



**THIS LOCATION
HAS CLOSED.**

We appreciate your loyalty and
thank you for your business.

Please visit
www.rubios.com
to find our locations.

Prepared by CorCom, Inc.
Gateway Towers
320 Ft. Duquesne Blvd
Pittsburgh, PA 15222

JULY 2024

CRISIS IN CALIFORNIA

A Survey of Fast Food Employers' Responses
to California's \$20 Minimum Wage

Table of Contents

Executive Summary	3
A Survey of California Limited-Service Restaurant Operators	4
Overall Impact of California Limited-Service Restaurant Operators' Minimum Wage Increase	5
Current Mitigation Strategies to Offset Impacts of the Minimum Wage Increase	6
Future Mitigation Strategies to Offset Impacts of the Minimum Wage Increase.....	7
Future Employment of Limited-Service Restaurant Employees	8
Future Impact on Menu Prices and Customer Foot Traffic	8
Future Impact on Limited-Service Restaurant Growth	10
Survey Questions	12

Executive Summary

Effective April 1, 2024, many limited-service restaurant operators (also referred to as “fast food” or “quick-service” restaurants) in California are required to pay employees a minimum wage of at least \$20 per hour. The law that increased this limit also allows for future increases to the quick service minimum wage based on recommendations of a Fast-Food Council. While those subject to the law may be affected, other limited-service operators may also experience effects, such as being forced to raise wages as high as the new law to match their competitors.

To better understand the impact of increasing the minimum wage for California’s limited-service restaurant employees, a survey of 182 limited-service restaurant operators in California was conducted in June and July 2024.

Key Findings: As a result of the new fast food minimum wage law

- A majority of respondents (67%) say it will cost their restaurant at least \$100,000 per location. One in four (26%) say it will cost more than \$200,000 per location.
- A majority of restaurants say they have already raised menu prices (98%), reduced employee hours (89%), have limited employee shift pick-up or overtime opportunities (73%) and reduced staff or consolidated positions (70%).
- A majority of restaurants say in the next year they will have to raise menu prices (93%), reduce employee hours (87%), reduce staff or consolidate positions (74%), and limit employee shift pick-up or overtime opportunities (71%).
- Many (75%) say the number of employees will decrease (somewhat decrease, 50%; significantly decrease, 25%).
- Nearly all (99%) say prices will increase with 73 percent saying they will “significantly increase.”
- Ninety-two percent of owners think that raising menu prices will adversely affect customer foot traffic (somewhat decrease, 34%; significantly decrease, 58%).
- Eighty-nine percent of owners say they are less likely to expand inside California (somewhat less likely, 16%; significantly less likely, 73%).
- Many (59%) say they are more likely to expand outside of California (somewhat more likely, 13%; significantly more likely, 46%).
- A majority (74%) say there is an increase in the likelihood of shutting their restaurants down (somewhat increase, 38%; significantly increase, 36%).

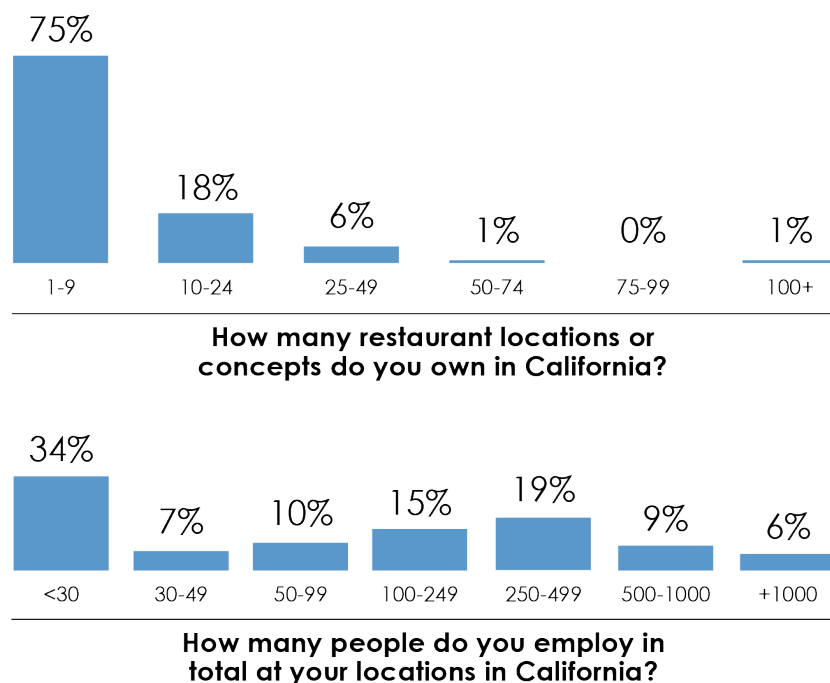
A Survey of California Limit-Service Restaurant Operators

An online survey of 182 limited-service restaurant operators in California was conducted in June and July 2024.¹

Employment Policies Institute (EPI) distributed the survey via email to a list composed of limited-service restaurant operators. The survey was also distributed through partner associations who also had restaurant members. This survey has a margin of error of seven percent.

Table 1 provides a summary of the participants – all of whom operate a limited-service or fast-food restaurant. Many respondents own 1-9 restaurant locations or concepts (75%), while fewer own 10-24 (18%), 25-49 (6%), 50-74 (1%) or 100 or more (1%). Restaurant operators employ a range of people with 34 percent employing fewer than 30 people. Others employ 30-49 people (7%), 50-99 people (10%), 100-249 people (15%), 250-499 people (19%), 500-1,000 people (9%) or more than 1,000 people (6%).

Table 1
Restaurant Operator Profile



¹Nicole Bruno, Hannah McCollum and Sabrina Amann-Ross of CorCom, Inc. conducted this study. CorCom, Inc. is a research and consulting firm headquartered in Pittsburgh, PA. It was founded by Dr. Lloyd Corder, who holds faculty appointments at Carnegie Mellon University and the University of Pittsburgh.

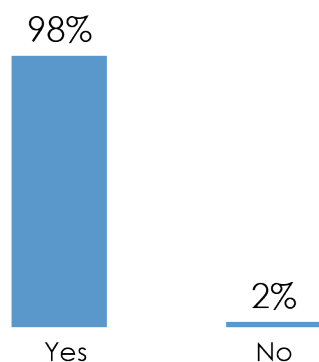
Overall Impact of California Limited-Service Restaurant Operators' Minimum Wage Increase

Table 2 provides a summary of the current impact the minimum wage increase has had on California Limited-Service Restaurants. A majority (98%) say the \$20 minimum wage law applies to their limited-service restaurant.

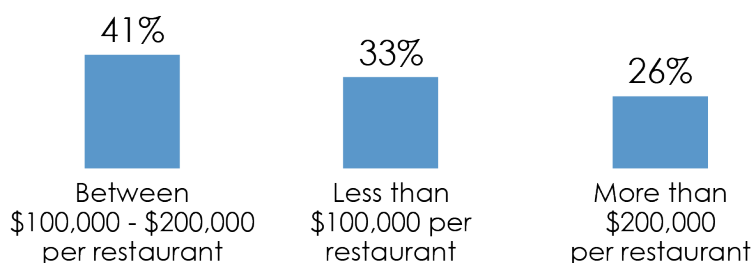
Many say the minimum wage law will cost their restaurant(s) \$100,000-\$200,000 per restaurant (41%), while others say it will cost less than \$100,000 per restaurant (33%) and fewer say it will cost more than \$200,000 per restaurant (26%).

Table 2
Overall Impact of California Limited-Service Restaurant Operators' Minimum Wage Increase

Does the current \$20 minimum wage law apply to your restaurant(s)?



About how much will the \$20 minimum wage law cost your restaurant(s) annually?



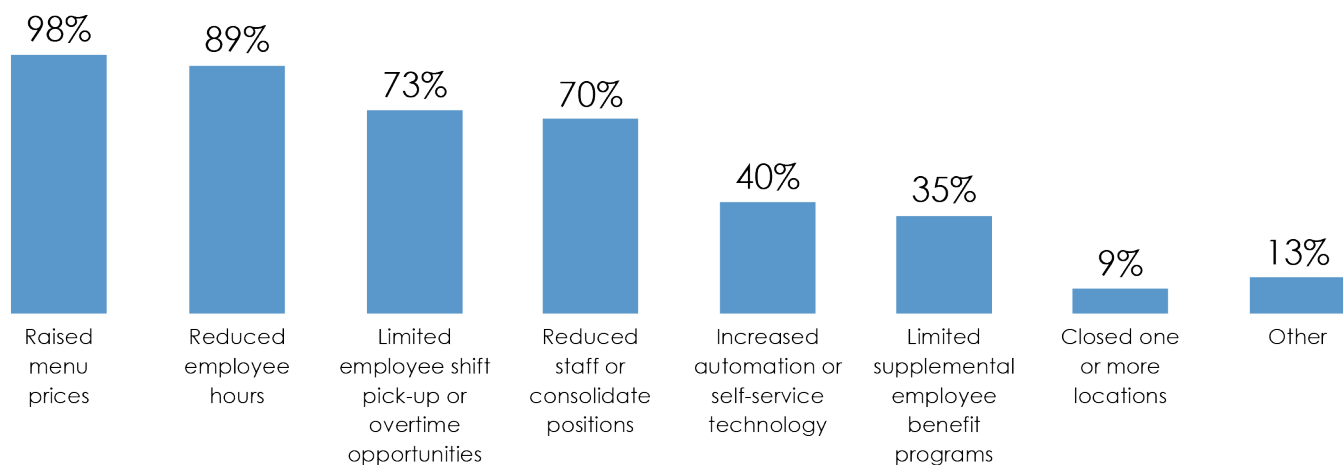
Current Mitigation Strategies to Offset Impacts of the Minimum Wage Increase

Table 3 lists the steps limited-service restaurants have already taken to offset the financial impacts of the minimum wage increase.

A majority of restaurants say they raised menu prices (98%), reduced employee hours (89%), have limited employee shift pick-up or overtime opportunities (73%) and reduced staff or consolidated positions (70%). In addition, others increased automation or self-service technology (40%), limited supplemental employee benefit programs (35%), and closed one or more locations (9%).

Table 3
Current Mitigation Strategies to Offset Impacts of the Minimum Wage Increase

What impact has the \$20 minimum wage had on your restaurant(s) to date?
Select all that apply.



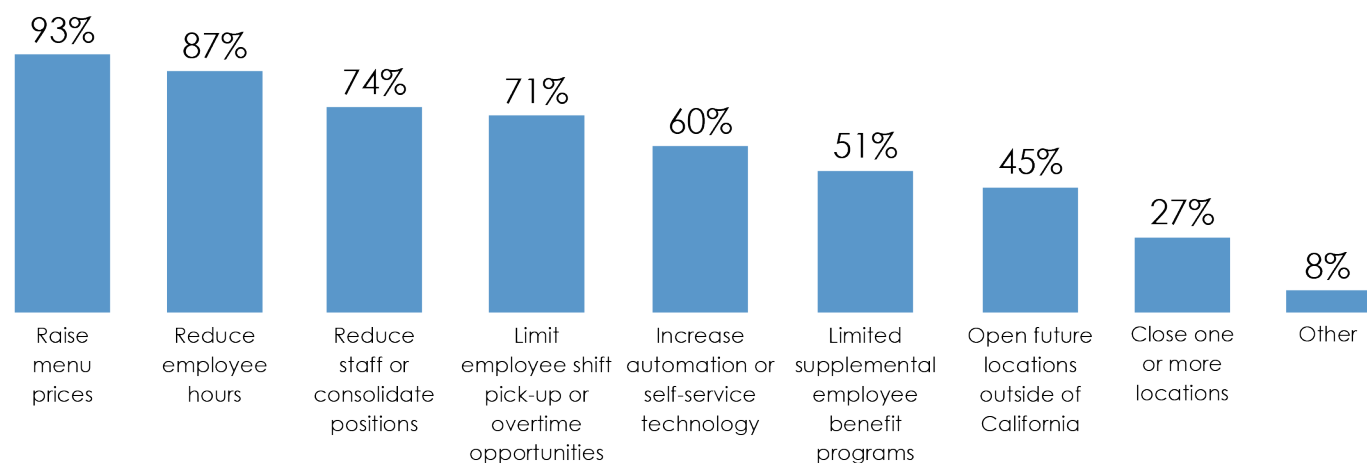
Future Mitigation Strategies to Offset Impacts of the Minimum Wage Increase

Table 4 lists the steps limited-service restaurants are taking or planning to take in the next year to offset the financial impacts of the minimum wage increase.

A majority of restaurants say they will raise menu prices (93%), reduce employee hours (87%), reduce staff or consolidate positions (74%), and limit employee shift pick-up or overtime opportunities (71%). In addition, a sizeable number of operators plan to take even more drastic measures, including increasing automation or self-service technology (60%), limiting supplemental employee benefit programs (51%), opening future locations outside of California (45%) and closing one or more locations (27%).

Table 4
Future Mitigation Strategies to Offset Impacts of the Minimum Wage Increase

What impact will the \$20 minimum wage law have on your restaurant(s) in the next year? Select all that apply.

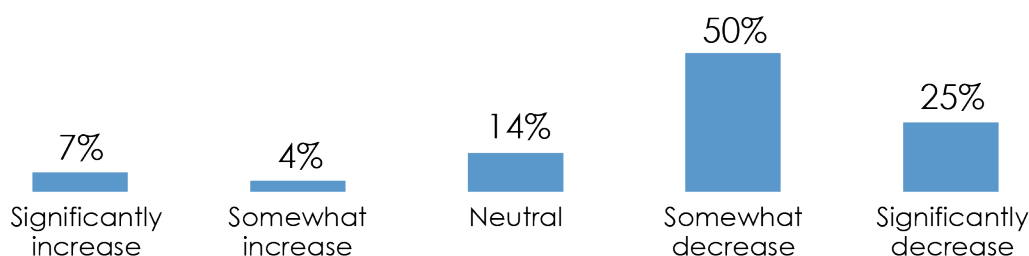


Future Employment of Limited-Service Restaurant Employees

Table 5 shows how the minimum wage law will impact the overall number of employees at the restaurants. Many (75%) say the number of employees will decrease (somewhat decrease, 50%; significantly decrease, 25%). Fewer (11%) say the number of employees will increase (somewhat increase, 4%; significantly increase, 7%), with 14 percent staying neutral.

Table 5
Future Employment of Limited-Service Restaurant Employees

How will the \$20 minimum wage law impact the overall number of employees at your restaurant(s)?



Future Impact on Menu Prices and Customer Foot Traffic

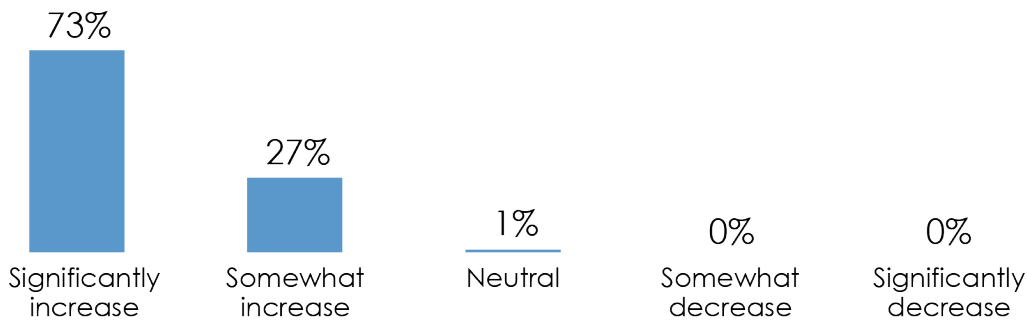
Table 6 presents additional impacts of raising the minimum wage. When asked more specifically about the impact of increasing the minimum wage for limited-service restaurant employees, nearly all (99%) say prices will increase with 73 percent saying they will “significantly increase.”

Unfortunately for California limited-service restaurants, 92 percent of owners think that raising menu prices will adversely affect customer foot traffic (somewhat decrease, 34%; significantly decrease, 58%).

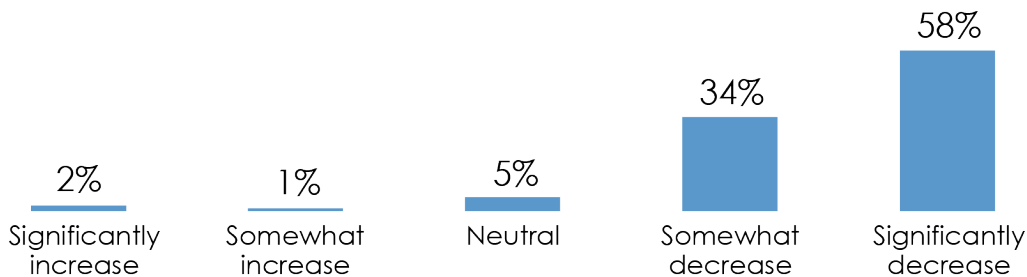
Table 6

Future Impact on Menu Prices and Customer Foot Traffic

How will the \$20 minimum wage law impact your menu prices at your restaurant(s)?



To your knowledge, how do you believe raising menu prices would affect customer foot traffic in your restaurant(s)?



Future Impact on Limited-Service Restaurant Growth

Table 7 shows the impact on restaurant growth because of the minimum wage law. When asked about the impact of limited-service restaurant growth within California, 89 percent of owners say they are less likely to expand inside California (somewhat less likely, 16%; significantly less likely, 73%).

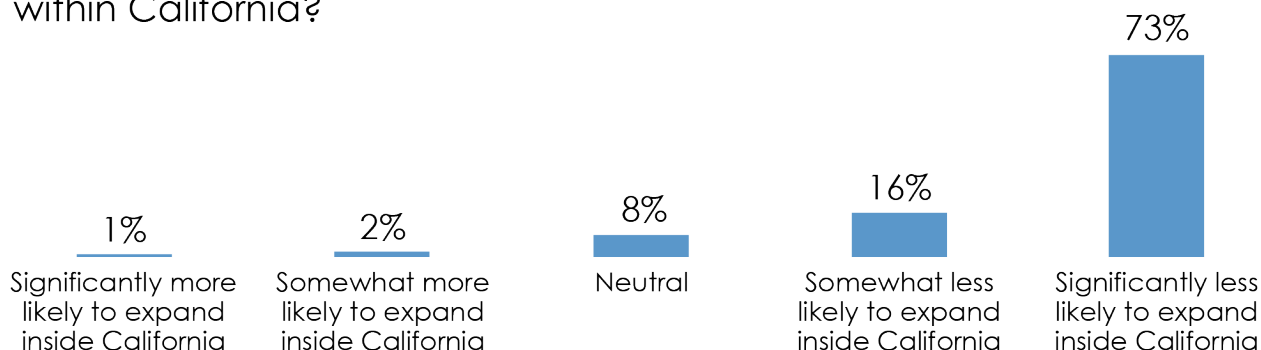
With the new minimum wage law and a majority of owners not wanting to grow inside of California, many will result in expanding outside of California. Many (59%) say they are more likely to expand outside of California (somewhat more likely, 13%; significantly more likely, 46%).

Unfortunately for limited-service restaurants, many owners fear of having one or more of their restaurants shutting down. A majority (74%) say there is an increase in the likelihood of shutting their restaurants down (somewhat increase, 38%; significantly increase, 36%).

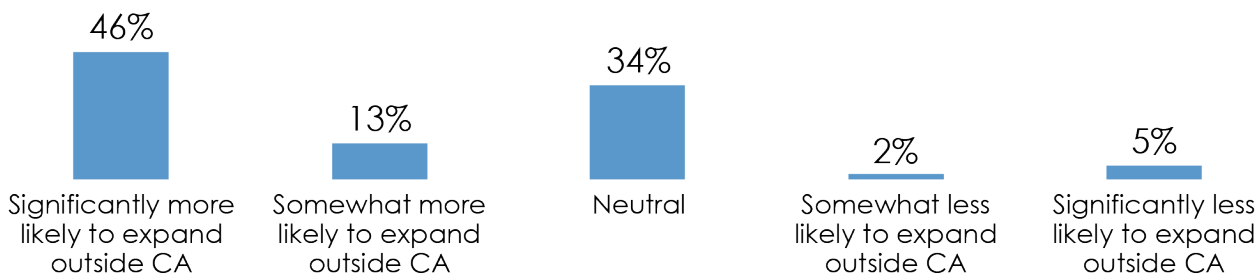
Table 7

Future Impact on Limited-Service Restaurant Growth

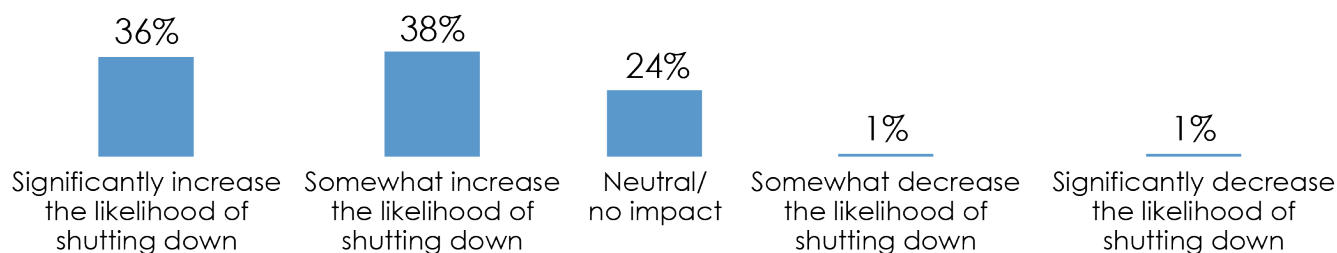
How will the \$20 minimum wage law impact your growth within California?



How does the \$20 minimum wage law impact your growth outside of California?



How will the \$20 minimum wage law affect the likelihood of one or more of your restaurant(s) shutting down?



California Limited-Service Restaurant Operator Survey

1. What is the current service model(s) of your restaurant(s)?

- Limited service or fast food
- Full service (terminate)
- Bar or nightclub (terminate)

2. How many restaurant locations or concepts do you own in California?

- 0 (terminate)
- 1-9
- 10-24
- 25-49
- 50-74
- 75-99
- 100+

3. How many people do you employ in total at your locations in California?

- Fewer than 30
- 30-49
- 50-99
- 100-249
- 250-499
- 500-1000
- More than 1,000

4. [OPTIONAL] Rounded to the nearest 100, what is that total number of people you employ in California? _____

Impact of Minimum Wage Increase

Effective April 1, 2024, many limited-service restaurant operators (also referred to as “fast food” or “quick service” restaurants) in California are required to pay employees a minimum wage of at least \$20 per hour. The law that increased this limit also allows for future increases to the quick service minimum wage based on recommendations of a Fast Food Council. While those subject to the law may be affected, other limited-service operators may also experience effects, such as being forced to raise wages as high as the new law to match their competitors.

5. Does the current \$20 minimum wage law apply to your restaurant(s)?

- Yes
- No

6. About how much will the \$20 minimum wage law cost your restaurant(s) annually?

- Less than \$100,000 per restaurant
- Between \$100,000 - \$200,000 per restaurant
- More than \$200,000 per restaurant

7. What impact has the \$20 minimum wage had on your restaurant(s) to date? Select all that apply.

- Reduced employee hours
- Reduced staff or consolidate positions
- Raised menu prices
- Closed one or more locations
- Increased automation or self-service technology
- Limited employee shift pick-up or overtime opportunities
- Limited supplemental employee benefit programs
- Other: _____

8. What impact will the \$20 minimum wage law have on your restaurant(s) in the next year?

Select all that apply.

- Reduce employee hours
- Reduce staff or consolidate positions
- Raise menu prices
- Close one or more locations
- Increase automation or self-service technology
- Limit employee shift pick-up or overtime opportunities
- Limited supplemental employee benefit programs
- Open future locations outside of California
- Other: _____

9. How will the \$20 minimum wage law impact the overall number of employees at your restaurant(s)?

- Significantly increase
- Somewhat increase
- Neutral
- Somewhat decrease
- Significantly decrease

10. How will the \$20 minimum wage law impact your menu prices at your restaurant(s)?

- Significantly increase
- Somewhat increase
- Neutral
- Somewhat decrease
- Significantly decrease

11. To your knowledge, how do you believe raising menu prices would affect customer foot traffic in your restaurant(s)?

- Significantly increase
- Somewhat increase
- Neutral
- Somewhat decrease
- Significantly decrease

12. How will the \$20 minimum wage law impact your growth within California?

- Significantly more likely to expand inside California
- Somewhat more likely to expand inside California
- Neutral
- Somewhat less likely to expand inside California
- Significantly less likely to expand inside California

13. How does the \$20 minimum wage law impact your growth outside of California?

- Significantly more likely to expand outside CA
- Somewhat more likely to expand outside CA
- Neutral
- Somewhat less likely to expand outside CA
- Significantly less likely to expand outside CA

14. How will the \$20 minimum wage law affect the likelihood of one or more of your restaurant(s) shutting down?

- Significantly increase the likelihood of shutting down
- Somewhat increase the likelihood of shutting down
- Neutral/no impact
- Somewhat decrease the likelihood of shutting down
- Significantly decrease the likelihood of shutting down



Employment Policies

INSTITUTE