Wage Theft in the Fast Food Industry: Minimum Wage Violations in Los Angeles

Key Findings:

- More and more LA-area fast food workers are experiencing minimum wage violations. One in four fast food workers were paid below the minimum wage in 2024. That's *eight times* the 3 percent rate in 2009.
- A bigger share of LA-area fast food workers experience this form of wage theft than any of the other industries we analyzed – restaurants (not fast food); health care support; retail; and transportation/warehousing.
- Fast food workers in the LA area lose almost $3,500 a year – about 16 percent of their income – because employers are paying them below the minimum wage. That adds up to over a quarter of a billion dollars in the last six years.

Since 2016, the minimum wage in California has grown from $10 per hour to $16.50 today; in the city of Los Angeles, the minimum wage has grown from $10 per hour to $17.28 per hour. Studies have shown that these increases have produced significant wage growth for California workers, had minimal effects on employment, led to minor increases in prices, and generated valuable revenue for the state.

Statutory minimum wage increases, however, do not guarantee that workers will collect the full amount they have earned and to which they are legally entitled. A recent study found that over $1.5 billion in unpaid wages were recovered by state and federal authorities between 2021 and 2023 through enforcement and litigation. This figure represents only the tip of the iceberg, however, as most instances of wage theft still go unreported.

This research brief uses survey data to examine underlying rates of wage theft in the fast food industry in greater Los Angeles.[1]

We find that a growing number of fast food workers are experiencing minimum wage violations; a higher share of fast food workers suffer this form of wage theft than workers in comparable industries; and the losses fast food workers incur are significant (16% of their income). With 88 percent of fast food workers lacking full knowledge of basic workplace rights, these findings underscore the need for mandatory third-party "know your rights" trainings as recently proposed to the Los Angeles City Council.

workplace justice lab | RUTGERS–NEW BRUNSWICK School of Management and Labor Relations | Northwestern University

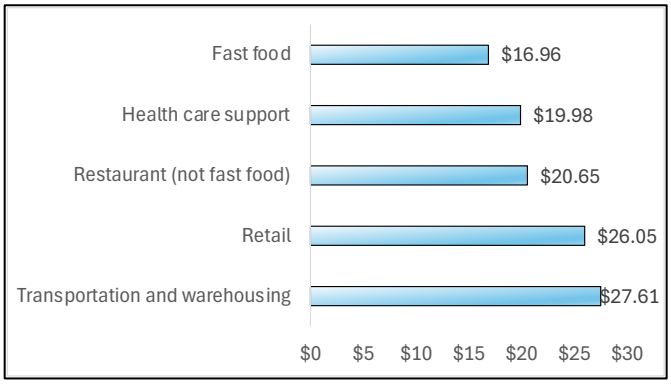
Daniel J. Galvin
Northwestern University
galvin@northwestern.edu

Jake Barnes
Rutgers University
jacob.barnes@rutgers.edu

Fast food workers in Los Angeles

Fast food workers in greater Los Angeles have historically earned lower wages, on average, than comparable workers. As shown in **Fig. 1**, between 2019 and 2024, fast food workers earned $16.96 per hour on average—significantly less than workers in other service-sector industries.

Fig. 1: Average Hourly Wage in Greater Los Angeles, 2019-2024



California's Fast Food Accountability and Standards (FAST) Recovery Act (AB 1228), as amended in 2023, raised the minimum wage for fast food workers across the state to $20 beginning April 1, 2024. The law also established a Fast Food Council to monitor and set minimum wages and adopt other employment standards in the industry. Scholars have shown that since April 2024, the new law has provided much-needed support to the approximately 750,000 fast food workers whose wages and working conditions have long lagged behind those of comparable workers in the state.

We still do not have a good sense, however, of (a) the prevalence of minimum wage violations in the fast food industry; (b) how fast food violation rates compare to other industries; or (c) how violation rates and the costs to fast food workers have changed over time.

To address these questions, the Workplace Justice Lab turned to the Current Population Survey (CPS), which serves as the federal government's primary source of monthly labor force statistics. The CPS is designed to produce reliable estimates at the national and state levels, as well as for the country's largest metropolitan areas (including Los Angeles). CPS earnings and hours data, compiled in the CPS-Merged Outgoing Rotation Groups data, has been used by most social scientists who have sought to develop estimates of minimum wage violations since the 1970s.[2] We follow conventional methodological approaches here (see Methodological Appendix).

In this report, fast food workers are considered those who work in the "food services and drinking places" industry (8680) and in any of the following occupations: "combined food prep and serving workers, incl fast food" (4050), "fast food and counter workers" (4055), "counter attendants, cafeteria, food concession, and coffeeshop" workers (4060), or "cashiers" (4720).[3] We compare the experience of fast food workers to four comparable groups: all other restaurant workers (not in fast food); health care support workers; workers in the retail trade industry; and transportation and warehousing workers.

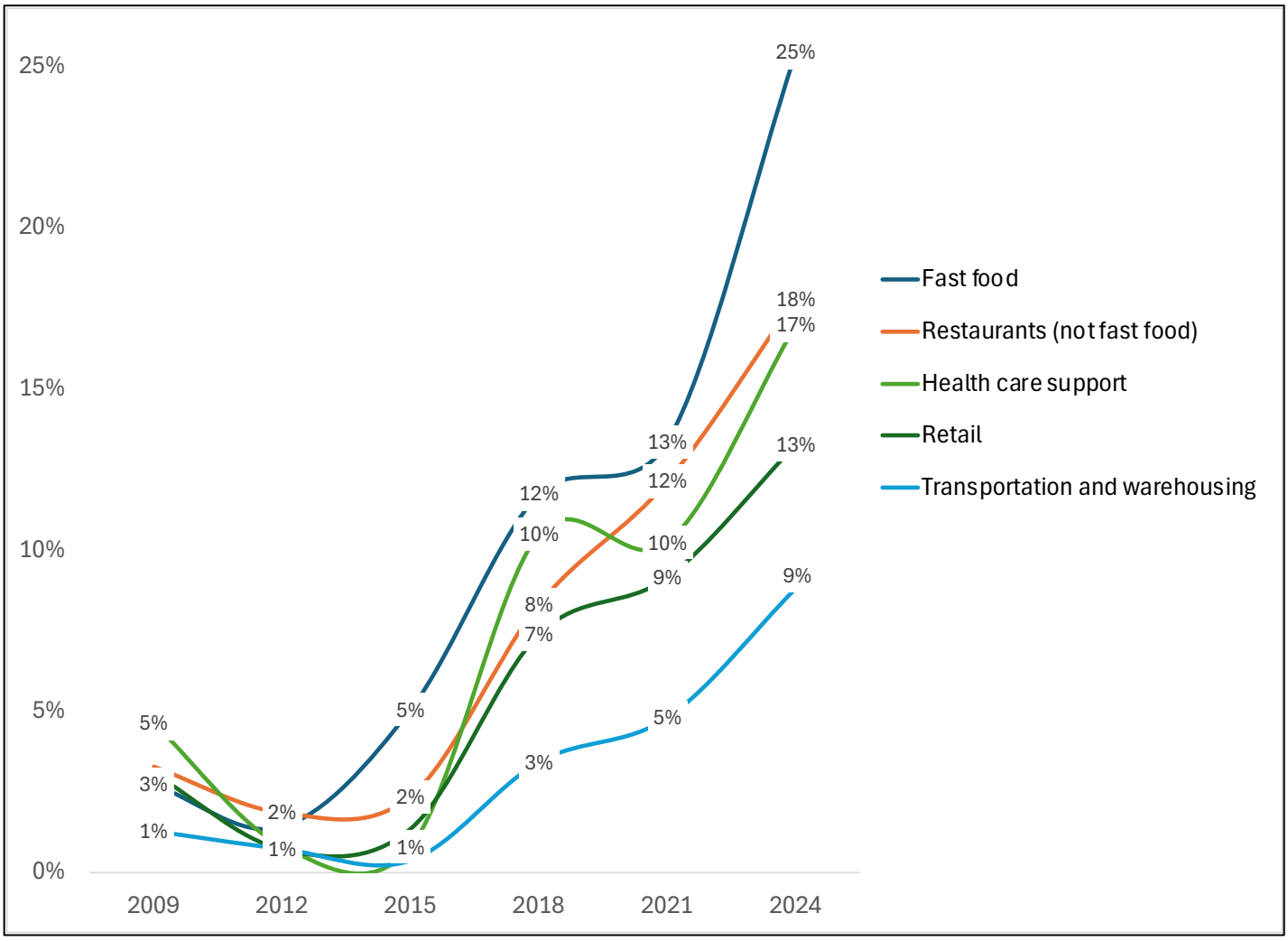
Findings

- More and more LA-area fast food workers are experiencing minimum wage violations. One in four fast food workers were paid below the minimum wage in 2024. That's *eight times* the 3 percent rate in 2009.[4]
- A bigger share of LA-area fast food workers experience this form of wage theft than any of the other industries we analyzed—restaurants (not fast food); health care support; retail; and transportation/ warehousing.

- Fast food workers in the LA area lose almost $3,500 a year—about 16 percent of their income—because employers are paying them below the minimum wage. That adds up to over a quarter of a billion dollars in the last six years.

As illustrated in **Fig 2** below, the violation rate in every industry began to rise when the state minimum wage increased in 2016.[5] Subsequent annual state minimum wage increases were similarly accompanied by increases in the incidence of minimum wage underpayment. This correspondence is not surprising: prior research has shown that noncompliance with the minimum wage typically increases along with increases in the statutory minimum wage. This is likely due in part to both the time it takes some employers to adjust to the new wage and the unwillingness of other employers to pay it; it is also a function of the ability of state and local-level enforcement to account for changes in mandate, often with limited and/or stagnant resources.

Fig. 2: Minimum Wage Violation Rates by Industry in Los Angeles Metro Area



Notwithstanding higher violation rates following minimum wage increases, statutory increases have had positive effects on average wages in every industry examined here. **Table 1** shows the change in the average wage by industry between 2009 to 2024. Although average wages in fast food still lag behind comparable industries, fast food workers have seen the strongest wage growth (96%) between 2009 and 2024, notwithstanding their higher rates of wage theft.[6]

Table 1: Average Wage Change by Industry in LA Area from 2009 to 2024

	2009	2024	Rate of change
Fast food	$9.33	$18.27	**96%**
Restaurant	$11.38	$19.59	72%
Retail	$12.94	$20.60	59%
Health care support	$13.02	$19.66	51%
Trans. & warehousing	$17.22	$23.81	38%

Table 2 summarizes our population and dollar-value estimates regarding the cost of minimum wage violations to fast food workers in greater Los Angeles. Between 2019 and 2024, an estimated 12,661 fast food workers per year—19% of all fast food workers in the Los Angeles metro area—were paid less than the lowest applicable statutory minimum wage.[7] These workers lost $2.53 per hour, on average, which represents 16% of the income to which they were entitled. Over this six-year period, estimated losses totaled over a quarter-billion dollars.

It is important to note that the CPS survey we rely on to generate these estimates contains measurement error (incorrect answers to survey questions) and other sampling limitations. These are problems that affect all survey research. One of the consequences of measurement error in the CPS is that our analyses likely *underestimate* the severity of the problem due to factors including: (a) under-representation of low-wage and undocumented workers in the survey; (b) the tendency of low-income workers to over-report their income, which would result in under-reporting of minimum wage violations; (c) and our use of the lowest applicable minimum wage—the state minimum wage—rather than the often higher city or county minimum wage rates to which many workers are entitled. The Methodological Appendix details the steps we take to address measurement error in our analyses.[8] All figures, nevertheless, should be interpreted as rough estimates that are likely conservative.

Table 2: Cost of Minimum Wage Violations to LA-area Fast Food Workers, 2019-2024

Total number of fast food workers per year	65,504
Total number of underpaid fast food workers per year	12,661
Share of fast food workers underpaid	19%
Average wage of underpaid fast food worker	$12.90
Average minimum wage to which entitled	$15.43
Amount lost per hour	$2.53
Amount lost per week	$66.90
Amount lost per year	$3,479
Share of income lost	16%
Total aggregate amount lost per year	$44,041,343
Total aggregate amount lost, 2019-2024	$264,248,061

Conclusion

Minimum wage noncompliance in the Los Angeles fast food industry is a chronic problem that has not improved with increases in the minimum wage.

Many workers do not complain when they are underpaid (or not paid at all) for their work. This is largely due to a lack of information and understanding of their workplace rights: a recent study found that 88 percent of fast food workers in California lacked a full understanding of their basic rights on the job. Both the U.S. Department of Labor and the California Department of Industrial Relations have emphasized the importance of "know your rights" trainings as key tools in the fight to improve compliance with labor laws. By equipping workers with the information, knowledge, and understanding of where to go and what to do when faced with rights violations, mandatory third-party "know your rights" trainings—like those currently under consideration by the Los Angeles City Council—can empower workers to play a vital role in upholding core workplace standards.

About Us

The Workplace Justice Lab @ Northwestern University (WJL@NU) conducts research on workers' rights and economic inequality and collaborates with local, state, and federal government agencies as well as worker centers, unions, and legal nonprofits. WJL@NU is part of a multi-institutional partnership that is anchored by the Workplace Justice Lab @ Rutgers University and includes the Pilipino Workers Center of Southern California.

Daniel J. Galvin is professor of political science, faculty fellow at the Institute for Policy Research, and director of the Workplace Justice Lab @ Northwestern University.

Jake Barnes is the Research Program Manager at the Workplace Justice Lab @ Rutgers University and a Ph.D. candidate at the Rutgers School of Management and Labor Relations.

Support

We gratefully acknowledge support from Workplace Justice Lab @ Rutgers University, the Institute for Policy Research at Northwestern University, and the Service Employees International Union.

Methodological Appendix

Measuring the scope and depth of "wage theft" is difficult. No single data source systematically and reliably tracks the incidence of wage theft and records the precise amounts of money that are not being paid. Early studies of minimum wage compliance used data provided voluntarily by employers to the Bureau of Labor Statistics, but employer-reported data cannot be considered not reliable, as employers who violate the law cannot be trusted to report that information to government agencies.

Workers can report wage theft by filing lawsuits and/or lodging complaints with federal, state, and local enforcement agencies. But lawsuits are often too expensive for minimum wage workers and the costs of litigation frequently exceed the amounts of back pay owed. Complaints are also problematic measures because the workers who are more likely to be exploited are also more likely to be unaware of their right to complain (whether due to language barriers, lack of information and knowledge, or fear of retaliation, termination, or deportation).

Lawsuits and the complaints government agencies receive thus provide inaccurate and unreliable portraits of the actual number of violations. We must therefore turn to alternative methods to more accurately detect and measure violations. Survey data on hours and earnings are invaluable in this regard, as they enable us to estimate the true underlying incidence wage violations indirectly.

Most useful are the Current Population Survey's Merged Outgoing Rotation Groups (CPS-MORG) data, which serve as the federal government's primary source of monthly labor force statistics. The CPS is designed to produce reliable estimates at the national, state, and metropolitan levels (for the 12 largest metro areas, including Los Angeles). CPS earnings and hours data, compiled in the CPS-MORG, has been used by most social scientists who have sought to develop estimates of minimum wage violations since the 1970s (Ashenfelter and Smith 1979; Ehrenberg and Schumann 1982; Sellekaerts and Welch 1984; Trejo 1991, 1993; Weil and Pyles 2005; ERG 2014; Galvin 2016; Cooper and Kroeger 2017; Fine, Galvin, Round, and Shepherd 2021; Clemens and Strain 2022; Galvin 2024).

Because the CPS-MORG survey asks workers to report their hourly wages as part of a larger battery of demographic and other neutral questions—and does not mention wage theft, working conditions, or ask any other leading questions about the respondent's industry or occupation—it is safe to assume that respondents are not primed to report lower wages than what they actually earned. Indeed, some research finds that certain respondents tend to report *higher* earnings (Bollinger 1998).

The methodological approach employed here is consistent with previous research (In particular, Galvin 2016; U.S. Department of Labor 2014; Cooper and Kroeger 2017). A few key points to keep in mind:

Los Angeles. The geographical focus of this study is the Los Angeles Metropolitan Statistical Area (Los Angeles-Long Beach-Anaheim MSA). This is because the CPS captures a representative sample of the population in the 12 largest metro areas, including Los Angeles, but not necessarily at the city or county level.

Wages. For hourly wages, we use variables that include wages earned from overtime, tips, and commissions. To ensure that our estimates of wage violations do not overstate the incidence or severity of violations, we follow Cooper and Kroeger (2017) in taking the higher of the reported wage (hourly wage or weekly pay divided by hours worked) for hourly workers who reported earning overtime, tips, and commissions.

Calculating minimum wage violations. Minimum wage violations are dichotomous measures of whether an individual's reported hourly wage was lower than the lowest applicable legal minimum wage (e.g., the California state minimum wage for small businesses, since CPS does not identify firm size), not the higher city/county minimum. We use the lowest applicable statutory minimum wage rate for each respondent as of the date (month) effective. The amount of wages lost is likewise calculated based on the lowest applicable minimum wage as of the date (month) effective.

Exemptions. We exclude from the analysis all respondents we can identify as exempt from the state minimum wage. In California, identifiable exemptions include only "outside salespeople," who account for a minuscule

fraction of the estimated total workforce (.04%). We are unable to identify other exemptions (immediate family members, apprentices, "learners" in their first 160 hours of employment in a new field, and mentally or physically disabled employees).

Survey weights and standard errors. All analyses, including population estimates, use the survey weights suggested by Davern et. al (2007), which are necessary given the sampling method of the CPS.

Measurement error. There is reason to believe that measurement error in the CPS may downward-bias the estimates of minimum wage violations.[9] First, despite going to great lengths to reach them, both Hispanics (Latinx) and undocumented immigrants are under-represented in the CPS (McKay 1992).[10] Because workers in these groups are at higher risk of experiencing minimum wage violations, the estimates of violations reported here should be considered conservative estimates (McKay 1992; Bernhardt et al. 2009; U.S. Department of Labor 2014). Second, in Bollinger's study of measurement error in the CPS, he finds a "high over reporting of income for low-income men" driven by "about 10% of the reporters who grossly over report their income," thus potentially biasing estimates downward even further (Bollinger 1998). Third, CPS data have a shortage of low-wage workers and an excess of high-wage workers relative to comparable survey data like SIPP; one effect of this imbalance could be to underestimate minimum wage violations (Roemer 2002; U.S. Department of Labor 2014). Roemer does find that the CPS reaches more "underground" workers than other large-scale surveys and is less biased than alternatives (2002). But given the high rates of violation discovered in the Bernhardt et al. (2009) innovative survey of hard-to-reach workers in the "informal" labor market—higher than the estimates presented here—there is reason to suspect that these findings underestimate the prevalence of minimum wage violations across the board.

These considerations notwithstanding, the fact that measurement error surely exists recommends using caution when working with the point estimates reported here.

Although every survey contains measurement error, previous research has shown that measurement error in the CPS-MORG cannot predict key patterns or variations in the incidence of minimum wage underpayment; nor can it account for differences observed across industries, which is of primary interest here (Clemens and Strain 2022). Nevertheless, we take the following steps to address the possibility of measurement error: (1) Our sample includes only hourly workers and workers who report working over 10 hours per week. (2) Rather than calculate minimum wage violations as any reported wage less than the statutory minimum, we provide a $0.25 buffer to account for rounding errors. (3) Because CPS-MORG tracks where respondents live but not where they work, we use the lowest applicable statutory minimum wage each month (the California state minimum wage for small businesses), not the higher city/county minimum wage to which most workers are actually entitled. (4) Exclude unemployed and self-employed workers; (5) Exclude all observations of workers not specifying hourly/nonhourly status; (6) Exclude respondents with imputed hours.

These steps reduce the likelihood that our estimates overstate the incidence of minimum wage violations. However, they increase the likelihood that our estimates represent

conservative *under*-estimates. True violation rates are likely higher.

Data. We use the CPS-MORG abstracts generated by Economic Policy Institute. 2024. Current Population Survey Extracts, Version 1.0.60, https://microdata.epi.org.

Works Cited

Ashenfelter, Orley, and Robert S Smith. 1979. "Compliance with the Minimum Wage Law." *The Journal of Political Economy*:333-50.

Bernhardt, Annette, Ruth Milkman, Nik Theodore, Douglas Heckathorn, Mirabai Auer, James Defilippis, Ana Luz González, Victor Narro, Jason Perelshteyn, and Diana Polson. 2009. "Broken Laws, Unprotected Workers: Violations of Employment and Labor Laws in America's Cities." *National Employment Law Project. New York: NELP.*

Bollinger, Christopher R. 1998. "Measurement Error in the Current Population Survey: A Nonparametric Look." *Journal of Labor Economics* 16 (3):576-94.

Clemens, Jeffrey, and Michael R. Strain. "Understanding "Wage Theft": Evasion and avoidance responses to minimum wage increases." *Labour Economics* 79 (2022).

Cooper, David and Teresa Kroeger, "Employers steal billions from workers' paychecks each year." *EPI* May 10, 2017. https://www.epi.org/publication/employers-steal-billions-from-workers-paychecks-each-year/

Davern, Michael, et al, "Estimating Regression Standard Errors with Data from the Current Population Survey's Public Use File," *Inquiry* 44: 211-224 (Summer 2007).

Eastern Research Group, Inc. 2014. "The Social and Economic Effects of Wage Violations: Estimates for California and New York." Washington, D.C.

Ehrenberg, R. G., and P. L. Schumann. 1982. "Compliance with the Overtime Pay Provisions of the Fair Labor Standards Act." *Journal of Law & Economics* 25 (1):159-81.

Fine, Janice, Daniel J. Galvin, Jenn Round, and Hana Shepherd. 2021. "Wage Theft in a recession: unemployment, labour violations, and enforcement strategies for difficult times." *International Journal of Comparative Labour Law and Industrial Relations* 37, no. 2/3.

Galvin, Daniel J. 2016. "Deterring Wage Theft: Alt-Labor, State Politics, and the Policy Determinants of Minimum Wage Compliance." *Perspectives on Politics* 14 (2):324-50.

Galvin, Daniel J. 2024. *Alt-Labor and the New Politics of Workers' Rights* (New York: Russell Sage Foundation).

McKay, Ruth B. 1992. "Cultural Factors Affecting within Household Coverage and Proxy Reporting in Hispanic (Salvadoran) Households. A Pilot Study." In *Proceedings of the Section on Survey Research Methods, American Statistical Association*.

Roemer, Marc. 2002. "Using Administrative Earnings Records to Assess Wage Data Quality in the March Current Population Survey and the Survey of Income and Program Participation." U.S. Bureau of the Census.

Sellekaerts, Brigitte H, and Stephen W Welch. 1984. "An Econometric Analysis of Minimum Wage Noncompliance." *Industrial Relations: A Journal of Economy and Society* 23 (2):244-59.

Trejo, Stephen J. 1991. "The Effects of Overtime Pay Regulation on Worker Compensation." *The American Economic Review*:719-40.

———. 1993. "Overtime Pay, Overtime Hours, and Labor Unions." *Journal of Labor Economics*:253-78.

Weil, David, and Amanda Pyles. 2005. "Why Complain?: Complaints, Compliance, and the Problem of Enforcement in the Us Workplace." *Comp. Lab. L. & Pol'y. J.* 27:59.

Endnotes

[1] The geographical focus of this study is the Los Angeles Metropolitan Statistical Area.

[2] See Methodological Appendix.

[3] We follow the UC Berkeley Labor Center's definition of fast food workers. Census codes provided in parentheses. 4055 replaces 4050 and 4060 beginning in 2018. Using the Bureau of Labor Statistics' Occupational Employment Statistics (OES) data, we estimate that within the "restaurants and other food places" industry, virtually all

"combined food prep and serving workers, incl fast food" and "fast food and counter workers" work in the fast food industry, and approximately 72% of "cashiers" in the restaurant industry work in fast food.

[4] To address sample size limitations, we examine six blocks of years: 2007-2009, 2010-2012, 2013-2015, 2016-2018, 2019-2021, 2022-2024. The year 2024 thus refers to the most recent three years of data (2022-2024) and 2009 refers to 2007-2009.

[5] The fast food violation rate was not only significantly higher than other industries, but the rate of change over this period of time was much greater as well. The violation rate for fast food workers increased *eight-fold* over this period, as compared to the rate of change in restaurant (four-fold), retail (three-fold), health care support (three-fold), and transportation and warehousing (six-fold).

[6] After the $20 fast food minimum wage was introduced in April 2024, the average wage of fast food workers was $19.06 -- lower than $20 due to minimum wage violations. For those who were paid at or above the minimum wage, the average wage for fast food workers after April 1, 2024 was $21.36.

[7] These estimates include only hourly fast food workers who worked over 10 hours per week in the occupations listed above who earned less than $0.25 less than the lowest applicable statutory minimum wage. For more, see the Methodological Appendix.

[8] Although every survey contains measurement error, Clemens and Strain (2022) demonstrate that measurement error in the CPS cannot predict key patterns or variations in the incidence of minimum wage underpayment; nor can it account for differences observed across industries.

[9] For an excellent discussion of the advantages and limitations of using the CPS data to estimate minimum wage violations given the existence of measurement error and other issues, see U.S. Department of Labor 2014, Appendix B.

[10] As Bernhardt et al. 2009 write: "standard surveying techniques—phone interviews or census-style door-to-door interviews—rarely are able to fully capture the population that we are most interested in: low- wage workers who may be hard to identify from official databases, who may be vulnerable because of their immigration status, or who are reluctant to take part in a survey because they fear retaliation from their employers. Trust is also an issue when asking for the details about a worker's job, the wages they receive, whether they are paid off the books or not, and their personal background" (56).