

Another Minimum Wage Backfire

Wendy's explains what mandated wage hikes do to jobs at burger joints.



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President Obama has frequently demanded an increase in the federal minimum wage to \$10.10 from \$7.25. Meanwhile, dozens of states have set minimum wages above the federal level and politicians from Seattle to New York are congratulating themselves for taking it all the way to \$15. Maybe they should look back at the workers

they're leaving behind on their march to progressive-landia. Make that ex-workers.

Last week the Wendy's Company did a public service on its second-quarter earnings call by explaining how mandated wage hikes will lead to fewer jobs for the low-skill workers that progressives claim to be helping.

First, CFO Todd Penegor talked about the pressure to pay higher wages and said that "we continue to look at initiatives and how we work to offset any impacts of future wage inflation through technology initiatives, whether that's customer self-order kiosks, whether that's automating more in the back of the house in the restaurant. And you'll see a lot more coming on that front later this year from us."

So the company will now use machines to do jobs that used to be done by people who have become too expensive to employ. We keep hearing that these minimum-wage laws benefit restaurant workers. But since many will no longer be working in restaurants at all, the reasonable conclusion is that the activist campaigns to raise the minimum wage are mainly intended to benefit the unions that back them.

On last week's call with securities analysts, Wendy's CEO Emil Brolick was asked how the franchisees who own and operate Wendy's locations could raise prices to offset the higher wage costs in places like New York. He replied that "our franchisees will likely look at the opportunity to reduce overall staff, look at the opportunity to certainly reduce hours and any other cost reduction opportunities, not just price. You know there are some people out there who naively say that these wages can simply be passed along in terms of price increases. I don't think that the average franchisee believes that."

Mr. Brolick elaborated that "we believe that some of these increases will clearly end up hurting the people that they are intended to help. And we continue to believe that one of the great opportunities you have in a business like ours is that an entry-level person, in a very short period of time, can rise to become a manager in a restaurant, and have an income above the median household income in the United States of America."

We see here again the vast gulf between progressive claims and progressive reality. Remember last year when McDonald's then-CEO Don Thompson, amid protests over entry-level wages, agreed to President Obama's idea for a wage hike? Then came news of new automation plans at McDonald's. Just what struggling low-wage workers need. Another law that prices them out of a job.

