

California fast food restaurants conduct mass layoffs in retaliation against state minimum wage increase

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Multiple California fast food restaurants have begun mass layoffs and other cost-cutting measures in advance of the April 1 enactment of a new state minimum wage law. Wages would increase for fast food workers from the current poverty-level \$16 per hour to an only slightly less onerous \$20 per hour.

In December, two large Pizza Hut franchise operators announced that they would be laying off all in-house delivery drivers in favor of paid delivery services, such as Doordash and Uber Eats. Excalibur Pizza, which owns the Round Table Pizza chain, also announced that it would eliminate 73 driver positions by mid-April as well.

Approximately 1,100 Pizza Hut delivery drivers are set to lose their jobs across the state. This is despite the fact that Yum Brands, owner of Pizza Hut, had gross profits of \$5.302 billion for 2023, a 4.02 percent increase over the previous year.

Other chains, including Mexican-themed chicken restaurant El Pollo Loco and hamburger restaurant Jack in the Box, announced that they would begin utilizing robotics to automate some operations, including salsa making and fry stations. Hiring freezes have also been announced in nearly every other fast food chain.

McDonald's and Chipotle Mexican Grill also announced in November they would be increasing prices to offset the minimum wage increase. The McDonald's announcement follows nationwide price increases of 10 percent in 2023 at the fast food behemoth. Since 2019, prices at fast food restaurants overall have increased an average of 30 percent.

The new law, California Assembly Bill 1228, establishes the new minimum wage for all those restaurants classified as "limited service," meaning that limited or no table service, i.e., wait staff, is offered and that all food and beverage items are purchased before

being consumed. Furthermore, only those chains with more than 60 locations nationwide are subject to the new provisions.

The new legislation also creates a nine-member "Fast Food Council" with the authority to annually increase wages by the lower of the Consumer Price Index or 3.5 percent, guaranteeing that under current inflationary trends workers continue to receive cuts in real pay each year.

More than 500,000 California workers are employed in the fast food industry, while more than 70 percent of Californians consume fast food at least once per week, largely due to time and budgetary constraints faced by broad sections of the working class.

With fast food workers working between 16 and 34 hours each week, a \$4 an hour minimum wage increase will result in these workers seeing increases in weekly pay between \$64 to \$136 per worker before taxes.

Many of these workers live in extreme poverty and often rely heavily on private and public support programs to survive. A \$20 per hour wage will still leave most fast food workers highly impoverished.

Ironically, it will disqualify many of these workers from state assistance, such as the CalFresh food assistance program, which has an abysmally low income threshold of \$18,954 for a one-person household and \$25,636 for a two-person household.

This is considered a major drain to the state's finances with the state's Legislative Analyst's Office recently announcing a projected budget deficit of \$58 billion. Major spending cuts to social programs such as education and food assistance are either being considered or already being implemented.

The minimum wage bill's passage was supported by the Service Employees International Union (SEIU), which

also last month announced the creation of a new California Fast Food Workers Union.

Joseph Bryant, international executive president of SEIU, proclaimed while announcing the union last month, “The idea of it [the union] is to really build the voices by bringing hundreds and eventually thousands of workers together to be able to make demands, to be able to ensure they are getting treated with the respect and dignity they deserve.” Workers are to pay \$20 a month for membership in the new union.

Unlike traditional unions, the Fast Food Workers Union has no collective bargaining rights with the restaurant employers. Instead, the SEIU has promised that the workers will be “represented” by the Fast Food Labor Council, whose 11 members consist of representatives from both the union and the fast food industry and all of whom will be appointed by Governor Gavin Newsom and the state legislature.

The council is an advisory body only, and its recommendations for restaurant standards will be sent to state labor agencies for consideration. It does not have the ability to impose new benefits for employees, such as additional paid time off or fair scheduling policies. Once the council’s recommendations are sent to the agencies, they can either ignore or revise the recommendations however they see fit.

Proponents of the new council, including the trade unions and the pseudo-left, cynically argue that the councils increase the negotiating power of workers through the use of so-called sector bargaining wherein conditions for entire industries are set rather than local agreements made in piecemeal fashion. California SEIU President David Huerta hailed the new fast food council as putting “power in the hands of workers to improve conditions across the entire industry.”

In reality, this is a corporatist body, drawing together the union bureaucracy, major corporations and the government to jointly suppress wages. It is strikingly similar to the infamous wage board set up by the Nixon administration in the early 1970s, with the exception that that body aimed to limit wage increases to 5 percent a year, not 3.5 percent.

The trade unions were eventually forced to quit the wage board following massive opposition in the working class, and the ultra-conservative AFL-CIO President George Meany denounced it as the “first step towards fascism” in the United States.

However, by the 1980s, the trade unions began adopting corporatism as their official policy as they moved sharply

to the right and began working with the employers to limit wages and enforce mass layoffs.

It is a striking sign of how far to the right the so-called “left” factions of the Democratic Party are that the Fast Food Council has been promoted by fake progressive Democrats, such as Bernie Sanders and Elizabeth Warren.

“It is likely we’ll see a continued push for more sectoral labor standards,” said UC Berkeley Labor Center Co-chairperson Ken Jacobs in reference to the new Fast Food Council. Jacobs noted that traditional collective bargaining is likely to become less prevalent statewide in favor of “the user of labor standards boards in certain industries, where the structure of the industry makes traditional collective bargaining more difficult.”

In fact, the new Fast Food Council is simply a reintroduction of California’s Industrial Welfare Commission. Dormant for more than 20 years, the commission was an industry-led group working in collusion with union representatives and Sacramento politicians to set wages and work standards.

Workers in the fast food industries and beyond need to reject this whole rotten setup. Workers in traditional restaurants face the same issues of poverty-level wages and little to no benefits. They must organize their collective power through the creation and organization of rank-and-file committees to have their basic needs meet.

These committees must be directed against the corrupt corporatist arrangements involving the union bureaucracy, which is hostile to the interests of workers.

All workers, including those in fast food and hospitality, face the same fundamental conditions. The ruling elite is attempting to cut labor costs to the bone through layoffs, increased hours, artificial intelligence and other cost-cutting initiatives meant to increase profits while driving workers further into poverty. Such irrational initiatives must be countered with a rank-and-file movement of workers.



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