

Addenda #12 – January 2024, UPDATE – July 2025

Re: Ch. 9 Modern Monetary Theory – Fueling Unlimited Debt and Dependency, and
Control: Income Inequality and Redistribution of Wealth

Ref: Addenda #12 – January 2024, Update June-2024

Study shows that California's \$20 minimum wage hike cost state 18,000 jobs

California fast food sector lost 18,000 jobs while the industry grew nationwide

Fox Business; July 26, 2025

A new study published by the National Bureau of Economic Research (NBER) this month found that California's 2023 minimum wage hike cost the state thousands of jobs.

Researchers found that the state's \$20 minimum wage fast food hike has cost the fast-food sector 18,000 jobs since it went into effect in April 2024, representing a 3.2% decline in that sector compared to fast-food sectors in other parts of the country.

"Our median estimate translates into a loss of 18,000 jobs in California's fast-food sector relative to the counterfactual," researchers Jeffrey Clemens, Olivia Edwards, and Jonathan Meer wrote in their paper.

This is a 'shocker' ... NOT!

I first reported on the unintended consequences of substantial and continued minimum wage increases in Addenda #12 – January 2024, noting that both New York and California have implemented multi-year minimum wage increases equaling 55% over 8-years in New York and 6-years in California. In Addenda #12, I detailed job losses in Californias healthcare and fast food industries, both of which had a pending 48% wage increase, approved by progressive Democrat politicians. Even though the start date for the increase was four months away, employers were already announcing layoffs and outsourcing jobs to mitigate the cost burdens to their businesses.

California Increases Minimum Wage, Protections for Fast-Food Workers

"California is home to more than 500,000 fast-food workers who – for decades – have been fighting for higher wages and better working conditions. Today, we take one step closer to fairer wages, safer and healthier working conditions, and better training by giving hardworking fast-food workers a stronger voice and seat at the table."

Office of Governor Gavin Newsom, Press Release September 28, 2023

"Research shows that higher wages for the lowest-paid workers has the potential to help nearly 4.6 million people out of poverty and add approximately \$2 billion to the nation's overall real income. Additionally, increasing the minimum wage does not hurt employment nor does it retard economic growth."

Six policies to reduce economic inequality; The Othering & Belonging Institute, University of California, Berkeley; September 10, 2014

I followed up on the effects of the minimum wage increase to the fast food and restaurant industry, with an Addenda update six months later, they were predictable. Reduced working hours, layoffs, significant price increases and restaurant closures. Similar results happened in Seattle and New York City as their minimum wages increased at the same time.

This month the National Bureau of Economic Research put the exclamation point on the argument for drastic minimum wage increases; they do result in job losses and business closures, regardless of what progressive Democrat politicians and media outlets claim.

We analyze the effect of California's \$20 fast food minimum wage, which was enacted in September 2023 and went into effect in April 2024, on employment in the fast food sector. In unadjusted data from the Quarterly Census of Employment and Wages, we find that employment in California's fast food sector declined by 2.7 percent relative to employment in the fast food sector elsewhere in the United States from September 2023 through September 2024.... Our median estimate translates into a loss of 18,000 jobs in California's fast food sector relative to the counterfactual.

* Governor Newsom stated that this law would result in “fairer wages.”

* Assemblymember Chris Holden (Dem) stated, “We helped a father or mother feed their children, we helped a student put gas in their car and helped a grandparent get their grandchild a birthday gift.”

* President of SEIU California David Huerta stated the law would bring “billions of dollars into working families’ pockets.”

In reality, the segment of California’s fast food and full-service restaurant industry that were subject to AB 1228 wage increases, larger chain restaurants with at least 60 establishments nationwide, cost workers 18,000 jobs since it took effect in April 2024. At the same time, employment in the same industry *increased* around the rest of the country.

Note: NY City mayoral candidate Andrew Cuomo has called for an increase in the cities minimum wage to \$20 an hour, from the current \$16.50 per hour. The democrat socialist candidate, Zohran Mamdani, is calling for an even more drastic increase to \$30 per hour.

As the Wall Street Journal Editorial Board stated in their article about the NBER report, “There’s no such thing as a free fast-food lunch... These guys will never learn because they don’t want to see the world as it really is.” In addition to the thousands of fast food and full-service restaurant workers that lost their jobs and had to start over again in other positions, menu prices have skyrocketed to make up for the increased payroll costs for those businesses.

Food and beverage data collection firm *Datassential* collected menu prices for fast food restaurant chains across the country and released a report in January 2025 that showed menu prices in California rose by almost double the rate of all other states since April 2024. Besides the increase in food prices, menu prices in California rose by 13.1% while all other states prices increased 7.2%. This is directly attributed to the increased minimum wage for California workers. The Datassential report showed a month-over-month price increase of 8.7% in menu prices for September 2023, before AB 1228 was signed into law.

In April 2024, when the law went into effect, the month-over-month menu price increase was 34.6% in California, vs. 6.5% in all other states. In July 2024, the non-profit Employment Policies Institute published a report titled, *Crisis in California, A Survey of Fast Food Employers' Responses to California's \$20 Minimum Wage*. The report found that 98% of California restaurant operators had already been forced to raise prices as a result of the wage increase, while other operators downsized their operations, reduced staffing levels or closed down altogether. *This new data is just more evidence that California's wage hike is killing the state's fast food restaurant industry*, the report stated.

Source: Crisis in California, A Survey of Fast Food Employers' Responses to California's \$20 Minimum Wage; Employment Policies Institute, July 2024

A large number of fast food employees have traditionally been teenagers working their first jobs during and after high school. The minimum wage pay scale of the industry reflects their lack of education and experience at this stage in their lives. As teenagers gain more education and experience, their “value” to business owners increases and they are rewarded for this with higher wages. As the level of education attainment grows, so does the opportunity to find better paying jobs. Teenagers typically move on from retail and fast food jobs and are replaced by the next cohort of teens beginning *their* work experience; 40% of all restaurant and food service workers are age 24 or younger. This group is supplemented by older adults who have never completed high school or attended college. They don’t have the experience or education to qualify for higher paying jobs or must work a second job in order to support themselves or their family. 57% of all restaurant and foodservice workers are age 25 to 64 and 60% of this group are servers, cooks or food prep workers who are paid minimum wage.

Source: Restaurant Employee Demographics; National Restaurant Association, Data Brief – April 2024

The Bureau of Labor Statistics latest Employment Situation report (July 2025), showed an overall unemployment rate of 4.2%. For workers that had earned a bachelor’s degree or higher, the unemployment rate was 2.7%. For those workers who had earned an associate’s degree or had at least some college education, the rate was 3.0%. For workers who graduated high school but never attended college, the rate was 4.4%. But for workers who failed to earn a high school diploma or GED equivalent, the rate of unemployment was 5.5%. During economic downturns, the difference in unemployment for un and under-educated workers is even more pronounced. Coming out of the pandemic induced recession in the spring of 2021, while unemployment was 6.1% overall, the unemployment rate for those with no high school degree or equivalent was 9.6%.

The restaurant employee demographics report shows that employees in the restaurant industry have a lower educational attainment than workers in the overall economy; 55% of all restaurant and foodservice workers have no college degree and are not currently enrolled in school; their ability to work anything other than a minimum wage job is nonexistent. If they lose their job due to downsizing or layoffs, they’ll be forced to work in another service type job where the minimum wage is as much as \$3.50 per hour lower than the foodservice industry. So much for higher, fairer wages and helping people out of poverty!

Not only did the minimum wage increase adversely affect thousands of industry workers and business owners, it affected the millions of low-income customers that buy food from those fast food restaurants or dine-in at the full-service restaurants. Data released by the U.S. Census Bureau shows that in 2023, nearly one-third of residents lived in or near poverty in California and approximately 7.3 million state residents were unable to afford basic needs. Not coincidentally, 9.6 million Californian's, almost 36% of residents age 25 and older have no college degree or experience. California has the highest child and family poverty rate in the nation, and the increased menu costs has done nothing to lower that.

Unintended consequences... Democrat politicians promise free benefits for constituents in order to gain their vote and retain power. Free universal preschool and community college. Free single-payer universal healthcare. Higher wages and better working conditions for California residents. Government intervention into the free market economy. These promises earned Gavin Newsom 6.4 million votes and reelection as governor in 2022 but have come back to bite him after AB 1228 went into effect. Not to mention the effects Assembly bill ABX2-1 is also having.

Ref: *A Clear and Present Danger Threat #2*, Addenda #69 – November 2024 and Update – June 2025

Governor Gavin Newsom's progressive policies have resulted in the state of California having the lowest affordability and safety ratings nationwide with a cost of living that is 50% higher than the national average and the highest child and family poverty rate of any state. (California's poverty rating has doubled since 2021) California also makes the top of another list, the largest 'outbound' migration of workers to other states. Since 2020, California has lost 803,000 residents to other states, a significant number of who are higher-income college educated households that contribute to the state's tax revenue.

Ironically, the unintended consequence of this out migration, is that California lost one Electoral College vote and one Congressional seat following the 2020 census and is on track to lose four more votes and Congressional seats after the 2030 Census. New York stands to lose 3 votes and Congressional seats and Illinois 2 votes and seats, due to migration outflows having to do with those states progressive policies as well.

It's not just Gavin Newsom and California progressive democrats that refuse to learn from their mistakes. There's a very good chance that the next New York city mayor will be Zohran Mamdani, a member of Democrat Socialists of America who has been campaigning on "free stuff" for lower income residents, higher taxes on the wealthy and a rent freeze on stabilized apartments. [Ref: *A Clear and Present Danger Threat #1*, Addenda #8 – July 2025]

Senator Elizabeth Warren visited New York City recently to campaign for Mamdani, speaking in glowing terms about his campaign platform. When a reporter asked Warren, "Progressive socialism -- is this what the party should look like?" Warren's response was, "Yes, you bet!" This is the path that progressive democrats are following; farther left and more radical. The lower income citizens of New York City and other Democrat led cities and states will continue to experience the same income inequality and lack of affordability as long as the politicians they support embrace this mindset.