

# Mass layoffs begin in California as corporations retaliate against new state minimum wage laws

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Mass layoffs have been announced for workers in the fast food and healthcare industries in California in response to two bills that will raise minimum wages for workers in both industries. Wages in the fast food industry go to \$20 an hour this year, and healthcare workers' wages rise to between \$18 - \$23 an hour in the next year.

Fast food chain Pizza Hut, operated by PacPizza, LLC, recently announced its plan to lay off more than 1,200 workers across California, as outlined in a federal WARN Act notice filed by the chain in December 2023. The layoffs reflect the ongoing social crisis in California, the country's most populous state, as workers struggle to afford the high cost of living.

Soon after passage of the minimum wage bill, Kaiser Permanente, one of California's largest healthcare worker employers, also announced its decision to lay off 115 of its IT workers.

Starting in April 2024, the minimum wage for California fast food workers will increase from \$16 an hour to \$20 an hour, a 30 percent increase that has faced increasing backlash from the corporations, who are seeking to avoid paying a living wage to their workers under the legislation.

First reported by *Business Insider*, the layoffs target delivery drivers located in Orange, Los Angeles, Riverside, San Bernardino, and Ventura counties as the two major franchisees plan to completely eliminate their delivery service, raising concerns about broader layoffs that would affect some of the lowest paid food service workers in the state.

The layoffs at Pizza Hut are just the tip of the iceberg. Industry analyst Mark Kalinowski predicts "more harm to come" as fast food chains "take action in an attempt to blunt the impact of higher labor costs."

By removing "in-house" delivery services, Pizza Hut will rely on third-party delivery apps, including GrubHub, DoorDash, and Uber Eats, which classify workers as "independent contractors" to avoid paying employment taxes, essentially pushing workers into precarious employment as gig workers. The California economy has seen a steady increase in the gig economy over the last several years so corporations can avoid providing stable benefits and raises.

According to a 2022 study conducted by Neilsberg Research, there were more than 3.4 million gig workers in the state as of 2019. The study also showed that gig work increased by over 39

percent in California in the last decade, with a 259 percent increase in gig work in the transportation and warehousing industry.

A national survey done by the Economic Policy Institute in 2022 also highlights the instability, poor working conditions, and poverty that gig workers face. The survey revealed that 29 percent of gig workers earned less than their state's minimum wage, and three out of every five gig workers reported losing wages due to technical difficulties. One in every five went hungry because they could not afford enough to eat, and nearly one-third (31 percent) reported difficulty paying their utility bills.

These layoffs show a wider trend of deteriorating working conditions as workers are being transformed into what are essentially day laborers, stripped of rights to reliable employment, employer-paid healthcare, pensions, and the right to an eight-hour day. The expansion of the gig economy has greatly benefited employers by slashing costs, benefits, and employee rights.

While workers in the gig economy struggle to make ends meet, millions of people across California continue to face poverty as well. Axios reports that over 3 million people in the state work at minimum wage, which was just increased to \$16 an hour as of January 1, 2024. This minimum wage results in an annual salary of \$33,280 working 40 hours/week with paid sick, holiday, and vacation time (benefits that are usually not extended to minimum wage workers), but this is still a poverty wage in what are some of the most expensive areas in the country.

California Senate Bill, SB 525, increases the minimum wage for healthcare workers to between \$18 to \$23 an hour in 2024 with a proposed aim to achieve \$25 an hour. However, when analyzing the specifications of the bill, it becomes clear that it's riddled with qualifications and loopholes as to when workers will actually receive the touted \$25 an hour.

Workers fall into four different categories depending on their type and size of employer.

Healthcare employers with more than 10,000 workers and all dialysis clinics will need to start paying all workers at least \$23 an hour by June 2024, \$24 by June 2025, and \$25 by June 2026. Half of all hospitals are in this group. The second category refers to smaller health facilities with less than 10,000 employees. Workers in this group are to be raised to \$21 an hour by July 2024; \$23 an hour by July 2026 and \$25 an hour by July 2028.

The third group refers to hospitals with high levels of Medi-Cal

and Medicare payor patient populations (over 90 percent) as well as smaller rural independent hospitals. Workers' wages are to be raised to \$18 an hour by July 2024 and then 3.5 percent annual increase until \$25 an hour is reached. Smaller employers will be able to delay the \$25 an hour until as late as 2033 when \$25 an hour, which is already a poverty wage for a family of four, will be worth far less.

Finally, the fourth grouping refers to community clinics, primary care clinics, rural, and free clinics. An estimated 100,000 workers fall into this category according to the SEIU-UHW's website. Those workers will make \$21 starting July 2024, \$22 by July 2026, and \$25 by July 2027.

The increases affect about 40 percent of all healthcare workers in California, approximately 469,000 people, but they are too little and too late to provide families with a truly livable wage. Employers have already made clear the increases will affect their operating costs, and there is no doubt they will be used to justify mass layoffs, facility or hospital closures, and spending cuts in the state budget.

After signing the bill, Democratic Governor Gavin Newsom's administration indicated that it would cost the state budget \$4 billion in its first year alone and soon after it came out that California now has a \$68 billion projected budget deficit that will require significant reductions in state spending.

While the minimum wage bill put forward by the Democrats and sponsored by the healthcare unions allows the Democratic party to posture as defenders of workers, nothing could be further from the truth.

At the top of the minds of Newsom, the California ruling elite, and the trade union bureaucracies when developing the minimum wage bills was containing the continued social unrest that workers across the state have showcased in recent months. This included the strike of 75,000 workers at Kaiser, the largest healthcare workers' strike in US history in October 2023, that was betrayed by the union bureaucracies of Coalition of Kaiser Permanente Unions (CKPU).

The Coalition for Kaiser Permanente Unions (CKPU) deliberately limited the strike to three days, denied the workers their strike pay, and continues to donate millions of dollars in workers' dues to the politicians who benefit from the healthcare giants they were supposed to oppose. Moreover, none of the demands over safe staffing were addressed, and the \$25 an hour proposed minimum is far below what workers need to survive.

The WSWs wrote, "The CKPU claims to have won this new starting wage in California, but in reality, it is just the new minimum wage set for healthcare workers in California by a bill slated to be signed by Governor Gavin Newsom."

Instead of striking for a real living wage and addressing the central concern over safe staffing, CKPU and the SEIU-UHW celebrated the passage of SB525, calling it "A historic achievement," and "A real step forward in addressing short staffing in our facilities."

A cost of living calculator from the Massachusetts Institute for Technology estimates that the minimum wage for a family of four in California with two working adults would have needed to be at least \$30 an hour in 2023 to be able to afford all basic necessities

such as food, rent, gas, healthcare, etc. This would need to be even higher in more expensive counties such as Los Angeles, San Diego, or San Francisco.

A recent report from the San Diego Hunger Coalition highlights that as a result of the cost of living, nearly one in four people in San Diego County were nutrition insecure as of March 2023, meaning they were unable to afford three nutritious meals per day. As families earn too little to cover their basic needs, food becomes one of the first areas that they can cut back on to save money.

The report also highlights the growing crisis in providing enough resources for those in need as millions of dollars have been lost from the expiration of all pandemic-era social programs such as SNAP emergency allotments, the expanded child tax credit, and P-EBT, all of which gave millions of dollars to families in need across California during the pandemic.

The cost of living across California continues to rise despite the Biden administration touting "Bidenomics" as having cured the effects of the pandemic and inflation. In California, prices continue to rise in all of the major cities as the Consumer Price Index reports an almost 20 percent increase in prices over the past three years in areas like San Diego, which has now been named the most expensive city in the country according to recent figures from *US News & World Report*.

The layoffs to both healthcare and fast food workers in late 2023 are only the beginning of what's to come. With growing poverty, rising prices, looming recession, major deficits and mass layoffs, the social crisis in California highlights the diametrically opposed interests between workers and the ruling class.

The crisis in California continues to take on an increasingly international character and is bound up with endless funds that are siphoned off for war. The state legislature gathered for the first time in the new year on January 3, 2024, to discuss the \$68 billion deficit and other pressing issues. Shortly after it began, dozens of protesters from Jewish Voice for Peace and IfNotNow interrupted and ended the session with singing and dawning banners over the chamber in support of the Palestinian people, calling for an end to the genocide that has killed over 30,000 Palestinians and effectively displaced the entire population of Gaza.

The fight for a living wage for workers cannot be achieved through pressuring the Democrats. In California and nationally the Democratic Party oversees vast levels of social inequality, homelessness, and attacks on public education while at the same time pledging their continued support to Israel as it carries out what is the worst crime of the 21st century.

Workers' demands can only be achieved through uncompromising class struggle and by breaking free from the trade union bureaucracies which are tied to the Democratic Party, the corporations and the capitalist state.



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Socialist Equality Party visit:

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