006)	0.005 (0.004)	–	0.001 (0.009)	–

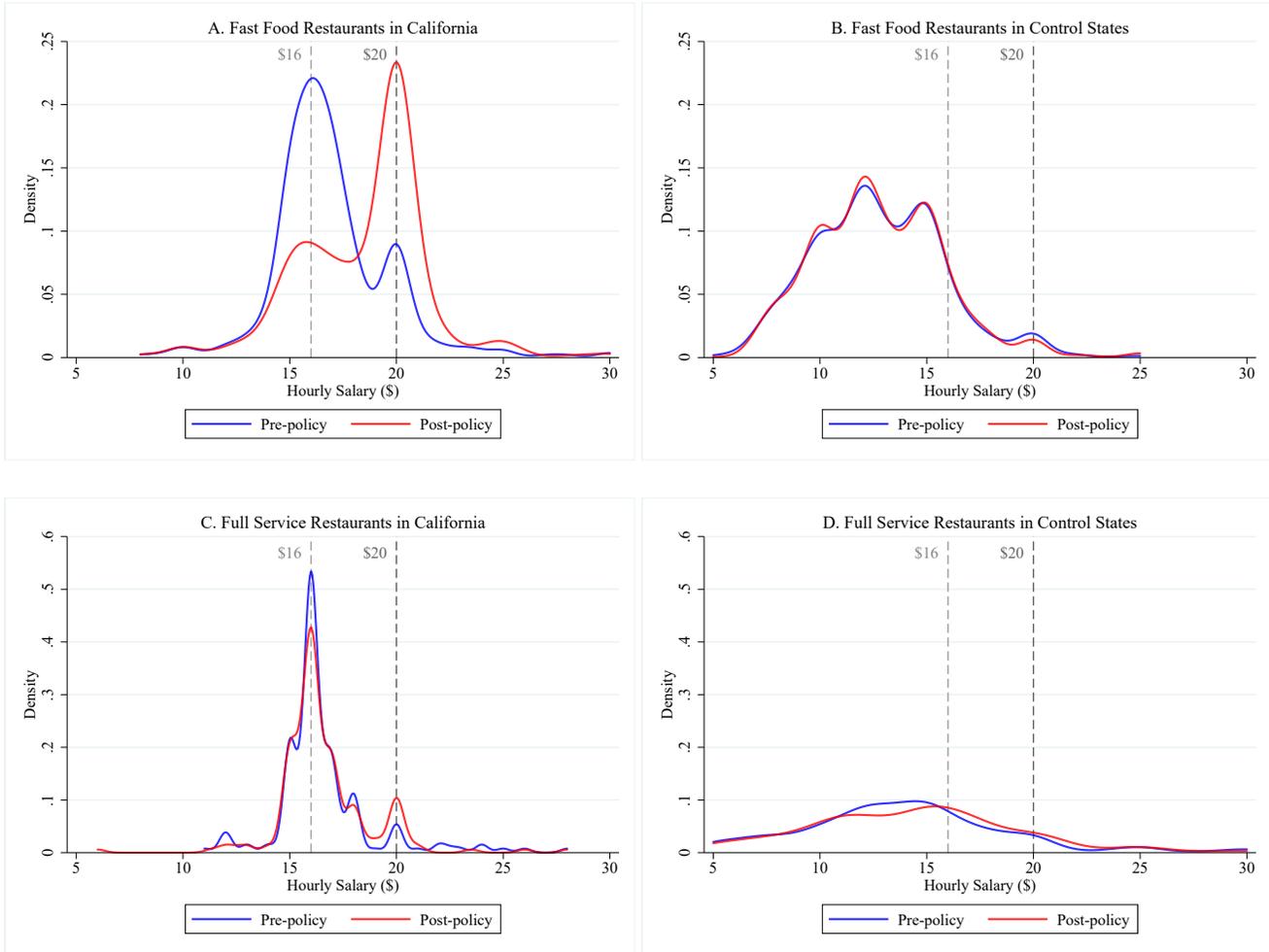
*Note:* Estimated using Equation 1. Each outcome is a log of the stated variable. All estimates are weighted by a number of chain locations in California. Missing cells represent items not included in the menu. "Higher-price chains" include The Habit, Five Guys, and Shake Shack. "Lower-price chains" include all other chains in the sample. Statistical significance is marked as follows: \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Table 4: Triple differences log price effects

	(1) Cheeseburger	(2) Hamburger	(3) Fries
<i>A. All fast food</i>			
Treatment effect	0.037*** (0.010)	0.033 (0.049)	0.040*** (0.012)
Post	0.032*** (0.006)	0.003 (0.027)	0.014* (0.007)
CAxPost	-0.001 (0.010)	0.005 (0.049)	0.001 (0.011)
FastFood x Post	-0.017** (0.007)	-0.002 (0.028)	-0.031*** (0.008)
<i>B. Lower-price chains</i>			
Treatment effect	0.038*** (0.011)	0.033 (0.056)	0.038*** (0.013)
Post	0.032*** (0.007)	0.003 (0.030)	0.014* (0.008)
CAxPost	-0.001 (0.010)	0.005 (0.055)	0.001 (0.012)
FastFood x Post	-0.017** (0.007)	-0.002 (0.031)	-0.032*** (0.009)
<i>C. Higher-price chains</i>			
Treatment effect	0.037*** (0.009)	0.033*** (0.004)	0.050*** (0.013)
Post	0.032*** (0.003)	0.003 (0.002)	0.014*** (0.005)
CAxPost	-0.001 (0.005)	0.005 (0.004)	0.001 (0.007)
FastFood x Post	-0.030*** (0.007)	-0.000 (0.003)	-0.012 (0.010)

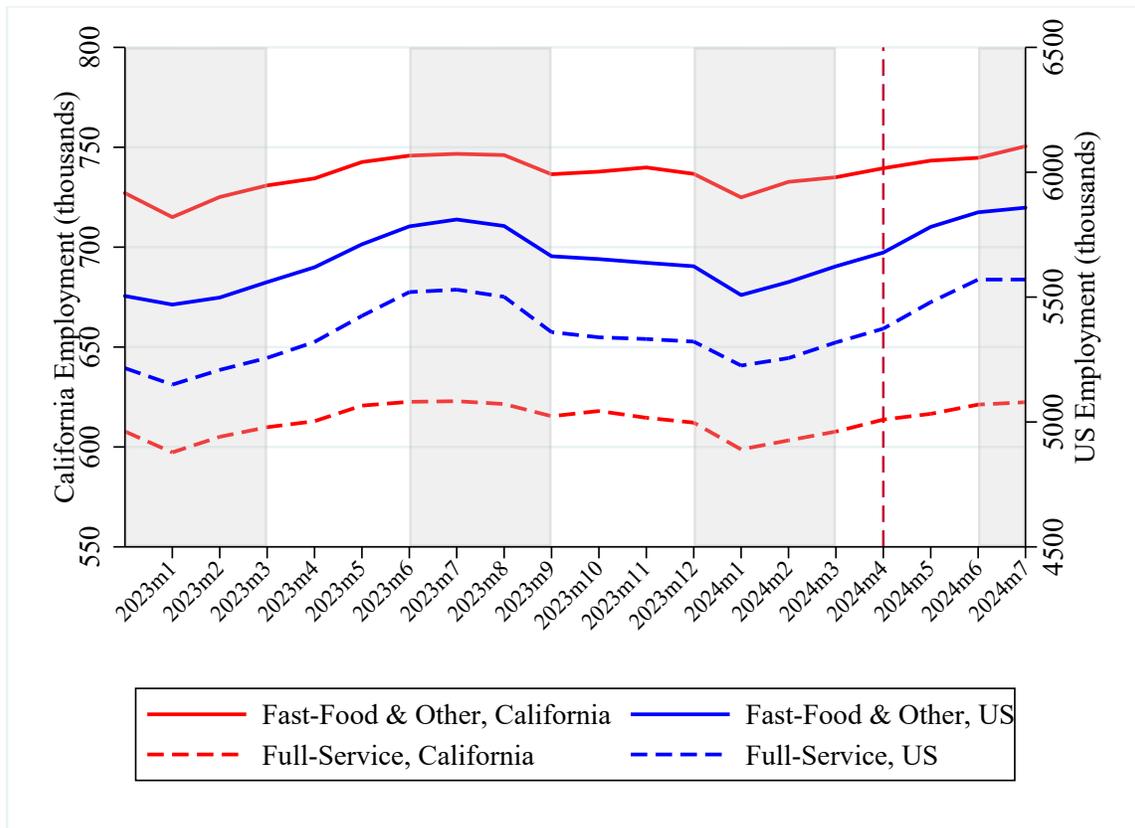
*Note:* Estimated using Equation 1. Each outcome is a log of the stated variable. All estimates are weighted by the number of chain locations in California. "Higher-price chains" include The Habit, Five Guys, and Shake Shack. "Lower-price chains" include all other chains in the sample. Missing cells represent variables not captured by the data-collection algorithm or missing from the menus. Statistical significance is marked as follows: \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$

Figure 1: Glassdoor Hourly Wage Distribution Pre- and Post-policy for Fast Food and Full Service Restaurants



*Notes:* Constructed using data provided by Glassdoor. The pre-policy period includes wages for 2024Q1; the post-policy includes wages for 2024Q2. Panels A and B include reported wages in the "Restaurants & Cafes" industry for fast food restaurants in our price data and the top 20 fast-food chains in terms of the number of salaries reported in the period of interest in California. Panels C and D include wages for full service restaurants in our price data and the top 25 full service chains in terms of the number of salaries reported in the period of interest in California. Distributions are constructed using kernel density approximation. Excludes managerial and sales occupations. The vertical dashed lines represent the pre-policy California minimum wage, \$16, and the new minimum wage for fast food in California, \$20.

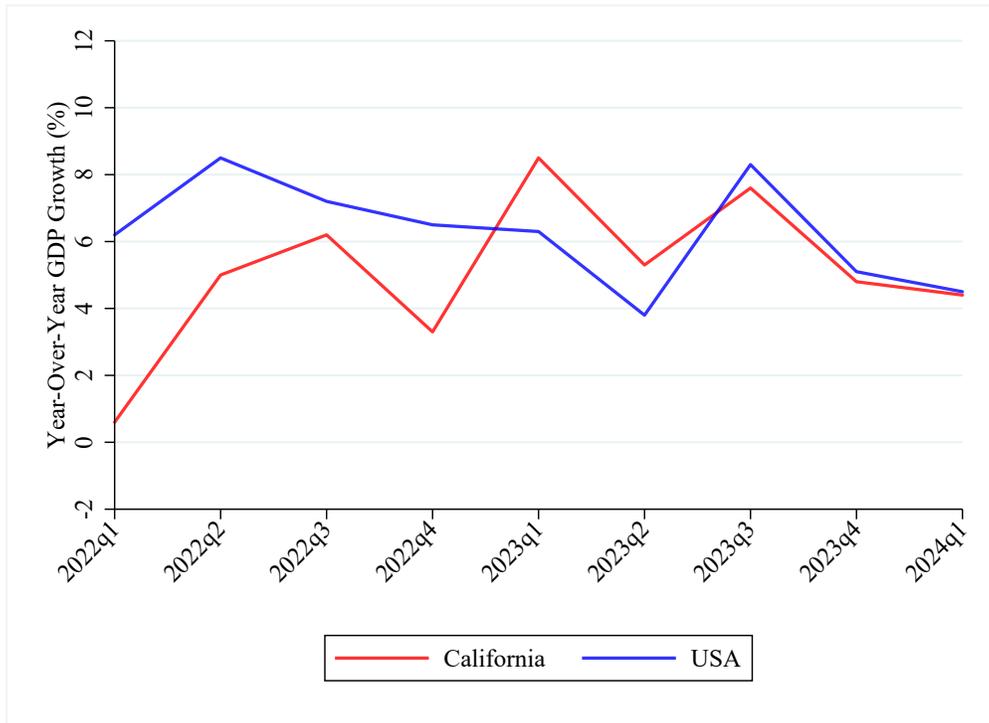
Figure 2: Fast-Food and Full Service Employment in California and USA



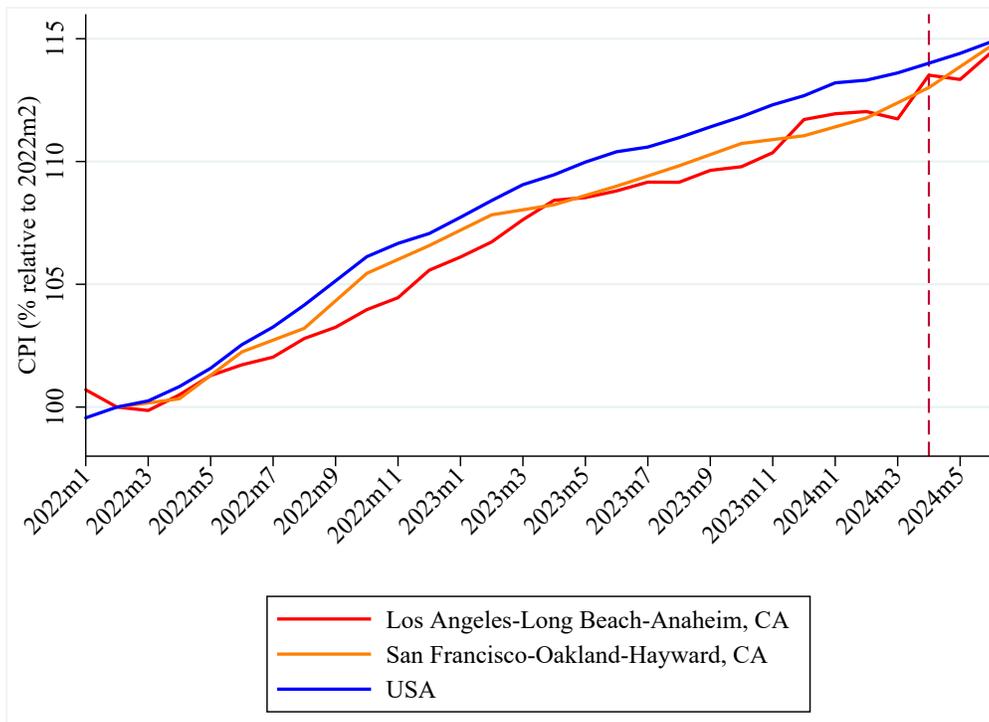
Notes: Constructed using BLS Current Employment Statistics data (CES). "Fast-food & Other" include NAICS codes 722513, 722514, 722515. CES does not provide state-level data for the fast-food industry individually. Full-service is NAICS 722511. The vertical dashed line is the month the new policy was introduced. Shading represents quarters.

Figure 3: GDP and Price Growth in California and USA

A. Year-over-Year GDP Growth in California and USA



B. Price Index Growth for "Food Away From Home" by Geography



Notes: Panel A is constructed using GDP data, U.S. Bureau of Economic Analysis. Panel B is constructed using BLS Consumer Price Index data. The price index is normalized to 100 in 2022m2. The vertical dashed line represents the introduction of the new policy. The vertical dashed line is the month the new policy was introduced.

## Appendix Tables and Figures

Table A1: Difference-in-differences log price effect by item and chain

	(1) Cheeseburger	(2) Hamburger	(3) Specialty Burger	(4) Fries	(5) Combo
<i>Effects by chain</i>					
McDonald's	0.017*** (0.005)	0.017*** (0.004)	0.013*** (0.004)	0.015*** (0.003)	0.013* (0.008)
Jack in the Box	-0.010 (0.012)	-0.090*** (0.021)	-0.090*** (0.024)	0.006*** (0.002)	0.034*** (0.005)
Carl's Jr	0.062*** (0.012)	–	0.054*** (0.015)	0.025*** (0.007)	0.029*** (0.007)
Burger King	0.181*** (0.012)	0.249*** (0.035)	-0.073*** (0.020)	0.157*** (0.022)	0.048*** (0.005)
Wendy's	0.031*** (0.008)	0.035*** (0.009)	0.029*** (0.007)	–	–
The Habit	0.046*** (0.004)	0.053*** (0.005)	0.051*** (0.005)	0.069*** (0.010)	0.052*** (0.004)
Five Guys	0.019*** (0.003)	0.010*** (0.002)	0.013*** (0.002)	0.012*** (0.002)	–
Sonic	-0.182*** (0.053)	–	0.018*** (0.003)	–	–
Shake Shack	0.000 (.)	0.000 (.)	0.000 (.)	0.000 (.)	–

*Note:* Estimated using Equation 1. Each outcome is a log of the stated variable. The last row represents the average effect weighted by the number of locations in California. Missing cells represent variables not captured by the data-collection algorithm. Statistical significance is marked as follows: \*  $p < 0.10$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$