Hungry Cooks

Poverty Wages and Homelessness in the Fast Food Industry

May 2023

ECONOMIC ROUNDTABLE
Knowledge for the Greater Good

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Underwritten by the
Service Employees International Union (SEIU)

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1. Executive Summary

Poverty Employment and Homelessness

There is a strong connection between under-employment, unemployment, poverty, and homelessness. Not having enough money to pay rent contributes to homelessness just as much as the lack of affordable housing does. Low earnings make eviction and homelessness a real risk. Good jobs are crucial for preventing homelessness.

The fast food industry is a poverty employer, with a larger share of its workers in poverty than any other industry. All low-wage workers face some level of risk that they will become homeless. This risk is compounded in the fast food industry by the combination of low wages, part-time work and employee churn. These interlocking hazards undercut workers' ability to pay their rent.

Fast food workers make up 11 percent of all homeless workers in California, 9 percent in Los Angeles County and 8 percent in the City of Los Angeles.

If the fast food industry provided sustaining pay and stable employment that enabled its workforce to remain housed there would be 10,120 fewer homeless workers in California, 3,595 fewer homeless workers in Los Angeles County and 1,889 fewer homeless workers in the City of Los Angeles.

California's homeless population grew 51 percent from 2014 to 2022. We estimate that homelessness would have grown about one-fifth less in California if the fast food wage floor was adequate to ensure that workers have stable housing. Homelessness would have grown a still disastrous 42 percent, but not 51 percent.

Economic Homelessness

People become homeless for different reasons, including unemployment, families breaking up, medical or mental health problems, and substance use disorders. Unemployment is by far the most frequent explanation that homeless individuals provide when asked why they are homeless. Forty-five percent of homeless adults report that unemployment is the reason why they are homeless.

Economic homelessness emerges when workers are destitute and unable to pay rent. Poverty and inability to pay for housing are the primary cause of homelessness. We estimate that 55 percent of homeless individuals were recently in the labor force or are still working. This includes 45 percent who say they are homeless because of unemployment and an additional 10 percent who are homeless but also report that they are currently working.

We estimate that fast food workers make up 5.9 percent of California's total homeless population, 5.2 percent of Los Angeles County's homeless population and 4.5 percent of the City of Los Angeles' homeless population.

Homelessness is primarily a problem of working poverty. The fast food industry is the largest poverty employer in California. Raising the wage floor in this industry is the single most important step for reducing economic homelessness in the state.

Hours and Wages

California's frontline fast food workforce obtains an average of only 1,340 hours of paid work per year. This is 26 hours a week if they work year-round or more hours per week broken up by spells of unemployment. All of the other workers in California are employed an average of 1,839 hours a year. Full-time jobs are typical in California outside of the fast food industry.

The median annual earnings of frontline fast food workers in California was $14,949 in 2020. Over two-thirds of California's frontline workers are paid less than $20,000 a year. The poverty rate for the households of frontline workers in California is three times higher than the rate for the rest of the state's workers.

Public Assistance

One-third of frontline fast food workers receive taxpayer-funded health care through Medicaid. This is twice as large as the share for all other industries in California. The fast food industry increases corporate profits by transferring the health care needs of its workforce onto the public.

Roughly one-fifth of frontline fast food workers receive food stamps. The share of frontline workers who depend on food stamps to fight hunger is roughly twice as large as in all of the other industries in California.

The limited-service food industry brings a full-service appetite to the public treasury. It sells food to the public and at the same time relies on the public to pay for the food that its workers require.

Precarious Housing

Because of low wages and insufficient incomes to afford adequate homes for their families, 43 percent of frontline fast food workers in Los Angeles live in overcrowded housing. These rates of overcrowding are more than twice the rate for all of the other workers in the labor force.

Overcrowding affects mental health, stress levels, relationships and sleep, and it may increase the risk of infectious disease.

An additional risk is that if one of the wage earners in the household loses their job or moves out, the remaining household members may be unable to pay rent and become homeless.

A quarter of frontline workers in the City of Los Angeles spend over half of their income to remain housed. These workers are choosing between paying for household necessities such as food and clothing, and paying their rent. These fragile solutions collapse if income drops because of unpredictable work schedules, loss of a job or a large, unavoidable expense, such as a car repair to ensure transportation to work or paying for essential prescription medicine.

Unpaid rent results in eviction, and eviction can result in homelessness.

Worker Turnover

More than four out of five fast food workers were fired or quit their job in each of the last two years. The most frequent reason for quitting is low wages.

Low wages, part-time hours, on-demand scheduling, and unpredictable scheduling create and perpetuate poverty. Workers scramble between jobs to escape poverty while fighting the deprivation and housing instability caused by intermittent unemployment.

Housing becomes more precarious during the unemployed gaps between jobs as workers look for a job with better pay or working conditions. These intervals of unemployment may become windows of deeper poverty ending in homelessness. Workers who were already behind on their rent may lose their housing when they lose their job.

Closing the Pipeline into Homelessness

Every day, 665,600 fast food workers in California prepare and serve meals that bring in $59 in revenue for their employers for each hour that they are on the job. The industry can afford to do right by its workers.

Most frontline fast food workers are precariously housed because of low wages and part-time hours. There is no floor to prevent their fall into homelessness. The 5.9 percent share of California's homeless residents who come from the fast food labor force is a continuous stream, adding to the daily flow of new entrants into homelessness.

Reducing the flow of new entrants into homelessness is by far the most feasible strategy for reducing and ending homelessness. There is far less

Jose de la Torre, Papa John's Pizza, Lynwood, CA

My goal is to have a place to sleep, even a little room so my kids know where I am and can come and visit me. Right now, I am homeless and live in my car because the money from delivering pizzas for Papa John's didn't cover my bills and I have no money for rent. When I looked at my paycheck I wanted to cry because it was so small. I can't sleep because I am so tense and I don't know what to do. Every sound wakes me up. The police said they always see me in the same place and that I can't sleep there anymore. Sometimes people pass by and look to see if someone is sleeping in the car, which is scary. I like working so I can help my kids, but I'm very limited in how much I can help them, which makes me very sad.

As far as I can tell, wage theft is built into the way Papa John's operates. It has to do with how the computer system works. My coworkers and I filed a wage theft complaint. Mine was for $45,000. The manager also made me work off the clock and do favors for him, driving his wife and kids around and buying him lunch every day, and I was not allowed to take meal breaks and rest breaks. The manager threatened to cut my hours if I didn't do what he said. I am traumatized by the things the manager told me. I was trapped in a scheme of wage theft, coercion and sexual harassment for about a year. It was terrible. I stayed because I really needed the job, despite all the abuse. I was so angry, but there was nothing I could do. I needed my job.

In December, I was in a hit-an-run accident while I was delivering pizza and I had to pay $30 to $40 per day to rent a car for about a month so that I could continue to work, and so I had a place to sleep while my car was being repaired.

public cost and human misery in preventing someone from becoming homeless than there is in intervening after the fact with deeply subsidized housing that is costly to build and lags the level of need by decades.

The Solution

The fast food industry is thriving and has enough wealth to treat workers fairly. The top five publicly traded fast food corporations operating in California generated $14.5 billion in profit in 2021 and $12 billion in 2022.

A majority of fast food brands in California use a franchise structure that channels business risks to local franchisees while claiming a share of revenue that does not guarantee any profit for the operator. This enables the corporations to buffer themselves from responsibility for working conditions and shrinks local resources for improving the lives of workers.

The fast food industry is concentrated in a small number of brands. There are more than 30,000 fast food locations in California and the majority of them are controlled by the top 20 brands, including McDonald's, Carl's Jr., Subway and Jack in the Box. Less than one percent of the fast food locations in California are controlled by brands with fewer than four locations in the state.

Many top brands in California have a number of multi-unit, mega-franchisees that own dozens or even hundreds of locations. This is not an industry that is characterized by small businesses.

Poverty among frontline workers is the result of a system designed to ensure maximum profit for fast food corporations. Structural change is needed to correct structural problems.

Solutions include allowing workers to organize and have a voice in setting industry standards, bringing together corporate executives, workers and government regulators to establish industry-wide standards, and requiring corporate brands to support local franchise operators in providing wages, benefits and scheduling that enable frontline workers to afford housing, food and health care.

Photo credit: McDonald's USA

2. Workers and Wages

Employers get $59 in revenue for every hour that a fast food worker is on the job.

A Virtuous Circle

Every day, 665,600 fast food workers in California[1] prepare and serve meals that bring in $59 in revenue for their employers each hour that they are on the job.[2] Fast food workers fulfill the needs of hungry customers who need a quick, affordable meal. They also fulfill the need of employers for profitable businesses. The final link in what should be a virtuous circle is the workers themselves and their ability to obtain the necessities of life with their earnings.

Attributes of Fast Food Workers

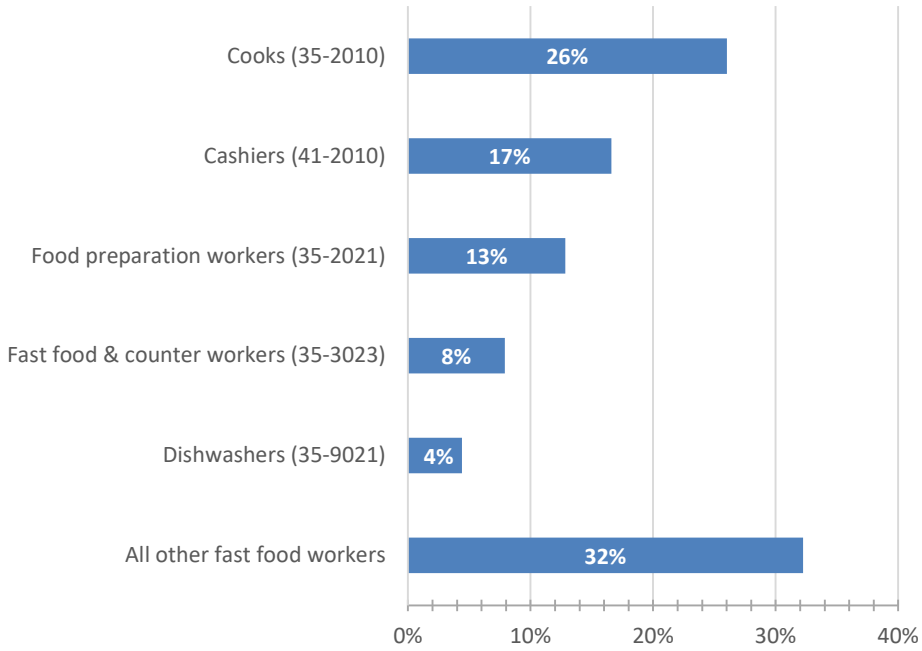
Frontline Jobs

Over two-thirds of California's fast food workforce is employed in five frontline jobs, as shown in *Figure 1*. Cooks make up just over a quarter of all workers, followed by cashiers, who hold 17 percent of jobs, and food preparation workers, who hold 13 percent of jobs.

Other occupations outside of the frontline group in the fast food industry include higher paid employees such as lawyers, accountants, advertising professionals, high-level executives, and managers.

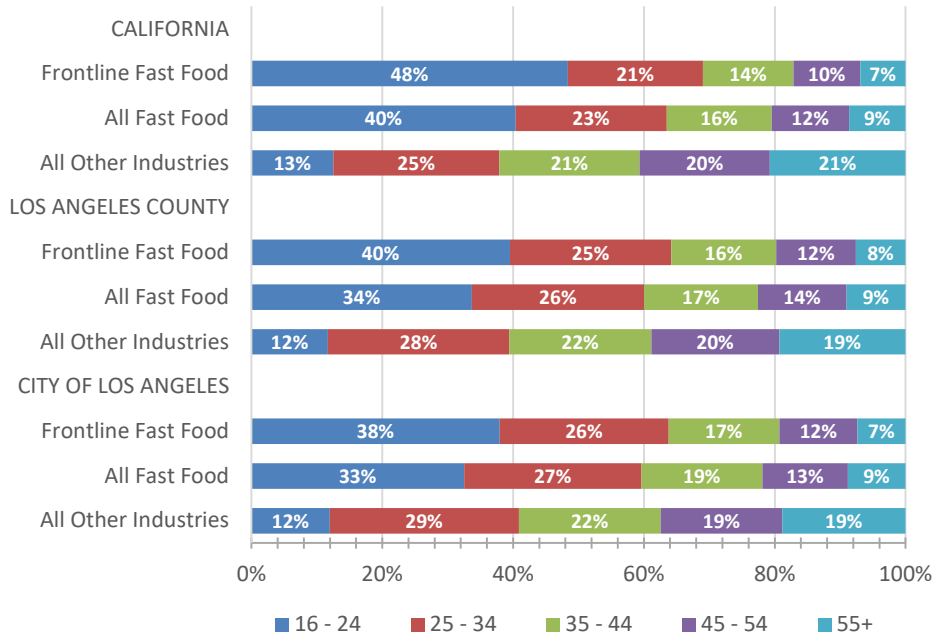
We break out frontline workers separately from the total fast food workforce and compare both to all other workers in California, Los Angeles County and the City of Los Angeles.

Figure 1: Frontline Fast Food Occupations



Source: U.S. Census Bureau American Community Survey Public Use Microdata Sample 2016-2020. Standard Occupational Classification (SOC) codes are shown in parenthesis.

Figure 2: Age Distribution of Workers



Source: U.S. Census Bureau American Community Survey Public Use Microdata Sample 2016-2020. Data shows workers with $400 or more in wage and salary earnings in the past 12 months.

Age

The fast food industry relies heavily on young adult workers as shown in *Figure 2*.[3] Almost half of all frontline fast food workers in California and 38 percent in Los Angeles are under 25 years of age. The share of young adults in other industries is less than a third as large.

Young adult workers face the challenges of building independent, stable lives based on the incomes that they earn.

The fast food industry relies heavily on young adult workers.

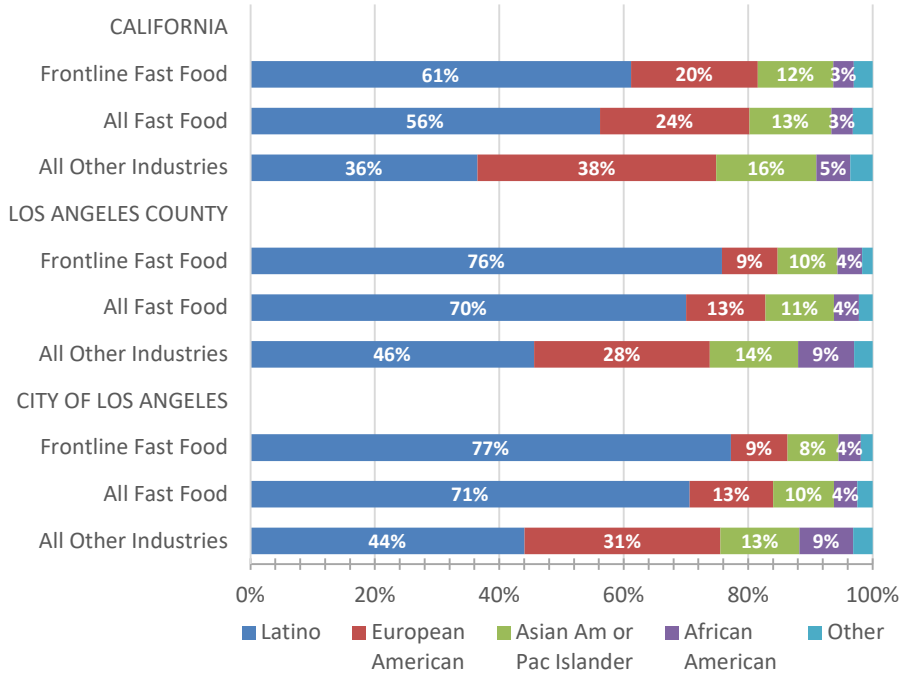
Ethnicity

Latinos make up a much larger share of workers in California's fast food industry than in other industries in the state – 56 percent vs 36 percent, as shown in *Figure 3*. Seventy-seven percent of frontline workers in the City of Los Angeles are Latino.

Every other ethnicity is under-represented in the fast food industry. In California:

- European Americans make up 38 percent of the workforce in other industries but only 24 percent in fast food.
- Asian Americans and Pacific Islanders make up 16 percent of the workforce in other industries but 13 percent in fast food.
- African Americans make up 5 percent of the workforce in other industries but 3 percent in fast food.

Figure 3: Ethnicity of Workers



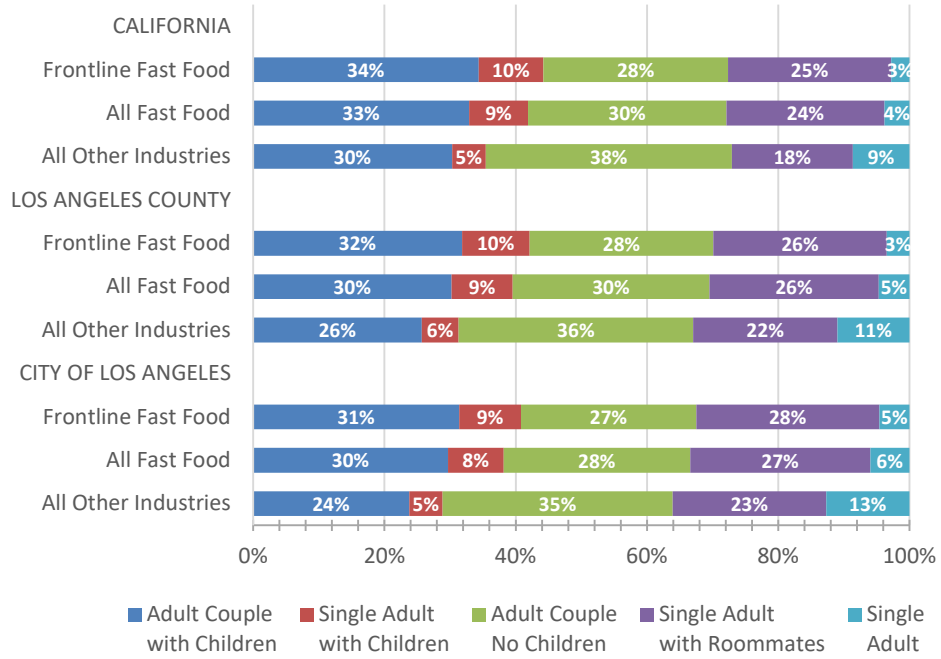
Source: U.S. Census Bureau American Community Survey Public Use Microdata Sample 2016-2020. Data shows workers with $400 or more in wage and salary earnings in the past 12 months.

Household Structure

Fast food workers are more likely to have children they support with their earnings than the rest of California's workforce – 44 vs 35 percent, as

Fast food workers are more likely to have children they support with their earnings than the rest of California's workforce.

Figure 4: Household Structure of Workers



Source: U.S. Census Bureau American Community Survey Public Use Microdata Sample 2016-2020. Data shows workers with $400 or more in wage and salary earnings in the past 12 months.

shown in *Figure 4*. This means that the average cost for household survival is higher for fast food workers than for the rest of California's workers.

A smaller share of California's fast food workers are in households with two adults to share living costs and no children to support – 28 vs 38 percent.

A larger share of California's fast food workers are not able to afford their own independent housing and must double up with roommates to split housing costs – 25 percent vs 18 percent. The pattern of household structure is similar in Los Angeles County and City.

The average cost for household survival is higher for fast food workers than for the rest of California's workers.

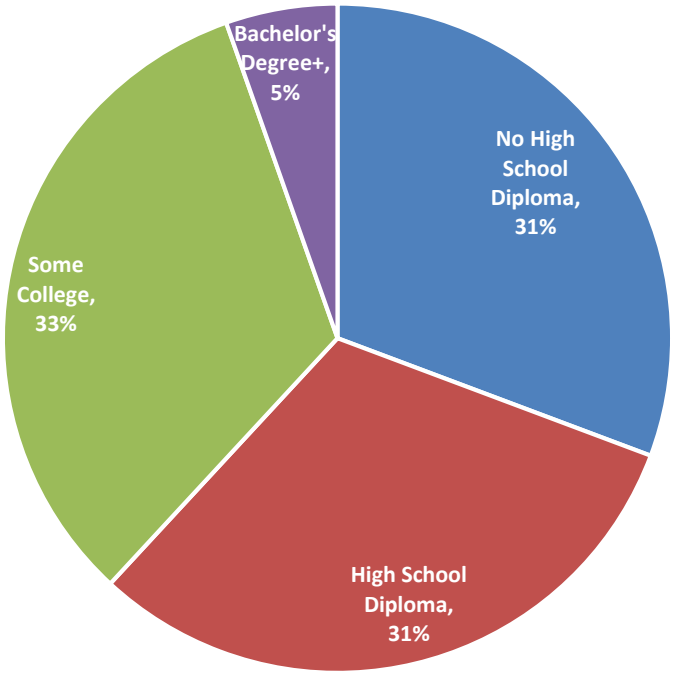
Education

Three-quarters of California's fast food workers have at least a high school diploma and 45 percent have some level of college education.

Frontline workers have nearly the same level of educational attainment, as shown in *Figure 5*.

Sixty-nine percent have at least a high school diploma and 38 percent have some level of college education.

Figure 5: Educational Attainment of Frontline Fast Food Workers in California



Source: U.S. Census Bureau American Community Survey Public Use Microdata Sample 2016-2020. Data shows workers with $400 or more in wage and salary earnings in the past 12 months.

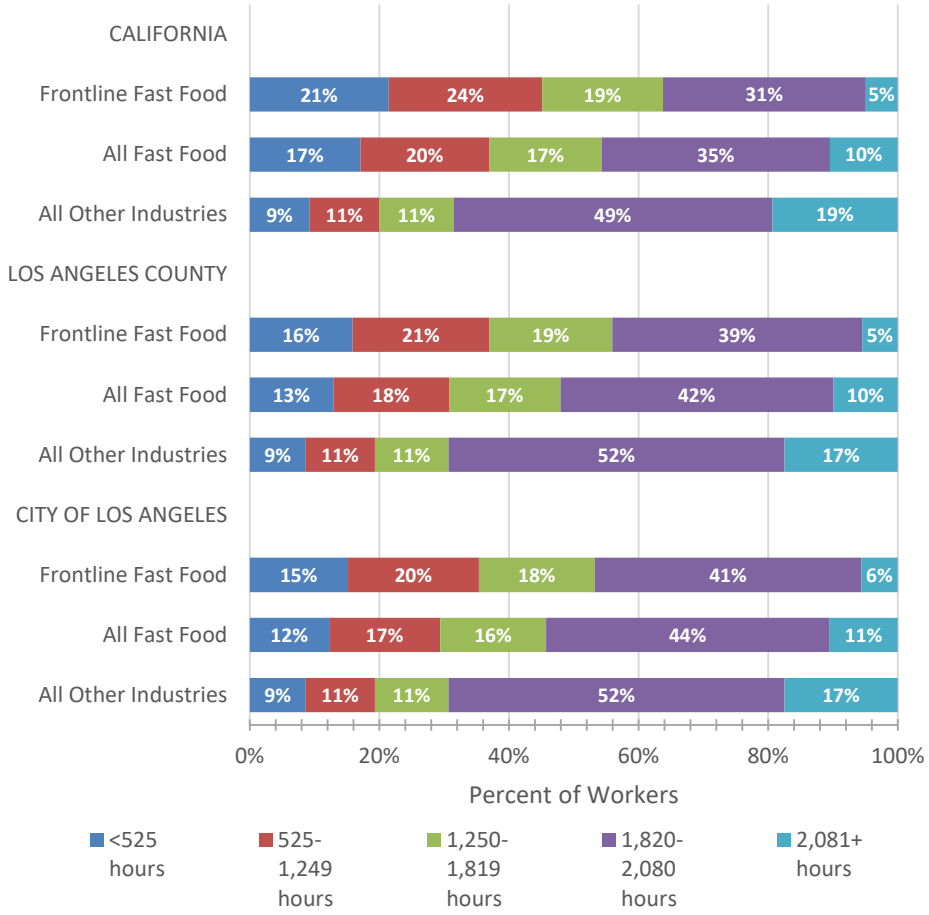
This profile of educational attainment is similar in Los Angeles County and City. Fast food workers across the state bring skills to their jobs that include reading, writing, computing, speaking, and listening, as well as the capacity to learn and develop.

Dividends of Employment

Hours of Work

Less than half (45 percent) of California's fast food workers have 1,820 or more hours of paid employment during the year, compared to 69 percent of all other workers in the state (*Figure 6*).

Figure 6: Annual Hours of Work in the Fast Food Industry and Other Industries



Source: U.S. Census Bureau American Community Survey Public Use Microdata Sample 2016-2020. Data shows workers with $400 or more in wage and salary earnings in the past 12 months.

This benchmark represents 52 weeks a year with 35 hours of work in the week. It is the California Employment Development Department's threshold for full-time employment.[4]

Less than half of California's fast food workers have full-time jobs.

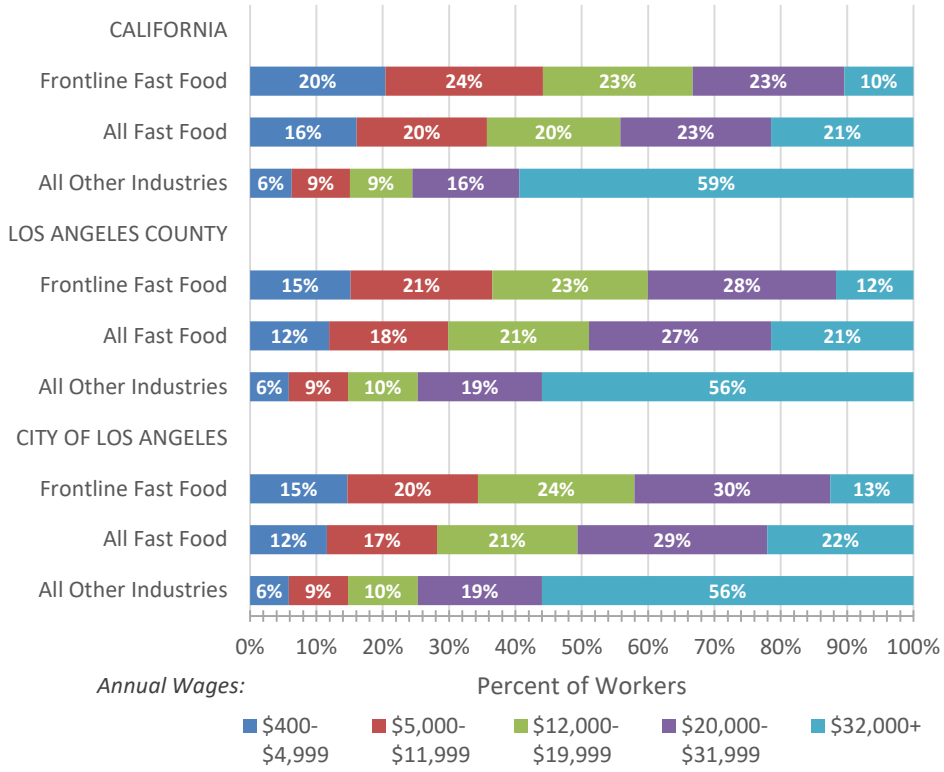
California's fast food workforce obtains an average of 1,488 hours of paid work per year. The average for frontline workers drops to only 1,340 hours of work. This is 26 hours a week if they work year-round, or more hours per week broken up by spells of unemployment.

In comparison, all of the other workers in California are employed for an average of 1,839 hours a year. Full-time jobs are typical in California, outside of the fast food industry.

There is a small upward nudge in annual hours of work for fast food workers in Los Angeles County (an average of 1,588 hours for all fast food and 1,488 hours for frontline workers). Fast food workers in the City of Los Angeles have similar hours of employment (an average of 1,616 hours for all fast food workers and 1,471 hours for frontline workers).

Most fast food workers statewide and in Los Angeles are restricted to part-time employment and pay.

Figure 7: Annual Earnings in the Fast Food Industry and Other Industries



Source: U.S. Census Bureau American Community Survey Public Use Microdata Sample 2016-2020. Data shows workers with $400 or more in wage and salary earnings in the past 12 months. Earnings are shown in 2020 dollars.

Earnings

Scarce hours of work together with pervasive low wages result in small annual earnings for fast food workers, as shown in *Figure* 7.

The *median* annual earnings of frontline fast food workers in California was $14,949 in 2020. This was only 37 percent of the median earnings of the rest of the state's labor force.[5]

Over two-thirds of California's frontline fast food workers (67 percent) and over half of the entire fast food workforce (56 percent) are paid less than $20,000 a year. In contrast, less than a quarter (24 percent) of the rest of the workers in the state are paid this little.

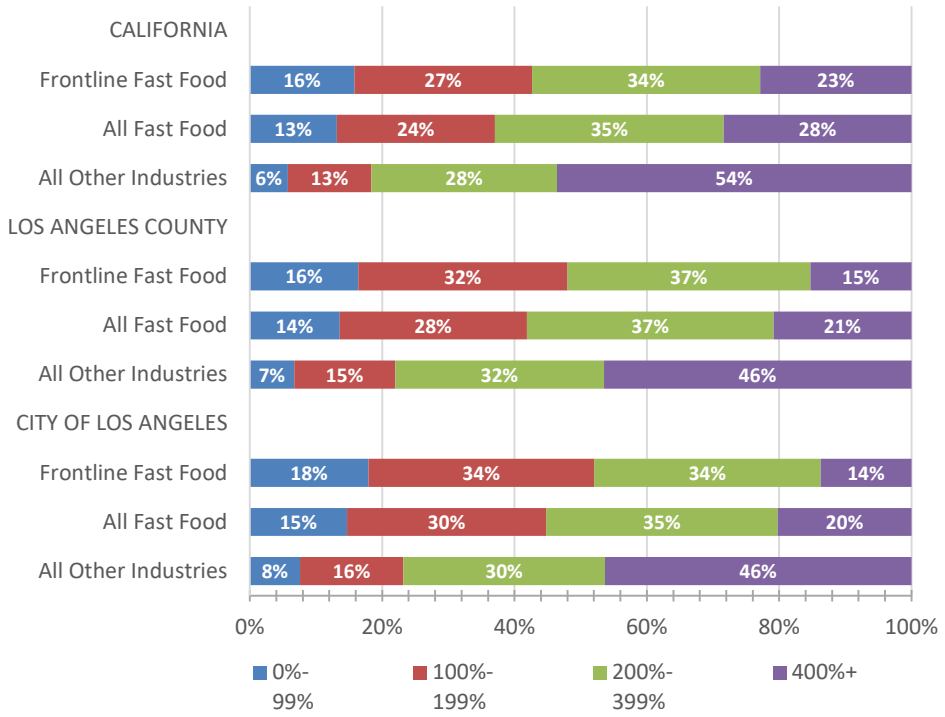
Fifty-nine percent of all *non-fast food* workers in California are paid $32,000 or more a year. Fast food workers are less fortunate. Only 21 percent of the entire fast food workforce and 10 percent of frontline workers are paid this much.

Scarce hours of work together with pervasive low wages result in small annual earnings for fast food workers.

Poverty

The poverty rate for the households of frontline fast food workers in California (16 percent) is almost three times higher than the 6 percent rate for the rest of the state's workers (*Figure 8*).

Figure 8: Household Income as Percent of the Poverty Threshold



Source: U.S. Census Bureau American Community Survey Public Use Microdata Sample 2016-2020. Data shows workers with $400 or more in wage and salary earnings in the past 12 months.

The poverty rate for frontline fast food workers is 3 times higher than the rate for the rest of California's workers.

These poverty rates are for employed workers who are part of the labor force and do not include the unemployed population.

An additional 27 percent of frontline workers' households and 24 percent of all fast food workers in California are close to poverty, with incomes that are below 200 percent of the poverty threshold.

Workers are buffered from poverty if their income is at least twice the poverty threshold. In California this includes only 57 percent of frontline workers and 63 percent of all fast food workers, compared to 82 percent of workers in all other industries.

Poverty rates and vulnerability to poverty among fast food workers in Los Angeles County and City are similar to the statewide rates.

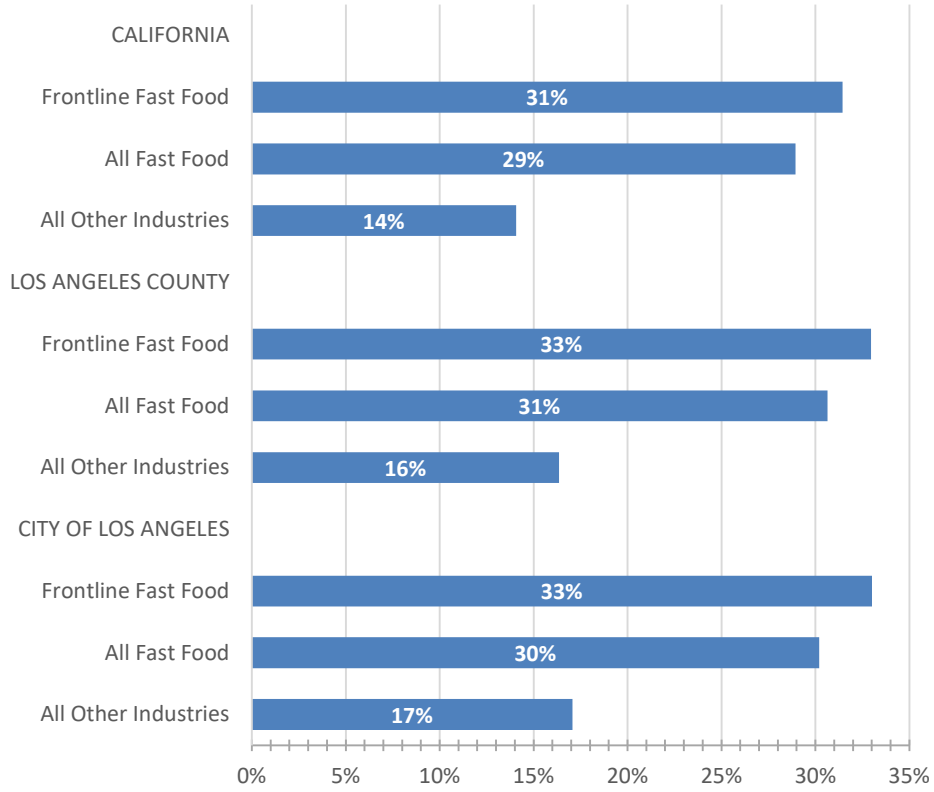
Public Assistance

Government Health Insurance

Low-income individuals who cannot afford private health insurance can seek to have their health care paid for through Medicaid, or Medi-Cal as it is called in California, which is tax payer-funded health coverage.

One-third of frontline fast food workers in the County and City of Los Angeles receive health care through Medi-Cal, as shown in *Figure 9*. The

Figure 9: Rate of Dependence on Public Health Insurance



Source: U.S. Census Bureau American Community Survey Public Use Microdata Sample 2016-2020. Data shows workers with $400 or more in wage and salary earnings in the past 12 months.

rate of reliance on Medi-Cal is slightly lower in the total fast food workforce, which includes managers and professional staff.

The share of the workforce relying on Medi-Cal to obtain health care is twice as great as in all of the other industries in California.

The fast food industry increases corporate profits by transferring the health care needs of its workforce onto the public.

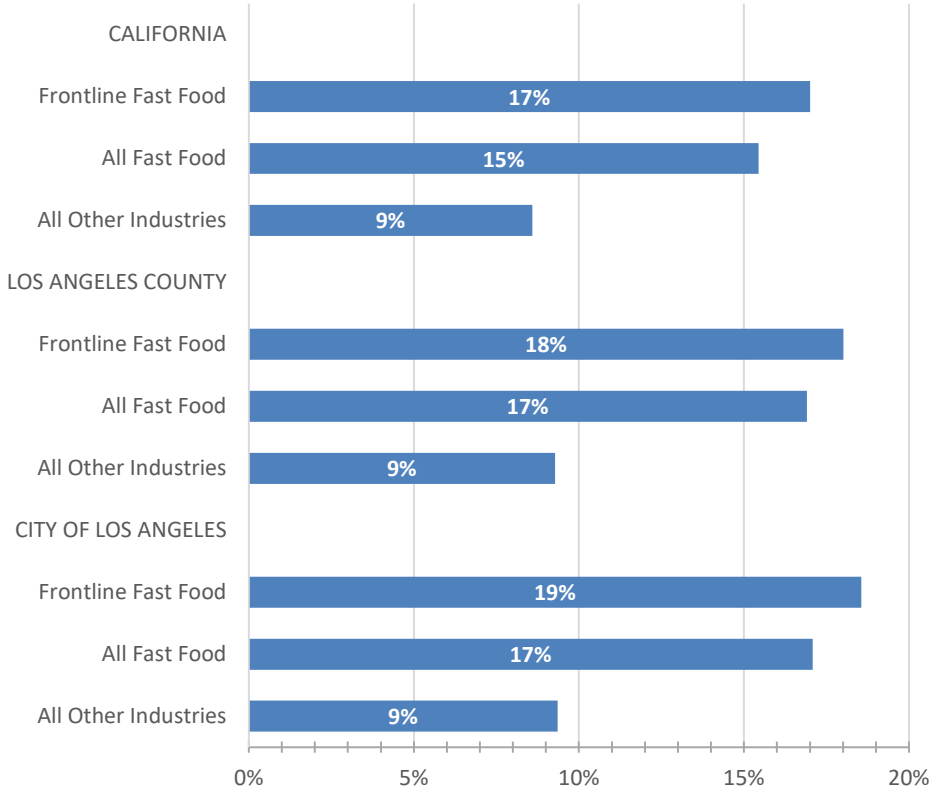
Food Stamps

Food Stamps, now called CalFresh in California, is a federal program that helps people with low incomes, or no income, buy food. The purpose is to reduce hunger and diet-related diseases. Recipients receive an EBT card that works like a debit card for buying groceries. The income limit for eligibility is 200 percent of the federal poverty level.[6]

Roughly one-fifth of frontline fast food workers in Los Angeles receive food stamps, as shown in *Figure 10*. The bshare of fast food workers who depend on food stamps to fight hunger is twice as large as in all of the other industries in California.

One-fifth of frontline fast food workers in Los Angeles receive food stamps and one-third receive health care through Medi-Cal.

Figure 10: Percent of Workers Receiving Food Stamps



Source: U.S. Census Bureau American Community Survey Public Use Microdata Sample 2016-2020. Data shows workers with $400 or more in wage and salary earnings in the past 12 months.

The limited-service food industry brings a full-service appetite to the public treasury. It sells food to the public and at the same time relies on the public to pay for the food that its workers require.

Precarious Housing

Two strategies that low-income households use to remain housed are to pay an unmanageably large share of their income for rent or to rent a housing unit that is too small for the number of people in the household. Both strategies make them precariously housed and cause hardship.

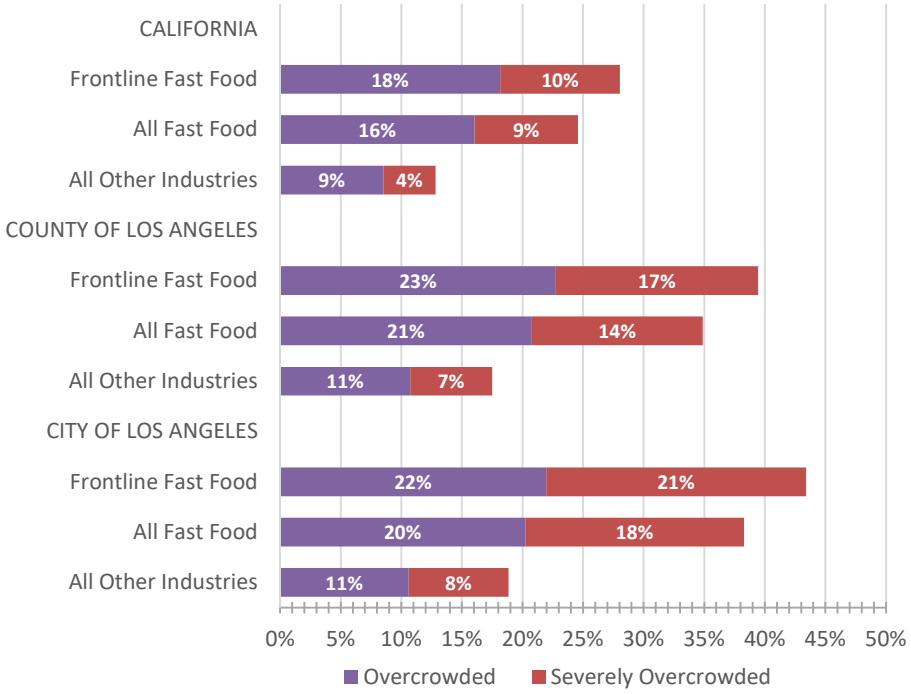
43% of frontline workers in the City of Los Angeles live in overcrowded housing.

Overcrowding

Because of low wages and insufficient incomes to afford adequate homes for their families, 43 percent of frontline workers in the City of Los Angeles live in overcrowded housing, as shown in *Figure 11*.

This means that there is more than one person per room.[7] Too many family members, roommates or even multiple families are squeezed into housing units that are too small to accommodate them in order to reduce the cost of rent.

Figure 11: Percent of Households That Are Overcrowded



Source: U.S. Census Bureau American Community Survey Public Use Microdata Sample 2016-2020. Data shows workers with $400 or more in wage and salary earnings in the past 12 months.

Twenty-one percent of frontline workers in Los Angeles are severely overcrowded, with more than 1.5 people per room in their housing unit.

The rate of overcrowding in Los Angeles County is similar to the city. The balance of California includes communities where housing is more affordable, so the statewide rate is about three-quarters of Los Angeles' rate.

These rates of overcrowding are more than twice the rate for all of the other workers in the labor force.

Overcrowding affects mental health, stress levels, relationships, and sleep, and it may increase the risk of infectious disease.[8]

An additional risk is that if one of the wage earners in the household loses their job or moves out, the remaining household members may be unable to pay rent and become homeless.

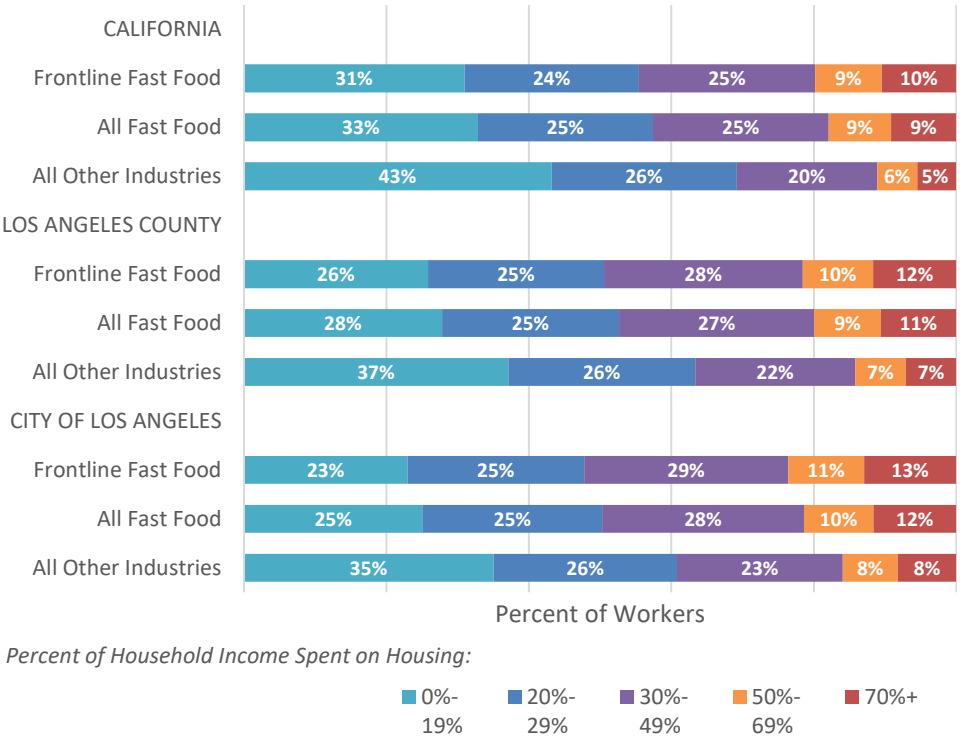
Cost Burden

A quarter (24 percent) of frontline workers in the City of Los Angeles spend over half of their income to remain housed. This includes 13 percent who spend over 70 percent of their income on housing *(Figure 12)*.

Across California, extreme cost burden for housing is roughly twice as frequent among frontline fast food workers as it is among the workforce outside the fast food industry.

A quarter of frontline workers in the City of Los Angeles spend over half of their income to remain housed.

Figure 12: Housing Cost as a Percent of Household Income



Source: U.S. Census Bureau American Community Survey Public Use Microdata Sample 2016-2020. Data shows workers with $400 or more in wage and salary earnings in the past 12 months. Data includes both renters and owners.

Low-income households that spend over half of their income on housing are on the cusp of homelessness. These workers are choosing between paying for household necessities such as food and clothing, and paying their rent. These fragile solutions collapse if income drops because of unpredictable work schedules, loss of a job or a large unavoidable expense, such as a car repair to ensure transportation to work or paying for essential prescription medicine.

Unpaid rent results in eviction and eviction can result in homelessness.

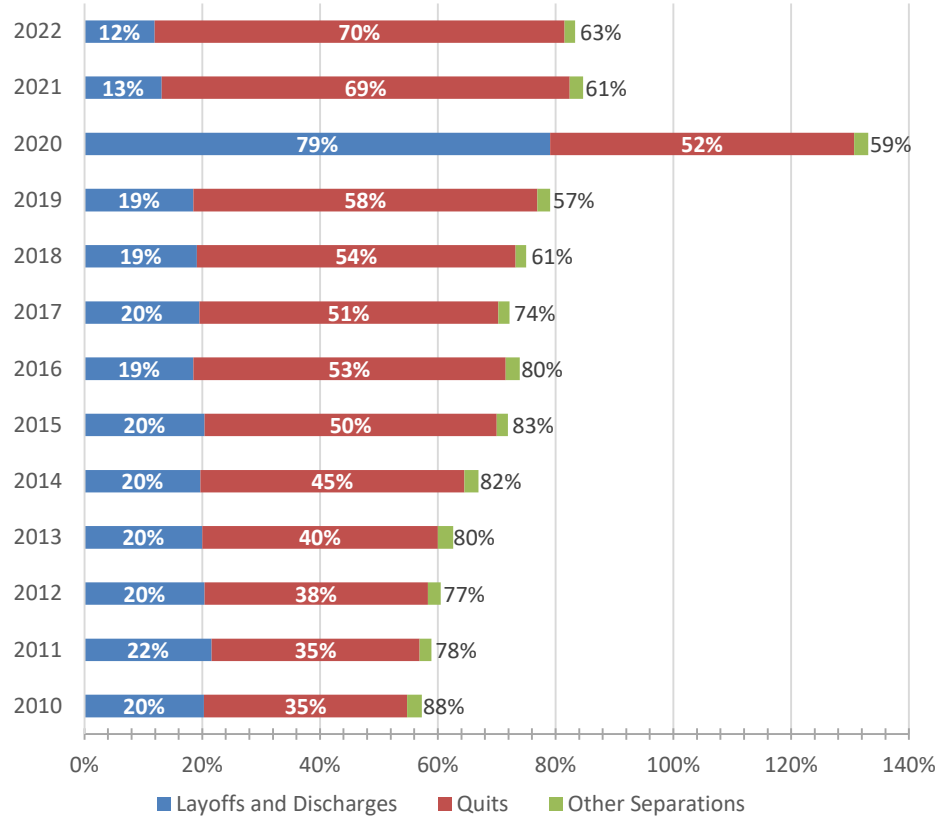
Worker Turnover

More than four out of five fast food workers were fired or quit their jobs in each of the last two years.

More than four out of five fast food workers were fired or quit their jobs in each of the last two years, as shown in *Figure 13*. The U.S. Bureau of Labor Statistics obtains this information through an extensive annual industry survey. Fast food is grouped together with full-service restaurants and hotels, and the data covers the entire workforce, including managers and professional and technical staff. It is likely that the annual turnover rate for frontline fast food workers reaches triple digits.[9]

High job turnover is associated with job insecurity, low morale and a toxic workplace culture.[10]

Figure 13: Percent Annual Employee Turnover in U.S. Accommodation and Food Services Sector



Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey. Data is for the United States and includes fast food eating places as well as full-service restaurants and lodging places.

Job separation at fast food establishments happens most frequently because workers quit their jobs. The most frequent reason is low wages.[11]

Low wages, part-time hours, on-demand scheduling and unpredictable scheduling[12] create and perpetuate poverty. Workers scramble between jobs to escape poverty, while fighting the deprivation and housing instability caused by poverty and intermittent unemployment.

Housing becomes more precarious during the unemployed gaps between jobs as workers look for a job with better pay or working conditions. These intervals of unemployment may become windows of deeper poverty. Homelessness is the most extreme form of poverty. Workers who were already behind on their rent may lose their housing when they lose their job.

Conclusions

The fast food industry relies heavily Latino young adults who are supporting children with their earnings. The workforce has important educational achievements. Three-quarters of California's fast food workers have at least a high school diploma and 45 percent have gone to college.

Anneisha Williams, Jack in the Box, Los Angeles, CA

Every day I worry about losing my housing. I lived in a shelter for two years, and now I am behind on my rent and trying to keep gas in my car. I rely on SNAP to feed my kids. I think the fast food companies contribute to making people homeless, because we don't get enough work hours and we don't get paid right. I got promoted to shift leader in December, but I never got the shift leader pay increase.

I am struggling to pay my rent. My rent is $1,730 per month for a two-bedroom apartment with enough space for me and my two youngest children. I have been living here for three years, I came here from the shelter. I am well over $13,000 behind on my rent right now.

A majority of workers do not have full-time jobs. Because of scarce hours of work and pervasive low wages, over two-thirds of frontline fast food workers are paid less than $20,000 a year. The poverty rate for frontline workers is almost three times higher than for the rest of California's workers.

Because of their low incomes and inability to afford private health insurance, one third of frontline fast food workers in Los Angeles receive public health care through Medi-Cal. In addition, a fifth of frontline workers depend on food stamps to fight hunger.

The fast food industry increases corporate profits by transferring the health and nutritional needs of its workforce onto the public.

Because of low wages and insufficient incomes to afford adequate homes for their families, 43 percent of frontline workers in Los Angeles live in overcrowded housing. A quarter of frontline workers in Los Angeles spend over half of their income for rent. These workers are precariously housed and vulnerable to homelessness.

President Obama at Chipotle, Official White House photo by Pete Souza

3. Poverty and Homelessness

Economic Homelessness

There is a strong connection between under-employment, unemployment, poverty, and homelessness. Not having enough money to pay rent contributes to homelessness just as much as the lack of affordable housing does. Low earnings make eviction and homelessness a real risk. Good jobs are crucial for preventing homelessness.

Economic homelessness emerges when workers are destitute and unable to pay rent. Poverty and inability to pay for housing are the primary cause of homelessness.

The fast food industry is a poverty employer, with a larger share of its workers in poverty than any other industry.[13] All low-wage workers face some level of risk that they will become homeless. This risk is compounded in the fast food industry by the combination of low wages, part-time work and employee churn. These interlocking hazards undercut workers' ability to pay their rent.

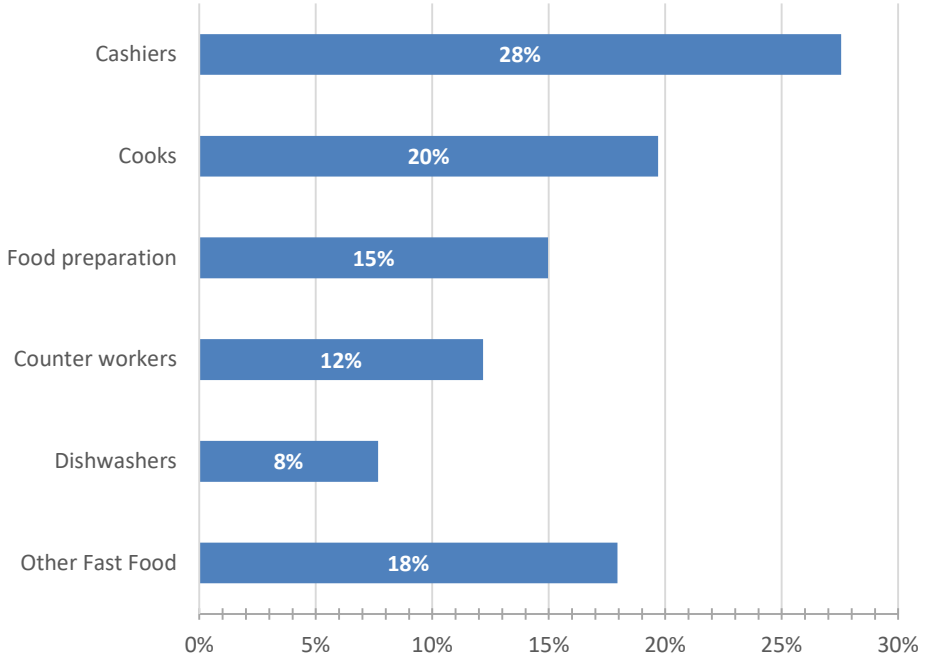
44% of frontline workers are paid less than $12,000 a year, which is below the poverty level.

Attributes of Homeless Fast Food Workers

Occupations

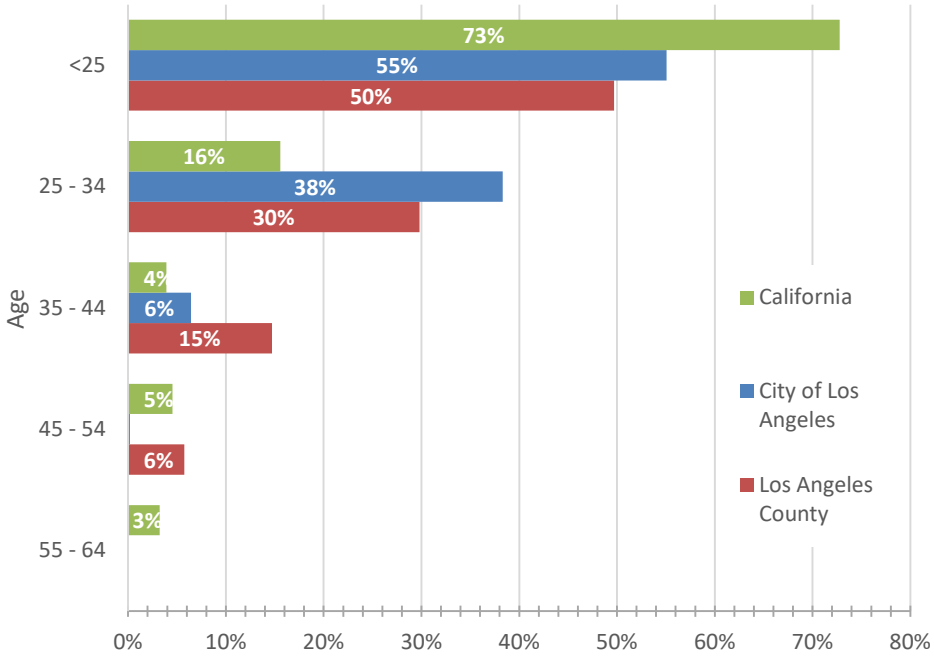
Frontline workers account for 82 percent of California's homeless fast food workers as shown in *Figure 14.*[14] Forty-four percent of frontline workers statewide are paid less than $12,000 a year, which is below the poverty threshold of $15,225 for a single adult, as shown in *Figure 7.*

Figure 14: Occupational Distribution of California's Homeless Fast Food Workers



Source: U.S. Census Bureau American Community Survey Public Use Microdata Sample 2016-2020. Data is for homeless fast food workers with $400 or more in wages in the past 12 months.

Figure 15: Age of Homeless Fast Food Workers



Source: U.S. Census Bureau American Community Survey Public Use Microdata Sample 2016-2020. Data is for homeless fast food workers with $400 or more in wages in the past 12 months.

This analysis only looks at homeless individuals who are currently employed or who have been employed in the past year. Individuals who have been unemployed for over a year or who have never been in the labor force are not included in this profile of homeless fast food workers.

Age

Young adult workers under 25 years of age, who are the mainstay of California's fast food industry, make up almost three-quarters (73 percent) of its homeless workforce, as shown in *Figure 15*.[15] Rather than providing a career path for building independent, stable lives based on the incomes they earn, fast food employment is often a trapdoor into homelessness.

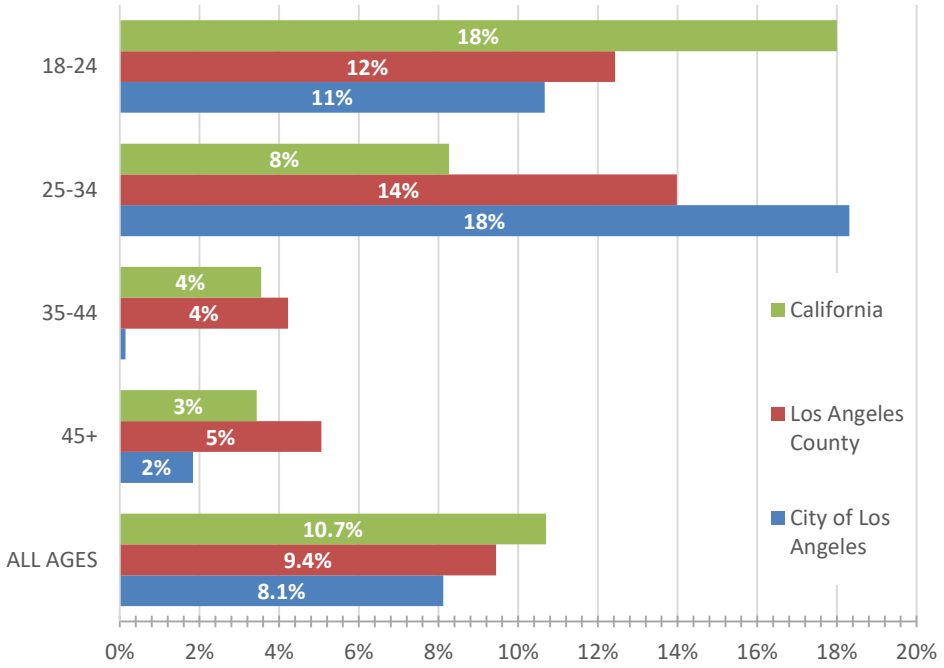
Young adults under 25 make up three-quarters of the homeless fast food workforce in California.

The age of homeless workers skews older in Los Angeles. Half are under 25, and a third are 25 to 34. These workers have invested more of their working lives in the fast food industry but ended up destitute and unsheltered.

Homeless young adult fast food workers account for 18 percent of all homeless young adult workers in California, as shown in *Figure 16*. In Los Angeles County they account for 12 percent of all homeless young adults and in the City of Los Angeles they account for 11 percent.

In the 25 to 34 age group, homeless fast food workers in Los Angeles County account for 14 percent of all homeless workers, and in the City of Los Angeles they account for 18 percent of all homeless workers.

Figure 16: Fast Food Workers as a Percent of All Homeless Workers in Each Age Group



Source: U.S. Census Bureau American Community Survey Public Use Microdata Sample 2016-2020. Data is for homeless fast food workers with $400 or more in wages in the past 12 months.

Most homeless fast food work workers are under 35 years of age and they are by far the largest group of young, destitute and homeless workers in any industry. They account for 15 percent of all homeless workers under 35 years of age in California.

Across all age groups, homeless fast food workers are estimated to make up 11 percent of all homeless workers in California, nine percent in Los Angeles County, and eight percent in the City of Los Angeles.[16]

Homeless fast food workers make up 11% of all homeless workers in California.

Ethnicity

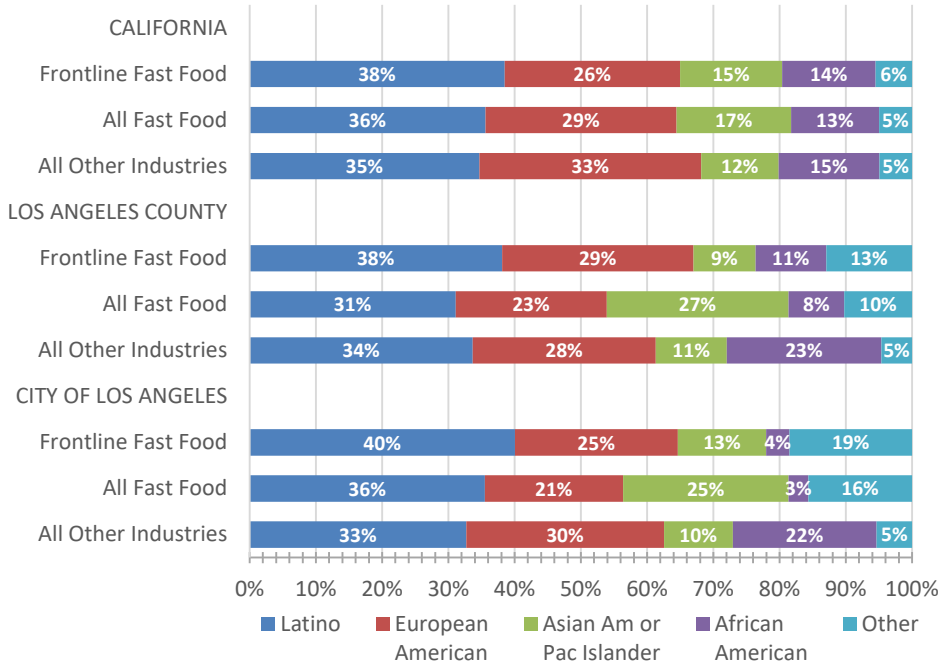
Latinos make up the largest ethnic share of California's homeless workers, as shown in *Figure 17*. They account for 31 to 36 percent of all homeless fast food workers and 38 to 40 percent of frontline workers, depending on geography.

European Americans make up the smallest share of homeless fast food workers in the City of Los Angeles, accounting for 21 percent. Their largest share is 29 percent in California.

Asian Americans and Pacific Islanders make up the smallest share of homeless fast food workers in California, accounting for 17 percent. Their largest share is 27 percent in Los Angeles County.

African Americans make up the smallest share of homeless fast food workers in the City of Los Angeles, accounting for 3 percent. However, they make up 13 percent of all homeless fast food workers in California.

Figure 17: Ethnicity of Homeless Workers



Source: U.S. Census Bureau American Community Survey Public Use Microdata Sample 2016-2020. Data is for homeless fast food workers with $400 or more in wages in the past 12 months.

Other ethnicities, which includes Native Americans and individuals with multiple ethnicities, make up the smallest share of homeless fast food workers in the California, accounting for 5 percent. Their largest share is 16 percent in the City of Los Angeles.

In addition to each ethnic group's share of the homeless workforce, it is also important to understand the rate of homelessness for each group – their level of risk.

Risk of Homelessness

The risk of homelessness is higher for *African Americans* than for any other ethnic group in California's fast food workforce, as shown in *Figure 18*. Their rate of homelessness is 3.8 times greater than that of the average fast food worker and 4.2 times greater than that of the average frontline worker.[17]

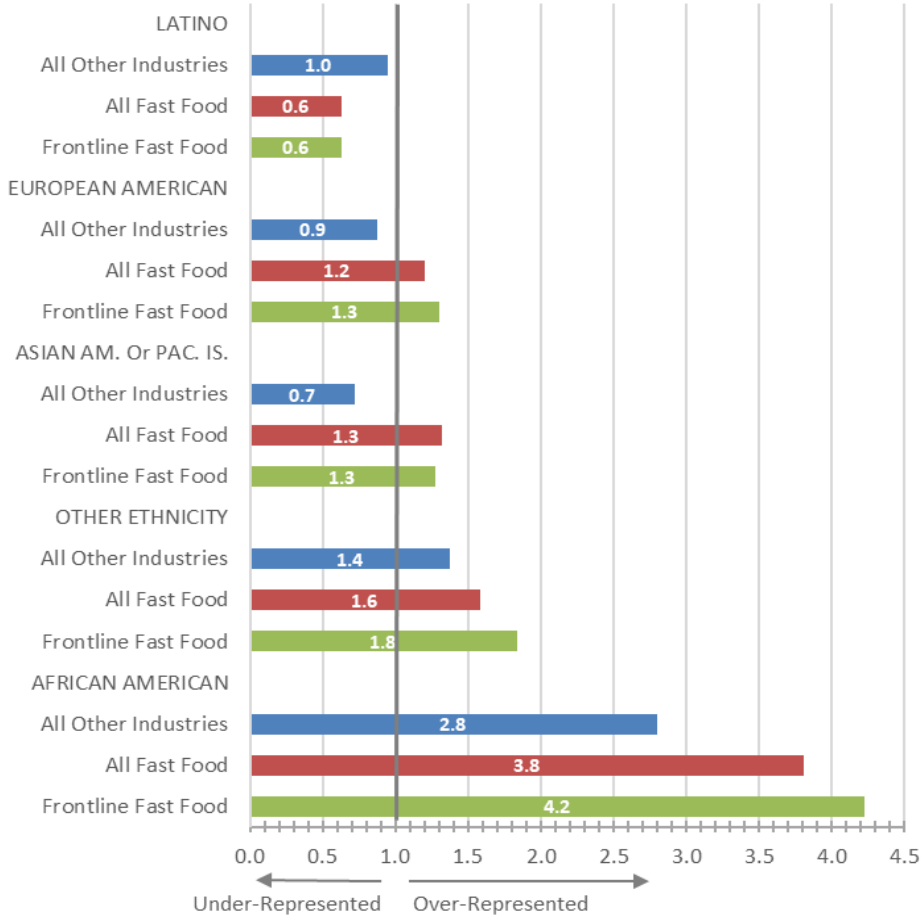
The rate of homelessness among frontline African American workers is 4.2 times greater than average.

The second highest level of risk is for *other ethnicities*, with a rate of homelessness that is 1.6 times greater than that of the average fast food worker and 1.8 times greater than that of the average front line worker.

The third highest level of risk is for *Asian Americans and Pacific Islanders*, with a rate of homelessness that is 1.3 times greater than that of the average fast food worker as well as the average front line worker.

The fourth highest level of risk is for *European Americans*, with a rate of homelessness that is 1.2 times greater than that of the average fast food worker and 1.3 times greater than that of the average front line worker.

Figure 18: Index of Homelessness in California: Ratio of Homeless Workers to All Workers in the Same Industry Group



Source: U.S. Census Bureau American Community Survey Public Use Microdata Sample 2016-2020. Data is for homeless fast food workers with $400 or more in wages in the past 12 months.

The lowest level of risk is for *Latinos*, with a rate of homelessness that is 60 percent of the average for both fast food workers and front line workers, although they make up the largest group of homeless workers.

Human Capital

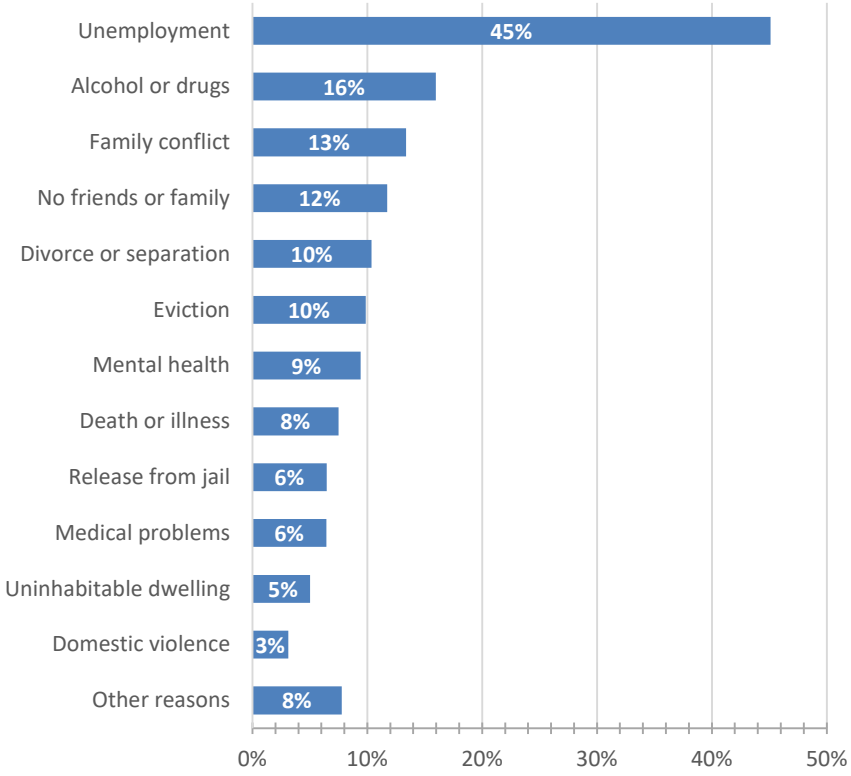
The valuable human capital of frontline workers is squandered when they become homeless.

The valuable human capital of frontline workers is squandered both for them and for society when they become destitute and homeless rather than being productive workers and taxpayers.

Over the course of persistent homelessness, the harm that people suffer multiplies and becomes engrained. Rates of mental disorders, health problems, substance use disorders, and justice system entanglement double and triple.[18] These problems are perpetuated and reinforced by social isolation.

The public burden includes costs for disabilities, health and mental health care, incarceration, and deep housing subsidies if permanently affordable housing becomes available.

Figure 19: Homeless Individuals' Explanations for Why They Are Homeless



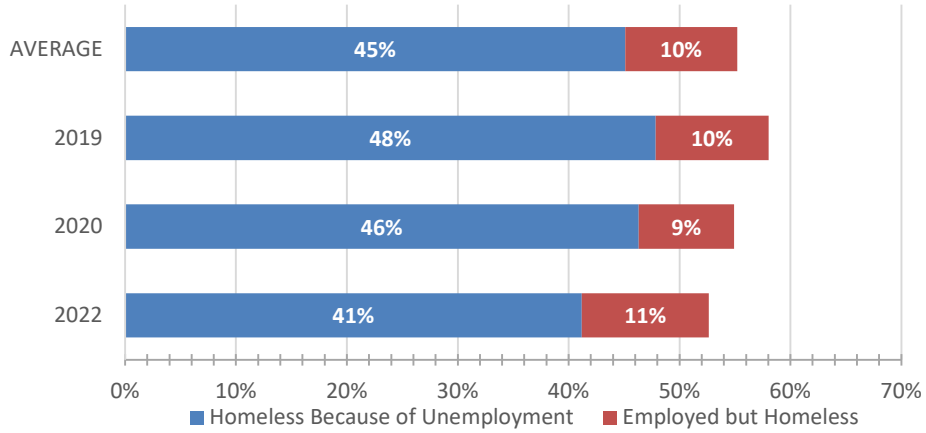
Source: Los Angeles Homeless Services Authority; average of responses from unsheltered homeless individuals in surveys conducted in 2019, 2020 and 2022. Total of percentages is greater than 100 percent because individuals could identify more than one reason for being homeless.

Homelessness Caused by Unemployment and Under-Employment

People become homeless for different reasons, including unemployment, families breaking up, medical or mental health problems, and substance use disorders. Unemployment is by far the most frequent explanation that homeless individuals provide when asked why they are homeless, as shown in *Figure 19.*[19] Unemployment causes 45 percent of homelessness.

Unemployment is by far the most frequent explanation for homelessness.

Figure 20: Percent of Homelessness Caused by Unemployment and Under-Employment



Source: Los Angeles Homeless Services Authority; average of responses from unsheltered homeless individuals in surveys conducted in 2019, 2020 and 2022.

Imelda Arroyo, McDonald's, Oakland, CA

I always go to work even if I don't feel well because if you miss work they cut your schedule. My greatest fear is to be late with the rent. I don't want any pretext to get evicted. The landlord harasses us. He tried to charge extra for each child. He cut back a plant near the front door so he can monitor us coming and going, and he doesn't fix anything. The bathroom sink is falling off the wall and rats are chewing through the kitchen cabinets. To move, we would need $7,000 for first, last and deposit. I have worked for McDonald's for 16 years, and they just don't pay me enough.

We make sacrifices to pay the rent. We can still pay the bills, but we can't afford a lot of food right now. Everything is very expensive. Now I am buying a 25-pound bag of beans and a 25-pound bag of rice, to make sure we have the most basic food.

Lack of earnings from employment and consequent inability to pay for housing is the predominant and underappreciated reason for homelessness.

In addition to workers who are unemployed and homeless, there also are workers who are employed but homeless, as shown in *Figure 20*. This employment may be part-time, temporary, seasonal or full-time.

Ten percent of homeless individuals who did not identify unemployment as the cause of their homelessness reported being currently employed. This excludes another nine percent of homeless individuals who were currently working but also identified unemployment as the cause of their homelessness.[20]

We estimate that 55 percent of homeless individuals were recently in the labor force or are still working. This includes 45 percent who say they are homeless because of unemployment and an additional 10 percent who are homeless but also report that they are currently working.

Earlier, in *Figure 16*, we estimated that fast food workers make up the following share of all homeless workers:

- California 10.7 percent

- Los Angeles County 9.4 percent
- City of Los Angeles 8.1 percent

Based on these estimates of the share of homeless workers who are part of the fast food labor force and the estimate that 55 percent of homeless individuals are, or recently have been, part of the labor force, we estimate that fast food workers make up the following share of the total homeless population:[21]

- California 5.9 percent
- Los Angeles County 5.2 percent
- City of Los Angeles 4.5 percent

Based on the most recent homeless count data, if the fast food industry had provided sustaining pay and stable employment that enabled its workforce to remain housed, there would be:

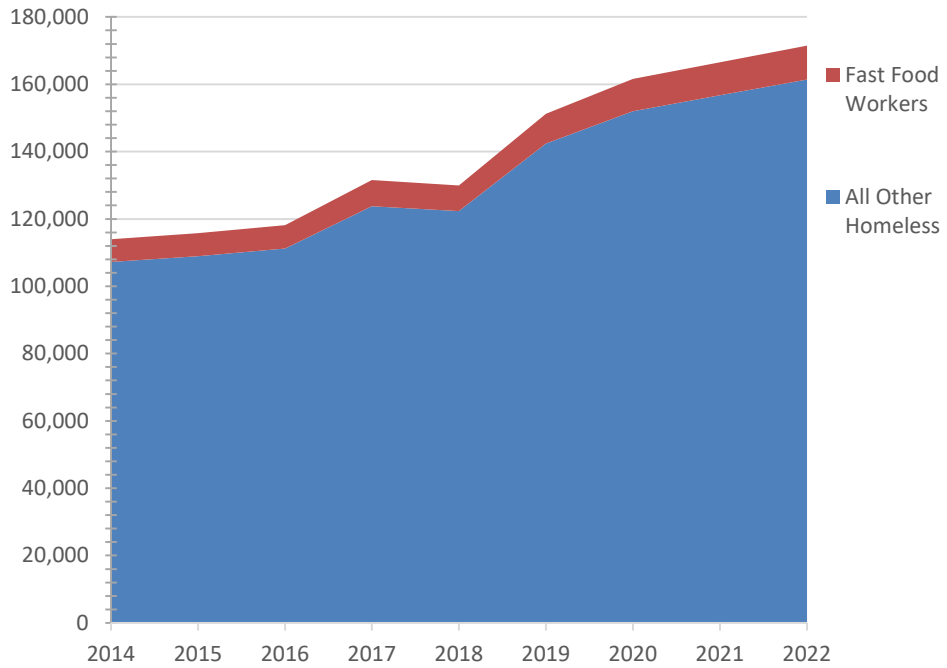
- 10,120 fewer workers who are homeless in California[22]
- 3,595 fewer workers who are homeless in Los Angeles County[23]
- 1,889 fewer workers who are homeless in the City of Los Angeles[24]

10,120 fast food workers in California are homeless.

Closing the Pipeline from Fast Food to Homelessness

Most frontline fast food workers are precariously housed because of low wages and part-time hours. There is no floor to prevent their fall into homelessness. The 5.9 percent share of California's homeless residents who

Figure 21: Share of California's Homeless Residents from the Fast Food Workforce



Source: U.S. Department of Housing and Urban Development, Annual Homeless Assessment Report to Congress, 2014 to 2022. The fast food component of the homeless population is from Economic Roundtable estimates.

Antonia Martinez Cortes, Taco Bell, San Jose, CA

I had eye surgery in September and when I came back to work at Taco Bell in October, management retaliated against me, cutting my schedule for several months from nearly full time down to around half time – a difference of more than $800 per month. I live with my son, who is in his late 20s, in a 2-bedroom apartment. We share one room and rent out the other to help pay the rent. The couple renting the other room just moved out, and the property manager hasn't approved another renter yet, so we might have to move out because we can't afford the rent with just the two of us.

I have lived in 4 places in the past 5 years, including a room in a garage without its own kitchen, and then a room in a house with some chance to cook in the kitchen, but they would throw away my food from the refrigerator.

Right now I am struggling to pay for my eye medication, it costs $600 and I have already run out and I am trying to find out if I can get it at a discount somehow. My friends share dried beans, lentils and rice with me that they get from the food pantries, but I cannot go myself because I don't have a car, and it is too much for me to carry.

come from the fast food labor force is a continuous stream, adding to the daily flow of new entrants into homelessness.

The estimated 5.9 percent share of new entrants into homelessness from the fast food workforce means that 10,120 fast food workers were added to California's homeless population from 2014 to 2022, as shown in *Figure 21*.

California's homeless population grew 51 percent from 2014 to 2022. We estimate that homelessness would have grown about one-fifth less in California if the fast food wage floor was adequate to ensure that workers have stable housing. Homelessness would have grown a still disastrous 42 percent, but not 51 percent.

Reducing the flow of new entrants into homelessness is by far the most feasible strategy for reducing and ending homelessness. There is far less public cost and human misery in preventing someone from

Dilia Espana, Wendy's, Oakland, CA

I used to volunteer at a church handing out food on Saturday mornings, and now I have to go there to ask for food. My husband and I both work at Wendy's. He does not get enough hours, and I work five days a week, but my check only comes out to about $900 every two weeks. We have lived in three different places during the past year. We shared a two-bedroom with another family of five, then we shared a three-bedroom with a total of 13 people, and now it is just the five of us in a small studio. It costs more, and we can't go out at night because of the shootings.

We have not gotten behind on our bills because we borrow money from family. I owe my family $1,500. A coworker at Wendy's right now is falling behind on her rent. She is running around asking if anyone knows about other jobs.

becoming homeless than in intervening after the fact with deeply subsidized affordable housing that is costly to build and lags the level of need by decades.

Conclusions

Forty-four percent of frontline workers statewide are paid less than $12,000 a year, which is below the poverty threshold of $15,225 for a single adult. These poverty wages are the seedbed of economic homelessness.

Unemployment causes 45 percent of homelessness. In addition, 10 percent of currently employed workers are homeless. Lack of earnings from employment and consequent inability to pay for housing is the predominant and underappreciated reason for homelessness.

Young adult workers under 25 years of age who are the mainstay of California's fast food industry make up three-quarters of its homeless workforce. Rather than providing a career path for building independent, stable lives based on the incomes that they earn, fast food employment is often a trap door into homelessness.

Latinos make up the largest ethnic share of California's homeless fast food workers. African Americans make up a smaller share, but their risk of homelessness is four times greater than average for the fast food industry.

Homelessness would have grown one-fifth less in California if no fast food workers had become homeless.

Fast food workers account for an estimated 5.9 percent of California's homeless residents, 5.2 percent of Los Angeles County's homeless residents and 4.5 percent of the City of Los Angeles' homeless residents.

The 5.9 percent share of California's homeless residents who come from the fast food labor force, along with the shares in the City and County of Los Angeles, is a continuous stream, adding to the daily flow of new entrants into homelessness.

If no workers from the fast food industry had become homeless since 2014, California would have an estimated 10,120 fewer homeless individuals today. This means that there would have been one-fifth less growth in the state's homeless population.

Homelessness is primarily a problem of working poverty. The fast food industry is the largest poverty employer in California. Raising the wage floor in this industry is the single most important step for reducing economic homelessness in the state.

McDonald's corporate headquarters in Chicago. Photo credit: Google Maps, Street View

4. Financial Strength of the Fast Food Industry

Industry Profit and Concentration

The fast food industry is thriving and has enough wealth to treat workers fairly. The top five publicly traded fast food corporations operating in California[25] generated $14.5 billion in profit in 2021, and $12 billion in 2022.[26] When Governor Gavin Newsom announced in 2022 that California's economy was rebounding from the pandemic, he highlighted the fast food sector as the number one driver of employment gains.[27]

A majority of fast food brands use a franchise structure that channels business risks to local franchisees while garnering a share of revenue that does not guarantee any profit for the operator. This enables corporations to buffer themselves from responsibility for working conditions,[28] and shrinks local resources for improving the lives of workers.

McDonald's CEO received a pay increase of $4,437 an hour.

McDonald's Corporation, headquartered in Chicago, is an example of this business model. It is the largest fast food employer and the wealthiest fast food business in California. In 2021, McDonald's posted record profits of $7.5 billion.[29] That year, McDonald's CEO, Chris Kempczinski, was rewarded with an 85 percent salary increase, the equivalent of a $4,437 per hour raise, while the typical McDonald's worker made 2.5 percent *less* than the year before.[30]

Salaries of the chief executive officers of the five largest brands are shown in *Table 1,* with CEO pay that is as much as 1,603 times greater than the median pay for workers.[31]

Table 1: Chief Executive Officer Salaries in 2022 and Ratio to Median Worker Pay

Brand	Chief Executive Officer	Total Compensation in 2022	Median Worker Pay in 2022	Ratio of CEO Pay to Median Worker Pay
McDonald's	Christopher Kempczinski	$17,770,514	$14,521	1,224:1
Starbucks	Kevin Johnson and Howard Schultz	$17,092,712	$12,935	1,579:1
Yum! Brands (Taco Bell, KFC, Pizza Hut)	David W. Gibbs	$16,671,654	$10,398	1,603:1
Restaurant Brands International (Burger King, Popeye's)	José Cil	$17,051,342	$47,775	373:1
Jack in the Box	Darin Harris	$4,623,568	$19,749	234:1

Source: Company proxy statements DEF 14a, 2022, the most recent year for which data is available for all companies.

The fast food industry is concentrated in a small number of brands. There are more than 30,000 fast food locations in California, and the majority of them are controlled by the top 20 brands. These widely recognized brands

include McDonald's, Carl's Jr., Subway and Jack in the Box. Less than one percent of the fast food locations in California are controlled by brands with fewer than four locations in the state.

Many top brands in California have a number of multi-unit, mega-franchisees that own dozens or even hundreds of locations. This is not an industry that is characterized by small businesses.

The financial strength of the fast food industry is reflected in Burger King's annual statement to the Securities and Exchange Commission, "We believe that our franchise restaurants will generate a consistent, profitable royalty stream to us, with minimal ongoing capital expenditures or incremental expense by us."[32]

Revenue and profit for the five largest brands are shown in *Table 2*.

Table 2: Profits of Five Largest Publicly Traded Fast Food Corporations in California

Brand	Revenue 2021 (millions)	Profit/Net Income 2021 (millions)	Revenue 2022 (millions)	Profit/Net Income 2022 (millions)
McDonald's	$22,873	$7,545	$22,854	$6,177
Starbucks	$27,291	$4,199	$30,232	$3,321
Yum! Brands (Taco Bell, KFC, Pizza Hut)	$6,584	$1,575	$6,842	$1,325
Restaurant Brands International (Burger King, Popeye's)	$5,739	$838	$6,505	$1,008
Jack in the Box	$1,144	$166	$1,468	$116

Source: Capital IQ

Growth of the Fast Food Industry

The fast food industry has grown steadily nearly every year for the last decade, with an average yearly revenue growth rate of 2.5 percent over the last five years.[33] The one exception was 2020, due to the pandemic – but even then, the industry bounced back from the dip in sales by mid-year.[34]

The fast food industry posted its best year ever in 2022 with U.S. revenue of $362 billion, up from $353 billion in 2021. Since 2018, fast food has grown faster than the economy overall, despite the pandemic's outsized impact on restaurants.[35] McDonald's, by far the largest corporation in the fast food segment, with a significantly larger U.S. and global market share than other top brands,[36] had record profits in 2021 and strong profits in 2022. Its stock price outperformed the S&P 500 last year.[37]

The fast food industry posted its best year ever in 2022 with U.S. revenue of $362 billion.

McDonald's CEO, Christopher Kempczinski, told investors, "Since the start of the pandemic, we've grown system-wide sales nearly $20 billion

Gloria Gonzalez Garcia, Subway, San Jose, CA

I have worked in fast food for 14 years. I work double shifts at two Subway stores, with no overtime pay because they say one store is owned by the father and the other store is owned by the son, so they say it is different companies. I live in a trailer park and I spent my life savings on the trailer. Then I received a notice of code violations I couldn't afford to fix fast enough, so I am being evicted.

I was always responsible. I saved since I started working. I work very hard out of necessity. I work a lot of 10-hour days, but I don't get paid overtime. I am being evicted and losing my life savings.

The cost of food has affected me a lot. We can't buy eggs and meat. We used to be able to buy them. Right now eating eggs is a luxury. Only the rich can eat eggs.

despite closing over 800 restaurants in Russia. Our brand is clearly in the strongest position it's been in years." [38]

Yum Brands (KFC, Pizza Hut and Taco Bell) CEO, David Gibbs, told investors, "Such incredible performance under highly challenging conditions underscores the tremendous confidence I have that even after a remarkable 25 years of growth as a public company, our best days are clearly ahead of us." [39]

Fast food restaurants did well during the pandemic because the limited physical interaction with customers made it easier to adapt to pandemic restrictions.[40]

Industry Structure

There is a fundamental power imbalance within the fast food industry, weighted in favor of corporate brands, that marginalizes workers as well as franchise owners. The franchise business model concentrates both power and profit in global corporate brands, creating what has been described as a "fissured" workplace.[41]

Edith Navarro, Carl's Jr., Whittier, CA

My employer is retaliating against me for calling in sick with a knee injury and asking for paid sick leave. They cut my work hours by more than half and transferred me to a store in Whittier, so far from my home in Wilmington that I have to drive two hours to get there.

The shifts are so short it is hardly worth the cost of gas. I have fallen behind on my rent and my light and water bills.

I am trying to continue forward. I had to ask the property manager where I live to just accept what I can pay for now. I found a second job at another restaurant in January, but it will take me some time to earn enough to pay my landlord what I owe, and to pay my utility bills. I am hoping that the landlord will be patient with me about getting paid.

Corporate brands impose franchise agreements on their franchisees that create barriers to compliance with labor standards by requiring compliance with a myriad of detailed and costly guidelines governing nearly every area of those franchisees' operations, from prices to suppliers to hours to production methods.[42]

In the franchise structure, franchisees effectively function as subsidiaries but without the legal liability of ownership or risk of antitrust enforcement. The result is that labor costs are the largest costs over which franchisees have real control, and controlling these costs becomes the principal way they can see a profit. This creates an incentive for labor violations.

Solutions

Poverty among frontline workers is the result of a system designed to ensure maximum profit for fast food corporations.

The California legislature is exploring solutions through legislation such as Assembly Bill 257, which would set industry standards for wages and

Poverty among frontline workers is the result of a system designed to ensure maximum profit for fast food corporations.

working hours. This bill was signed into law in 2022, but has not been implemented because a coalition of restaurant and business groups has sponsored a referendum that will be on the California ballot in 2024, asking voters whether they want to uphold or overturn the bill.

Structural changes that will correct structural problems in the fast food industry include:

Empower Workers

Allow workers to organize and have a voice in setting industry standards that will enable them to support their families and stay housed. Ensure that their participation in setting standards is not met with retaliation.

Give Workers a Seat at the Table

Corporate executives, workers and government regulators must work together to solve industry problems. Industry-wide standards will ensure that companies aiming to do the right thing will not be put at a competitive disadvantage. Currently, countries in Europe establish decent working conditions through industry standards-setting boards while still enabling fast food corporations to earn a profit.[43]

Require Corporate Accountability

Corporate brands must supply their local franchise operators with the resources to comply with California's labor laws and offer wages, benefits and scheduling that will enable frontline workers to afford housing, food and health care. Fast food companies must become responsible corporate citizens.

Endnotes

[1] California Employment Development Department (EDD), Labor Market Information Division (LMID), "Current Employment Statistics (CES), Annual Average: 1990 – 2021." Employment data showing 665,600 workers is for *Limited Services Eating Places* in 2021. The fast food industry is regaining employment after losses during the Covid pandemic. (accessed March 11, 2023), https://data.edd.ca.gov/Industry-Information-/Current-Employment-Statistics-CES-Annual-Average-1/pwx8-ztk5.

[2] The following steps using Implan's 2019 industry input-output models for California and Los Angeles County produced the estimated average hourly sales for each worker in the limited-service restaurant labor force.

- California had 673,571 workers and $58,973,519,531 in industry output (sales) for an average of $87,554 in annual revenue per employee.
- Los Angeles County had 178,321 workers and $15,904,082,031 in industry output (sales) for an average of $89,188 in annual revenue per employee.
- Fast food workers in California were employed for an average of 1,488 hours a year, and in Los Angeles County for 1,588 hours a year. U.S. Census Bureau, American Community Survey Public Use Microdata Sample, 2016-2020. Analysis by the Economic Roundtable.
- Annual revenue per worker divided by annual hours of work per worker equals $58.86 in hourly revenue per worker in California and $56.16 per hour in Los Angeles County.

[3] U.S. Census Bureau, American Community Survey (ACS), Five-Year Public Use Microdata Sample (PUMS), 2016-2020. PUMS data do not have a separate industry breakout for fast food. Limited service and full service restaurants are rolled up together under NAICS code 722Z. Records for full-service workers were removed by filtering out occupations that are unique to full service restaurants based on the U.S. Bureau of Labor Statistics industry-occupation matrix for 2020, which contains separate occupational breakouts for full-service and limited-service restaurants (https://www.bls.gov/emp). This filtered out records for full-service workers such as chefs, bartenders, hosts, and waiters. This means that full-service jobs that are also found in limited-service eating places, such as cook, dishwasher or food preparation worker are included in the fast food workforce. This results in the over-counting of some occupations.

[4] California EDD LMID, *Labor Market Review*, (January 2023), https://labormarketinfo.edd.ca.gov/Publications/Labor-Market-Analysis/calmr.pdf.

[5] Data is from ACS PUMS 2016 to 2020, with earnings adjusted to 2020 dollars, for workers with annual earnings of $400 or more. Mean and average annual earnings were:

CALIFORNIA	Mean	Median
Frontline Fast Food	$18,086	$14,949
All Fast Food	$24,461	$17,105
All Other Industries	$61,858	$40,910
LOS ANGELES COUNTY		
Frontline Fast Food	$19,310	$16,671
All Fast Food	$24,817	$19,563
All Other Industries	$55,354	$36,551
CITY OF LOS ANGELES		
Frontline Fast Food	$19,648	$17,694
All Fast Food	$25,296	$20,123
All Other Industries	$57,160	$36,221

[6] California Department of Social Services, Eligibility and Issuance Requirements,

(accessed March 13, 2023), https://www.cdss.ca.gov/inforesources/cdss-programs/calfresh/eligibility-and-issuance-requirements#income.

[7] The U.S. Census defines an overcrowded unit as one occupied by 1.01 or more persons per room (excluding bathrooms and kitchens). Units with more than 1.5 persons per room are considered severely overcrowded. U.S. Census Bureau, "Historical Census of Housing Tables: Crowding," https://www.census.gov/data/tables/time-series/dec/coh-crowding.html.

[8] U.S. Department of Housing and Human Services, "Housing Instability," https://health.gov/healthypeople/priority-areas/social-determinants-health/literature-summaries/housing-instability#:~:text=Overcrowding%20may%20affect%20mental%20health,the%20risk%20of%20infectious%20disease.&text=Housing%20costs%20that%20are%20more,eviction%20(a%20forced%20move).

[9] Two nongovernmental publications reported a 144 percent turnover rate in the fast food industry in 2021. *Daily Pay* (November 15, 2022), https://www.dailypay.com/resource-center/blog/qsr-and-restaurant-turnover-rates/#:~:text=In%202021%2C%20the%20overall%20turnover,higher%20than%20any%20other%20industry. *Business Insider*, (August 24, 2021), https://www.businessinsider.com/what-its-like-to-work-restaurant-industry-fast-food-statistics-2021-8.

[10] *Matter*, "Causes and Effects of Employee Turnover," (October 4, 2021), https://matterapp.com/blog/causes-and-effects-employee-turnover.

[11] D. J. Costantino, "8 Reasons Why Restaurant Workers Quit — And How To Prevent It," *7 Shifts Blog*, (June 3, 2022), https://www.7shifts.com/blog/why-restaurant-workers-quit-how-to-retain/#:~:text=Wages%20are%20the%20main%20factor,why%20they%20are%20planning%20to.

[12] Evelyn Bellew, Kristen Harknett and Daniel Schneider, "Low Pay, Less Predictability: Fast Food Jobs in California," Harvard Kennedy School, (August 2022), https://shift.hks.harvard.edu/wp-content/uploads/2022/07/CA_Fast_Food_DRAFT.pdf.

[13] Daniel Flaming, Anthony Orlando, Patrick Burns, and Seth Pickens, Locked Out Unemployment and Homelessness in the Covid Economy, Economic Roundtable, pp. 61-62, (January 2021), https://economicrt.org/publication/locked-out/.

[14] The Economic Roundtable's method for identifying records of individual who are likely to be homeless in the American Community Survey (ACS) Public Use Microdata Sample (PUMS) 2016-2020 is as follows:

The ACS classifies residents of homeless shelters and missions, as well as unsheltered homeless individuals as residents of *non-institutional group quarters* (https://www.ofm.wa.gov/washington-data-research/population-demographics/decennial-census/2020-census-everyone-counts/2020-census-what-you-need-know/hard-count-population-2020-census/counting-people-experiencing-homelessness-during-2020-census). This category also includes people residing in college dormitories, military barracks, group homes, and religious group quarters (https://www.census.gov/topics/income-poverty/poverty/guidance/group-quarters.html).

We used a series of filtering steps to separate residents of homeless shelters and unsheltered homeless individuals from residents of other types of non-institutional group quarters in the 2016-2020 PUMS records from the ACS. Among individuals in non-institutional group quarters, the following types of records were excluded:

1. Individuals living in military quarters were excluded by removing records of people on active military duty or employed by the armed forces.
2. College and university students living in campus housing were excluded by removing records of people 16 to 24 years of age who were attending college or graduate school, unless they were receiving cash public assistance, food stamps or Medicaid.
3. Graduate students, research assistants, staff, and faculty living in campus housing or religious facilities were excluded by removing records of people with M.A., Ph.D. or professional degrees unless they were receiving cash public assistance, food stamps or Medicaid.
4. Full-time workers who may have sufficient income to afford housing and but were residing temporarily in rehabilitation or recovery facilities, or living full-time in religious facilities, were excluded by removing records of people who worked full-time last year (50 or more weeks and 40 or more hours per week) and also were employed in the most recent week, unless they were receiving cash public assistance, food stamps or Medicaid.
5. A second filtering step to exclude people with sufficient income to afford housing was to remove records of people who had earned $30,000 or more in the prior year, unless they were receiving cash public assistance, food stamps or Medicaid.
6. To err on the side of caution, "riches to rags" cases were excluded by removing records of people with incomes of $50,000 or more in the prior year, even if they were receiving some type of public assistance. This represents one percent of records that passed filters 1 to 5 for identifying homeless individuals.

These filtering steps identified 16,545 weighted ACS PUMS records of California residents 16 to 64 years of age in non-institutional group quarters who can reasonably be described as homeless, based on having excluded other groups that are also classified as residing in non-institutional group quarters. The sum of weights assigned to these records shows that they represent 161,119 California residents.

The records of likely homeless individuals from ACS PUMS are valuable because they enable us to use person-level records to describe the demographic, employment and income attributes of both homeless and housed individuals, and to compare individuals who are likely to be homeless to the overall population.

[15] PUMS records provide employment information for workers as young as 16 years of age. However, 16- and 17-year-old workers account for only 1.1 percent of all homeless workers in California identified in PUMS, and only 0.7 percent of homeless fast food workers.

[16] PUMS data is based on place of residence rather than place of employment. Homeless workers residing outside the City of Los Angeles may be employed within the city, and *vice versa*.

[17] The index of homelessness was computed by dividing a groups share of homeless workers by its share of the employed labor force. This was computed for frontline fast food workers, all fast food workers and all workers in other industries.

[18] Daniel Flaming, Patrick Burns and Jane Carlen, Escape Routes: Meta-Analysis of Homelessness in L.A., (April 24, 2018), https://economicrt.org/publication/escape-routes/.

[19] A demographic survey of unsheltered homeless individuals is conducted as part of the Los Angeles Homeless Services Authority's annual (except in 2021) homeless count. The survey asks a wide range of questions about the attributes and conditions of unsheltered homeless individuals. It is intended to be a random-sample survey but encounters

difficulties in achieving random outcomes. These difficulties are discussed in two reports by the Economic Roundtable: *Who Counts* and *Breaking the Fall*. Because of these sampling difficulties, we have averaged the results from the three most recent surveys in an effort to offset sample skewness in a single year. Results from this survey are nevertheless valuable because it is a large survey conducted rigorously, obtaining responses from an average of 3,942 individuals each year in 2019, 2020 and 2022. Separate, smaller, more limited data collection efforts are conducted for families, young adults (18 to 24) and individuals staying in homeless shelters. The demographic survey data shown in this report is for unsheltered homeless individuals 25 years of age and older. The Los Angeles Homeless Services Authority's jurisdiction includes 39 percent of California's total homeless population. This is based on *The 2020 Annual Homeless Assessment Report (AHAR) to Congress* by the U.S. Department of Housing and Urban Development. Because comparable data is not available from other parts of the state, or for the state as a whole, and because the data represents a large share of California's homeless population, we have applied the results to the entire state.

[20] The question in the 2019-2022 demographic surveys about employment status provided 10 response options. We counted individuals as employed if they reported being self-employed, doing recurring temporary seasonal work, doing temporary work with a termination date, working part-time (35 hours or less), or working full-time. We counted individuals as unemployed if they reported being on disability, being unemployed and actively looking for work, being unemployed and not actively looking for work, being retired, or being an unemployed student. The demographic survey does not provide industry data, but in the next step of this analysis we assume that the industry distribution of employed homeless individuals in the demographic survey is the same as the industry distribution of homeless workers shown in ACS PUMS data.

[21] The total homeless population includes children who are not in the labor force. This analysis assumes that the parents of these children will have the same pattern of labor force connections as the overall adult homeless population. Therefore the share of child homelessness attributable to the fast food industry is the same as the adult share.

[22] *The 2022 Annual Homeless Assessment Report (AHAR) to Congress* from the U.S. Department of Housing and Urban Development (December 2022) shows that the point-in-time homeless population of California in 2022 was 171,521 individuals. Based on the estimate that 5.9 percent of California's homeless residents are from the fast food workforce, this represents 10,120 homeless workers.

[23] The Los Angeles Homeless Services Authority's *2022 Greater Los Angeles Homeless Count – Los Angeles County* (September 8, 2022) shows that the point-in-time homeless population of Los Angeles County in 2022 was 69,144 individuals. This represents all of Los Angeles County, including the cities of Glendale, Long Beach and Pasadena. Based on the estimate that 5.2 percent of Los Angeles County's homeless residents are from the fast food workforce, this represents 3,595 homeless workers.

[24] The Los Angeles Homeless Services Authority's *2022 Greater Los Angeles Homeless Count – City of Los Angeles* (September 8, 2022) shows that the point-in-time homeless population of City of Los Angeles in 2022 was 41,980 individuals. Based on the estimate that 4.5 percent of City of Los Angeles' homeless residents are from the fast food workforce; this represents 1,889 homeless workers.

[25] Rankings were determined by number of locations derived from franchise disclosure documents.

[26] Seeking Alpha, Corporate income statements, (accessed March 23, 2023), https://seekingalpha.com/.

[27] Office of Governor Gavin Newsom, "California's Economic Recovery Continues to Rebound, (April 15, 2022), https://www.gov.ca.gov/2022/04/15/californias-economic-recovery-continues-to-rebound/.

[28] Mary Vinnedge, "IFA Sounds Alarm Over Proposed Joint Employer Rule Change," Franchise Industry News, (September 8, 2022), https://www.franchisewire.com/ifa-sounds-alarm-over-proposed-joint-employer-rule-change/.

[29] Seeking Alpha, McDonald's Corporation financials, income statement, accessed March 26, 2023. https://seekingalpha.com/symbol/MCD/income-statement.

[30] Company proxy statements, compiled in: Sarah Anderson and Sam Pizzigati, "Executive Excess, 2022," Institute for Policy Studies, (June 2022), https://ips-dc.org/wp-content/uploads/2022/06/report-executive-excess-2022.pdf.

[31] Salary information for chief executive officers is from the following 2023 corporate proxy statements:

McDonald's, (2023), https://d18rn0p25nwr6d.cloudfront.net/CIK-0000063908/2d2ec802-7bd9-4b9d-b64a-118d69c55e6d.pdf.

Starbucks, (2023), Johnson retired in March 2022, and Schultz took over as interim CEO. This figure is the sum of their 2022 compensation. https://www.sec.gov/Archives/edgar/data/829224/000120677422000270/sbux_courtesy-pdf.pdf.

Yum! Brands, (2023), https://d18rn0p25nwr6d.cloudfront.net/CIK-0001041061/7de43ed0-bfee-4c20-9aec-b1729e79c4d6.pdf.

Restaurant Brands International, (2023), https://d18rn0p25nwr6d.cloudfront.net/CIK-0001618756/9902b927-a778-4dce-8c7f-775f6d7a8feb.pdf.

Jack in the Box, (2023), https://d18rn0p25nwr6d.cloudfront.net/CIK-0000807882/a70bcab4-68b2-4b29-8137-dbbfe9902a9f.pdf.

[32] Burger King Holdings Inc. (1352801) annual report for the fiscal year ending Wednesday, June 30, 2010, U.S. Securities and Exchange Commission filing, https://last10k.com/sec-filings/1352801/0000950123-10-081065.htm.

[33] IBIS World, Fast Food Restaurants in the US - Market Size 2005–2029, (January 12, 2023), https://www.ibisworld.com/industry-statistics/market-size/fast-food-restaurants-united-states/#:~:text=The%20market%20size%2C%20measured%20by,to%20increase%207.1%25%20in%202022.

[34] U.S. Department of Agriculture, Economic Research Service, "Food-away-from-home spending varied among outlets during first year of pandemic," (February 28, 2023), https://www.ers.usda.gov/data-products/chart-gallery/gallery/chart-detail/?chartId=105931.

[35]IBIS World, Fast Food Restaurants in the US - Market Size 2005–2029, (January 12, 2023), https://www.ibisworld.com/industry-statistics/market-size/fast-food-restaurants-united-states/#:~:text=The%20market%20size%2C%20measured%20by,to%20increase%207.1%25%20in%202022.

[36] The share of the fast food market attributed to McDonalds ranges from 21.4 percent to 43.8 percent, depending on the source. At the low end, the consulting group, T4,

attributed a 21.4 percent market share to McDonald's in 2019, "Fast Food Market Share,) (December 23, 2022) https://www.t4.ai/industry/fast-food-market-share. At the high end, Khaveen Investments, "McDonald's: King Of Fast Food Is Here To Stay," published in Seeking Alpha, (April 5, 2022), attributed a 43.8 percent market share to McDonald's in 2021, https://seekingalpha.com/article/4499843-mcdonalds-king-of-fast-food-is-here-to-stay.

[37] Dan Victor, "McDonald's Stock: We're Still Lovin' It In 2023," Seeking Alpha, (January 3, 2023), https://seekingalpha.com/article/4567426-mcdonalds-expect-stock-to-continue-outperforming-2023.

[38] Seeking Alpha, McDonald's Corporation (MCD) Q4 Earnings Call Transcript, (January 31, 2023), https://seekingalpha.com/article/4573885-mcdonalds-corporation-mcd-q4-2022-earnings-call-transcript.

[39] Motley Fool Transcribing, Yum! Brands (YUM) Q4 2022 Earnings Call Transcript, (February 8, 2023), https://www.fool.com/earnings/call-transcripts/2023/02/08/yum-brands-yum-q4-2022-earnings-call-transcript/.

[40] U.S. Department of Agriculture, Economic Research Service, "Food-away-from-home spending varied among outlets during first year of pandemic," (February 28, 2023), https://www.ers.usda.gov/data-products/chart-gallery/gallery/chart-detail/?chartId=105931.

[41] David Weil, The Fissured Workplace: Why Work Became So Bad for So Many and What Can Be Done to Improve It, Harvard University Press, (2017), https://www.hup.harvard.edu/catalog.php?isbn=9780674975446.

[42] Brian Callaci, "Control without Responsibility: The Legal Creation of Franchising, 1960–1980," Enterprise & Society: The International Journal of Business History 21, no. 4: 5–7 (February 28, 2020), https://doi.org/10.1017/eso.2019.58. See also, Heather Haddon, "McDonald's and Franchisees Escalate Battle Over Chain Rules," Wall Street Journal, (April 20, 2023), https://www.wsj.com/articles/mcdonalds-and-franchisees-escalate-battle-over-chain-rules-9f7b92e4.

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