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McDonald's Low Wages Cost Taxpayers $1.2 Billion Per Year: Study

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AP

The fast food industry's low wages are costing us all, new research finds.

Taxpayers are shelling out $1.2 billion a year to help pay workers at McDonald's, according to an estimate from the National Employment Law Project published Tuesday. The organization used estimated figures from a study by University of California-Berkeley and University of Illinois at Urbana-Champaign on how many fast food workers rely on public assistance programs like food stamps and Medicaid for its analysis.

Overall, low wages at the top 10 largest fast food chains cost taxpayers about $3.8 billion per year, NELP found.

As Republicans in Congress fight to curb spending on entitlement programs like food stamps, the report offers an often overlooked solution: Companies could pay workers more to decrease their reliance on public assistance.

"A very easy policy fix here would to raise the minimum wage," said Sylvia Allegretto, the co-chair of Berkeley's Center on Wage and Employment Dynamics and one of the authors of the Berkeley/UI study. "The firms that pay a large share of their workers at or near the minimum wage -- these workers disproportionately have to rely on public subsidies."

The National Restaurant Association, a trade group representing more than 500,000 restaurants, took issue with the reports. It argued that the Berkeley and UI researchers' decision to consider the Earned Income Tax Credit, a tax break given to working, low-income families, as a subsidy "inflates" the study's findings.

McDonald's wrote in a statement that the company and its franchisees provide hundreds of thousands of jobs throughout the country that offer opportunities for advancement.

"As with most small businesses, wages are based on local wage laws and are competitive to similar jobs in that market," the statement reads.

(Story continues below the chart)

To make its estimate, NELP used publicly available data about the fast food industry, like how many front-line workers each restaurant employs, along with the University of California-Berkeley/UI study.

The Berkeley/UI study found that 52 percent of families of front-line fast food workers -- defined as non-managers working more than 11 hours a week and over 27 weeks per year -- rely on at least one government assistance program. The researchers used enrollment data from government programs like Medicaid and the Supplemental Nutrition Assistance Program (or food stamps), and cross-referenced that information with worker demographic data from the Bureau of Labor Statistics.

Pelhom Wiley is one of those workers. He's been mopping floors, taking out the garbage and changing the grease in the frier pans for about a year as a maintenance worker at a Chicago McDonald's. Wiley says his paycheck of $8.25 an hour at just under 40 hours per week isn't enough for him to cover his about $600 per month in expenses like rent and transportation.

So Wiley uses Illinois' foods stamp program to fill in the gaps. He often comes up short.

"We get paid Mondays, and by Wednesday or Thursday my check is pretty much gone," he said. "It's not fair. I'm the one that has to keep up the store. All of the big restaurants make billions of dollars, and we make the least of what all the stores get."

Representatives from the restaurant industry have said in the past that fast food eateries operate on thin profit margins. They've argued that any wage boost could put franchisees -- which run most fast food restaurants -- out of business, or hamper their ability to hire.

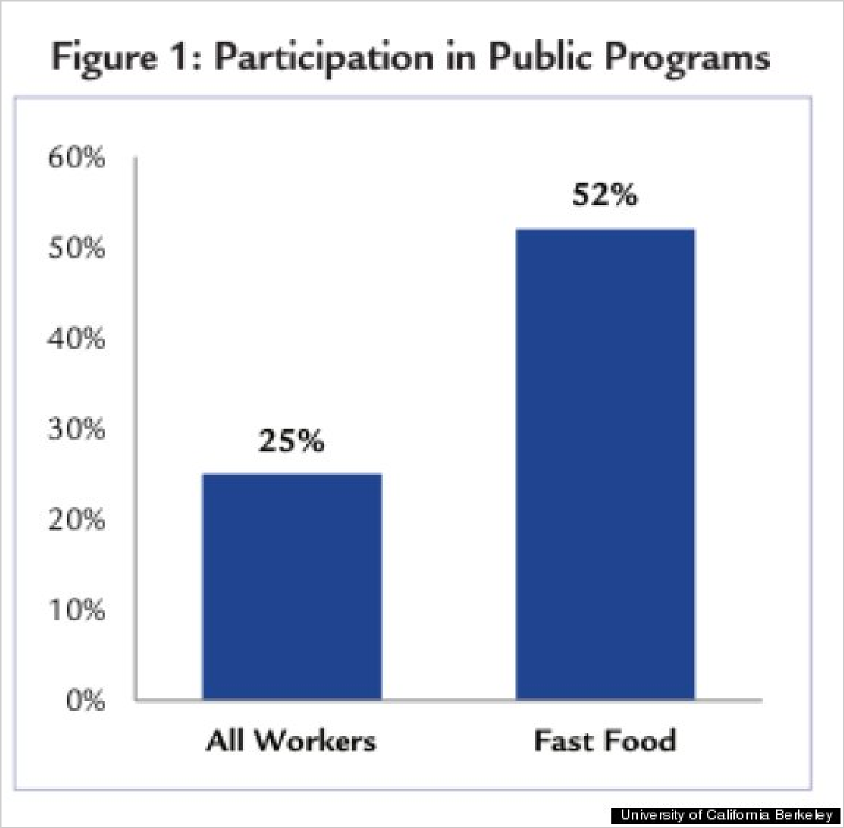
Industry representatives have also said that entry-level fast food jobs are meant to be just that -- and therefore workers will only be earning bottom-barrel wages for a short period of their careers.

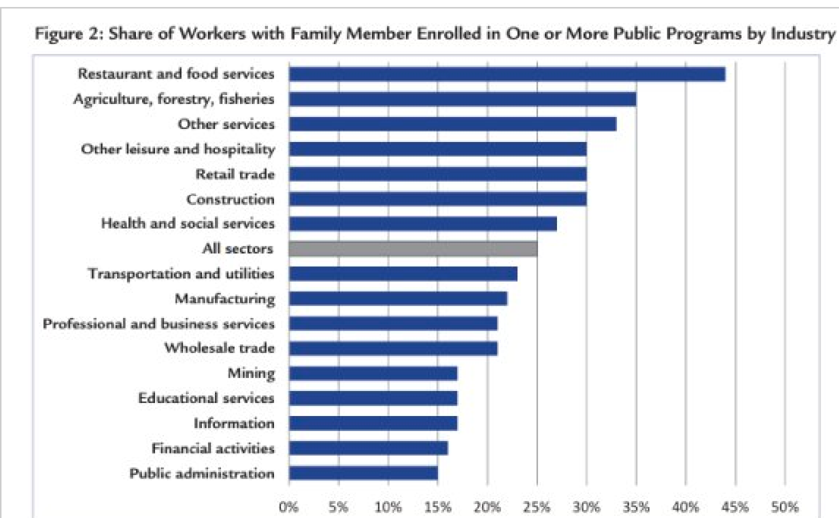
But the new economic reality counters that claim. Nearly 70 percent of the jobs created in the recovery have been in low-wage sectors like fast food and retail, while half the jobs lost during the recession paid between $38,000 and $68,000 per year.

That means that in many cases, it’s not just teenagers working fast food jobs for some extra cash. These low-wage workers are often older -- and in many cases [are the breadwinners for their families](#).

“It’s not just that we need more jobs,” said Allegretto. “We need the jobs that we have and the jobs that are growing to be better-paying jobs and better-quality jobs.”

This story has been updated with comments from McDonald's and the National Restaurant Association.





Source: Authors' calculations from 2008–2012 March CPS, program administrative data.
Note: All costs reported in 2011 dollars.