

In Memoriam: Victims of Newsom's Minimum Wage

CALIFORNIA LOSES NEARLY 10,000 FAST-FOOD JOBS AFTER \$20 MINIMUM WAGE SIGNED LAST FALL

Last September, Gov. Gavin Newsom signed California Assembly Bill 1228 into law, which includes a \$20 per hour minimum wage for fast-food workers and a fast-food regulatory council which has the authority to raise the industry's minimum wage annually. But between last fall and January, California fast-food restaurants cut about 9,500 jobs, representing a 1.3 percent change from September 2023. (*Hoover Institution, 4/24/24*)



STEVE SUNDBERG, FLICKR

RUBIO'S

Orange County Register (6/3/24) - Rubio's closing 48 locations due to 'rising cost of doing business'.

The closures, which were announced on Friday, include 24 Rubio's locations in the Los Angeles area, 13 in San Diego and 11 in Northern California.

"Making the decision to close a store is never an easy one ... While painful, the store closures are a necessary step in our strategic long-term plan to position Rubio's for success for years to come," the spokesperson said.

In April, California Assembly Bill 1228 took effect, boosting the minimum wage for fast-food workers from \$16 to \$20 an hour. Many restaurants have responded by raising menu prices and, in some cases, laying off workers.



BAR MORUNO

SF Gate (12/20/23) - Running a restaurant in California is no small feat, even when times are good. But with rising food and labor costs, a massive entertainment industry strike, and the long tail of the COVID-19 pandemic, many Los Angeles restaurant owners have begun to feel like operating a restaurant in Southern California is becoming next to impossible. Just this year alone, many of the area's biggest and most heralded restaurants have closed up shop.

"The economics of owning a restaurant are completely out of whack right now," says seasoned chef Chris Feldmeier, who shuttered his Silver Lake Spanish restaurant Bar Moruno in November. "We used to try to keep our labor costs under 30%, but now they're inching up closer to 40%. With cooks making \$22 to \$25 an hour, it's just hard for a small, private restaurant."



CINNABON/AUNTIE ANNE'S

Fox Business (4/2/24) - "We have a very finite set of economic conditions that need to be met for us to make money. And certainly, this bill has cast doubt [as] to whether we can continue in this state," Alex Johnson, owner of five Cinnabon and five Auntie Anne's locations in San Francisco, said on "Varney & Co." Tuesday.

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MONA ESHAHER, WIKIMEDIA

FOSTERS FREEZE

Fox Business (4/4/24) - California minimum wage shocks fast food workers as restaurant closes: 'Only the beginning,' ex-manager warns.

Another California small business and its workers have seemingly suffered at the hands of the state's newly enacted \$20 minimum wage.

"It's a shock," Monica Navarro, former assistant general manager at Fosters Freeze in Lemoore, said Wednesday.



G. EDWARD JOHNSON, WIKIMEDIA

EXCALIBUR PIZZA

USA Today (3/26/24) - Fast food workers are losing their jobs in California as more restaurant chains prepare to meet a new \$20 minimum wage set to go into effect next week.

Restaurants making cuts are mostly pizzerias, according to a report published by The Wall Street Journal. Multiple businesses have plans to axe hundreds of jobs, as well as cut back hours and freeze hiring, the report shows.

Excalibur Pizza, a franchisee of Round Table Pizza, has plans to cut 73 driver jobs in April, which amounts to 21% of its workforce, the company confirmed with USA TODAY Wednesday.



MCDONALD'S

New York Post (4/9/24) - A McDonald's franchisee who owns 18 outposts in California is considering reducing store hours, hiking menu prices and delaying renovations to offset the impact of the state's \$20 hourly minimum wage for fast-food workers.

Scott Rodrick said he's had to rethink his business strategy in the wake of the new law, which went into effect April 1 and has spurred some of his fast-food rivals to raise menu prices.

"There is more than extraordinary labor costs stressing restaurant P&Ls right now," Rodrick, whose 18 McDonald's are located in northern California, told Business Insider.



PIZZA HUT

KTLA5 (12/26/23) - Two large Pizza Hut operators in California are laying off all their delivery drivers ahead of a new state law that raises the minimum wage for fast-food workers to \$20 an hour, Business Insider reports.

The layoffs impact hundreds of Pizza Hut locations across the state including Los Angeles, Orange, Riverside, Ventura and San Bernardino counties and Sacramento, and involve more than 1,200 in-house delivery drivers.

The job cuts will take place through February, according to federal employment notices obtained by Business Insider.

The new minimum wage law takes effect in April.



SUBWAY

New York Post (4/29/24) - Subway shrunk its sandwich chain in the US by 443 stores last year, a surprise downsizing that experts said could continue as the chain's California shops face an increased minimum wage.

The fast-food giant closed a total of 733 US stores in 2023 while adding 396 locations and reacquiring 79 stores among other activity, according to a regulatory filing late last week. The net total of restaurants dropped to 20,133 US stores from 20,576 a year earlier, the filing shows.

That's worse than what CEO John Chidsey had predicted at a Yahoo Conference in November just weeks before the end of the calendar year, when he said he anticipated Subway would close between 300 to 400 US stores while also adding 200 to 300 locations in other areas of the country, resulting in a net loss of only 100 stores.



VITALITY BOWLS

Business Insider (4/17/24) - A California franchisee says he's reducing staffing, raising prices, and mulling kiosks to cover the \$20 wage. Closing stores is a last resort. A franchisee told BI how he's trying to absorb California's \$20 minimum wage for fast-food workers.

"Right now I'm trying to size what the true impact will be," the owner of two Vitality Bowls franchise stores in San Jose said.



MOD PIZZA

New York Post (4/4/24) - Earlier this year, a minimum wage increase was announced for many fast-food establishments in California, sparking national attention and posing challenges for some businesses.

A pizza chain shuttered some of its California locations before the state boosted the minimum wage for fast food workers earlier this month.

Mod Pizza, which has 500 locations nationwide, closed five shops in the state at the end of March, according to local Fox affiliate KMPH.

Those shops were among the over two dozen locations that the company closed across the nation. The company did not specify a reason, but workers in Clovis, whose shop abruptly closed, told the outlet they suspected that the California closures had to do with the new law that took effect in April.



BURGER KING

New York Post (4/12/24) - A businessman who owns 140 Burger King franchises in California will slash workers' hours and expedite the rollout of self-service kiosks to cut down on labor costs in response to the state's new \$20 minimum wage.

Harshraj Ghai, who owns 180 fast-food restaurants throughout the Golden State, including Burger King, Taco Bell and Popeyes, told Business Insider last week: "We can't move fast enough on this [rollout]."

"We have kiosks in probably about 25% of our restaurants today," he said. "However, the other 75% are going to have kiosks in the next probably 30 to 60 days."

Several fast food chains have hiked menu prices since the new law increasing pay for fast-food workers went into effect April 1.



EL POLLO LOCO

Wall Street Journal (3/25/24) - California-based El Pollo Loco told investors this month it was automating some of its salsa-making as it grapples with anticipated wage inflation of 12% to 14% this year, largely because of the minimum-wage increase.