

**JOINT INFORMATIONAL HEARING
SENATE COMMITTEE ON LABOR AND INDUSTRIAL
RELATIONS AND
ASSEMBLY COMMITTEE ON LABOR AND EMPLOYMENT**

**“Wage Levels in the Fast-Food Industry: Impacts on Workers and
Safety Net Programs”**

**November 13, 2013
State Capitol, Room 447
1:30 p.m. – 3:30 p.m.**

Background Summary

Introduction:

Last August, fast-food workers called for a nationwide walkout to demand a wage increase to \$15 an hour in an industry in which many of the 2.3 million fast-food workers earn the federal minimum wage of \$7.25 an hour. The walkout gained momentum across the United States at nearly 1,000 restaurants in more than 50 cities including Atlanta, New York City, Los Angeles, Memphis, and Raleigh, NC.¹ A recent report from the UC Berkeley Labor Center has found that the low wages and lack of benefits many fast-food workers receive has a greater cost than most of the public realizes.

The UC Berkeley Labor Center and University of Illinois at Urbana-Campaign Department of Urban & Regional Planning published a report this October, “The Public Cost of Low-Wage Jobs in the Fast-Food Industry” which found that when it comes to dependence on public assistance programs, one industry overwhelming burdens taxpayers: fast food. According to the report, more than half of the families of front-line

¹ Steven Greenhouse, “In New Wave of Walkouts, Fast-Food Strikers Gain Momentum,” *Economix*, New York Times, August 29, 2013. http://economix.blogs.nytimes.com/2013/08/29/marching-at-mcdonalds-for-a-15-wage/?_r=0

fast-food workers are enrolled in one or more public programs, compared to 25 percent of the workforce as a whole – costing the public nearly \$7 billion per year.²

The purpose of this hearing is to explore the public cost of low wage jobs in the fast-food industry and the economic consequences, specifically the price tag associated with the increased use of public aid by fast-food workers. This hearing will focus on and discuss the merits of the findings in the UC Berkeley Labor Center’s study and include testimony from academics, fast-food workers, service providers and representatives from the business and food service industry.

The Public Cost of Low Wage Fast-Food Jobs – Research Findings:

The authors of this study attribute fast-food workers’ increased reliance on safety net programs to the industry’s combination of low wages and benefits often coupled with part-time employment. According to the report, the median hourly wage for core nonmanagerial front-line fast-food workers, those working at least 27 weeks in a year and ten hours a week, is \$8.69 an hour. The median number of hours for these jobs is 30. The authors contend that as a result, annual earnings in the fast-food industry are well below the income needed for self-sufficiency. The study also notes that only 13 percent of core front-line fast-food workers receive health benefits through their employer, compared to 59 percent of workers as a whole.³

The report used government administrative data and the U.S. Bureau of Labor’s Current Population Survey (CPS) from 2007-2011 to analyze four major public assistance programs including Medicaid and the Children’s Health Insurance Program, the Federal Earned Income Tax Credit, food stamps, and Temporary Assistance for Needy Families.⁴

Some of the report’s main findings include:

- From 2007-2011, California tax payers paid \$717 million in public assistance benefits to fast-food workers.
- Nearly 45 percent of the nation’s fast food workers live in a household where at least one member is enrolled in a public assistance program.
- The cost of public assistance to fast food workers and their families nationwide is nearly \$7 billion per year.
- One in five families that includes a fast food worker has an income below the poverty line.

² Sylvia Allegretto, et al., “Fast Food, Poverty Wages: The Public Cost of Low Wage Jobs in the Fast Food Industry,” UC Berkeley Labor Center and University of Illinois at Urbana-Champaign, October 15, 2013, page 1. http://laborcenter.berkeley.edu/publiccosts/fast_food_poverty_wages.pdf

³ Ibid, page 8.

⁴ Ibid, page 3.

- The families of more than half of the nation’s food workers that work full-time (at least 40 hours per week) are enrolled in public assistance programs.
- Fast food workers and their families are twice as likely as working families in other industries to enroll in public assistance programs.⁵

The findings in the study also dispute the generally held notion that fast-food workers are generally teenagers living at home with their parents. After analyzing the fast-food industry’s core workforce (those working at least 27 weeks per year and ten hours or more per week) the findings present a different picture. In fact, the results show that the share of these workers who are under the age of 19 and living with a parent (18 percent) is smaller than the share of workers with children of their own (26 percent). Overall, 68 percent of the core front-line workers in the fast-food industry are not in school and are single or married adults with or without children.⁶

The Cost of Low Wages at the 10 Largest Fast-Food Companies:

The National Employment Law Project also published a related report with the finding that the ten largest fast-food companies in the United States were responsible for more than half the total cost to taxpayers – a total of \$3.8 billion per year. According to the report McDonald’s, the largest employer in the fast-food industry, alone costs taxpayers nearly twice as much as its next-largest competitor with an estimated annual cost to taxpayers of \$1.2 billion.⁷ A recent CNN article brought national attention to the fast-food conglomerate’s “McResource Line,” a helpline that aids workers who need help navigating the process of public assistance, including food stamps and heating assistance.⁸

Recent Legislative Efforts:

This session the California state Legislature passed and the Governor signed AB 10 (Alejo) which provides low wage Californians with the first minimum wage increase in five years. The bill will increase the minimum wage to \$9.00 an hour on July 1, 2014 and further increase the minimum wage on January 1, 2016 to \$10 an hour. While this minimum wage increase will put more in the pockets of workers in low wage jobs, by the time the \$10 minimum wage increase takes effect it could still be outpaced by inflation.

⁵ Sylvia Allegretto, et al., “Fast Food, Poverty Wages: The Public Cost of Low Wage Jobs in the Fast Food Industry,” UC Berkeley Labor Center and University of Illinois at Urbana-Champaign, October 15, 2013, page 1 http://laborcenter.berkeley.edu/publiccosts/fast_food_poverty_wages.pdf

⁶ Ibid, page 10.

⁷ National Employment Law Center, “Super-sizing Public Costs: How Low Wages at Top Fast-Food Chains Leave Taxpayers Footing the Bill,” October 2013, page 2. <http://www.nelp.org/page/-/rtmw/uploads/NELP-Super-Sizing-Public-Costs-Fast-Food-Report.pdf>

⁸ Emily Jane Fox, “McDonalds helps workers get food stamps,” CNN Money, October 24, 2013. <http://money.cnn.com/2013/10/23/news/companies/mcdonalds-help-line-workers/>

In Conclusion:

This hearing will discuss and expand on the findings detailed in the UC Berkeley Labor Center's report on the public cost of low wage jobs in the fast-food industry and the fiscal ramifications. The Committee's will hear testimony from researchers and policy analysts to provide an overview of the challenges that the California economy is facing in terms of wages and low-wage workers, with a spotlight on the fast-food industry. This will be followed by witness testimony from key stakeholders including employers, fast-food workers, and service providers. Finally, the Committee's will discuss possible reforms and legislative actions that could help alleviate the challenges faced by low wage workers today.