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California's Fast-Food Law Could Change Wages, Safety Standards, and How Other States Regulate Businesses

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Gene Marks:
Hey, everybody this is Gene Marks and welcome to this week's episode of On the Mark. I hope you guys all had a great Labor Day. I'm really happy to be back to work. And you know what? We're going to talk about workers today because on Labor Day, something big happened in California. California's governor, Gavin Newsom, he signed a landmark bill that expanded the power and protections for fast-food workers, even despite opposition from restaurant owners who are warning that it's going to be increasing costs for consumers.

This is something that we as business owners across the country should keep a close eye on. The bill, it's called HB 257, creates a 10-member fast-food council with equal numbers of worker delegates and employers representatives, along with two state officials. And this council is empowered to set minimum standards for wages, hours, and working conditions in California.

The members of the council will be appointed by the governor and other lawmakers, so they will not be elected. And, also, they are allowed the council to increase the minimum wages at chains that have more than 100 restaurants to as high as $22 an hour next year compared to the statewide minimum right now, which is $15.50 an hour. And then after that, cost of living increases can happen, as well.

So, the council will have significant powers over the fast-food industry, and as you can imagine, a lot of the businesses in that industry are up in arms about it. They are not happy. But then a lot of people that support the bill say that it will provide more power to the workers and give them more flexibility and hopefully better working conditions, as well. As the governor says, they they're leveling the playing field, making working conditions better for fast-food workers in that industry.

So, it will be very interesting to see on where this bill heads to and how it impacts that industry and those workers, those business owners in the state of California.

So, a couple of things that you want to just be aware of because you think to yourself, well, I don't maybe I have a business in California, but I'm not in the fast-food industry, maybe I'm not in California, somewhere else in the country, so, how does this impact me?

Well, there's a few ways that this could be impacting you, which is why we should be keeping a close eye on this bill. So, for starters, workers are going to be on that committee. They are going to be getting a fair voice. It's certainly going to be giving them more power in what's going on within their industries, in the companies that they're working for, and that's something that business owners in, you know, in that industry, in the state of California are going have to keep a close eye on. It's going to impact them specifically, and we should be aware of that, as well. So, this type of model is giving workers more power.

Number two, if it's successful and depending on where the mood of the nation goes, something like this could expand to other states and other industries. If, after a couple of years, it's showing that this is really benefiting the fast-food industry in California, you know, I am sure there will be other states that will be looking at that and say maybe we should be doing the same thing for the fast-food industry in our state, or perhaps other industries as well, like lodging and associations or hospitality or other restaurants. Basically, industries that employ a lot of hourly workers who tend to get paid a little bit less or have harder working conditions. It could be a trend that a lot of states are going to follow.

You know, the final point I want to make about this is that, you know, something like this will definitely increase costs. There's no doubt about that. I mean, if you're going to be raising minimum wages of workers in fast-food restaurants in California from $15 to $22 an hour, that has an impact on margins, and ultimately, those restaurants are not going to go out of business. They're just going to pass those costs down to consumers. So, we'll have a consumer cost and, you know, an inflationary effect on those types of products.

Now, you know, will that, you know, make me not want to go and get a delicious Whopper or a Big Mac at a McDonald's or Burger King in California because it costs an extra buck? I'm not so sure. Nobody, I think really does know. So, we'll wait to say.

One thing, though, is that even though it's going to increase costs, a lot of the supporters of the bill say that it can also very much increase productivity and health and the safety and therefore attendance of workers. It might increase, you know, longevity for those workers.

I mean, businesses complain all the time about staff turnover or how difficult it is to find staff. Well, maybe these kinds of conditions and a higher minimum wage will attract more workers back to the workplace or keep them at their jobs longer. It could be a really good thing for businesses.

So, listen, you know, let's read the writing on the wall. The narrative in 2022 – and it's going to continue for a while – is that workers will want more say in their businesses, in the companies that they work for. We as business owners should be considering the same type of thing in our companies, depending on the size. Maybe we should have an internal employee council that's made up of management and employees to make sure that we are keeping really up to date and abreast on any issues or concerns or suggestions that our employees might have to keep them more involved in what's going on in the business.

Perhaps our industry groups should be doing the same and maybe industries shouldn't sit around and wait to be regulated by the state like the fast-food industry as being in California. Maybe do a little self-regulation of their own and form their own industry-wide councils that are made up of employees and, you know, employers as well to make sure that working conditions, health and safety, and wages are fair and decent across the industry.

Remember, these kinds of actions will head off any issues that might cause state legislators or regulators to get involved.

Finally, if you're running a business, you know, you'll be aware of the narrative that employees do want more say, they want more skin in the game, which is why I am seeing such a significant increase in, you know, employee stock ownership plans, ESOPs, you know, or similar co-op arrangements.

I'm also seeing many of my clients really consider implementing a profit-sharing plan or bonuses that are tied to company performance because all those kinds of things get your employees more involved in the business and gives them the skin in the game that they want.

Again, what we're seeing in California could easily happen in other states across the country, and that's something that, you know, could be good for workers and employers both. But I think we as employers want to keep control of our businesses and our industries and not have the states step in and regulate. And to do that, we should be taking similar actions that we're seeing in California.

All right. That's my take. If you have any questions or advice or things that you would like to contribute, even guests that you might want to, you know, offer for our Thrive podcast, visit us at payx.me/thrivetopics. That's P-A-Y-X dot M-E/thrivetopics.

Again, my name is Gene Marks. Thanks for joining me this week on "On the Mark". We'll be back next week with a piece of news that impacts your business and my thoughts on how it impacts your business. Have a great week. We'll see you then.