

What Do Silly, Can't-Possibly-Win, Fast Food Restaurant Protests Have to Do with Your Future?

The demand for secure, \$15 an hour jobs parallels national and global trends.

You probably heard the news last year about fast food workers in New York City going on strike during the Holiday season. Both grill workers and cashiers were demanding “living wages,” of at least \$15 an hour (1). Last month, before Labor Day, fast food employees went on strike in 60 cities across the United States, with the same message (2). The Service Employees International Union (SEIU) guided and advised the striking workers on tactics, hoping to revitalize the labor movement.

Starter jobs by design

Perhaps not surprisingly, none of the striking workers who spoke to reporters, mentioned labor costs. Instead, they spoke about feelings... particularly how insulting the minimum wage (\$7.25 in most states) made them feel. “Fairness” was another rallying cry, as in, “It’s not fair!”



Entry-level fast food jobs are usually the starting point for most employees. By choice, a worker can remain in the same job (with occasional raises) or move on to a position with more responsibility (and better pay).

What the protesters don’t know is that starting pay is not set by corporate headquarters. Individual franchise owners have the latitude to pay as much over the minimum wage as they want (3). The fact is, most owners are not WILLING to. Not because they’re “mean,” but because it doesn’t make sense!

Workers are easily replaceable

The workers at McDonald’s, Burger King, Taco Bell, Churches, Wendy’s, etc. who are attempting to form unions are disposable. For example, none of the restaurants strikers hit last month with protests closed (4). Moreover, in all documented cases, normal business resumed as soon as the protesters moved.

This is certainly embarrassing for fast food employees. It’s important to note that wages paid to restaurant workers are *not* random. They reflect labor market realities. Higher wages attract more applicants, lower wages attract fewer. When the economy is doing well, employers must pay more to attract workers. When the economy is doing badly, employers can pay less and still attract a steady flow of workers.

The law of supply and demand doesn’t care about employees’ wants or feelings (5). In Europe, McDonald’s uses 7,000 touch-screen kiosks to handle cashier work (6). These kiosks are already used

by many large supermarkets in the U.S. If fast food workers suddenly got their \$15 an hour wish, kiosks would start replacing workers immediately (7).

High turnover is expensive

The high turnover rate among fast food employees is shockingly expensive. The recession of 2008 has kept turnover low by historic standards, but even so, it was 61% last year (8). Sixty-one percent!

McDonald's has tried stemming this problem by creating a retention program. The program shows crew members all of the options for career advancement the corporation offers (9). Advancement at McDonald's takes time and work – much of it repetitious. Good or bad, most employees will not stick around long enough to rise through the ranks. Hiring managers know that. Fast food restaurants factor in the cost of hiring and training new employees when they set base pay. The employees on the picket line who want an instant promotion say nothing about this.

Customers have their own concerns

The picketing fast food workers are appealing to the public to stand with them in this fight. The public sympathizes with the workers... to a degree. They are not willing to subsidize worker pay if it means higher burger prices. Specifically, if offered a choice between union wages and high food prices or non-union wages and low food prices, the customer will always pick the latter. The failure of the protesters to close a *single* restaurant showed that.

Popular items in shaky economy

The burger chains targeted by union organizers all feature some variation of the dollar menu. The dollar menu started with McDonald's in 2003 before spreading elsewhere (10). Industry experts expected dollar menus to have a limited run; they were a marketing gimmick. However, because they were such a hit with customers, they stayed on the menu, even as the costs rose. Now, the dollar menu brings in 14% of McDonald's annual sales (11).

Franchise owners of McDonald's, Burger King and Wendy's have been complaining about the dollar menu for years. Recently, corporate headquarters at all three companies agreed to start removing some items, not willing to lose money any longer. The dollar menu dilemma shows how hard burger chains work to attract and retain customers. It also shows how competitive the industry is (12).

It all started with Walmart

Walmart, the world's largest retailer, was the initial target of the labor and political groups who are advising fast food workers. They began with a worker's strike last October, complete with a march on company headquarters in Bentonville, AR. They staged another strike on Black Friday which received national publicity (13). The protests did nothing to disrupt Walmart's holiday season or its stock price.

Organized labor desperately wants to unionize Walmart. The unions know that if they succeed at Walmart, every other retailer would follow. The strikes so far at Walmart have gotten a lot of publicity, but no wins yet (14). Walmart, founded by the notorious hard-charging Sam Walton, caters

to price-conscious shoppers (15). Their core customers are react to even slight ripples in the economy (16). Any increase in prices (caused by unionization) would push them to dollar stores.

Everyone wants a “safe” job

It’s tempting to laugh at the young people who are picketing outside fast food chains and Walmart. They’re ignorant about all the issues that affect their wages, including profit. They want long-term careers, with high starting wages and zero chance of getting fired.

But is that really *any* different from what most white collar workers want?

You see, temporary hires are filling jobs at five times the rate of all total hires (17). The reasons businesses prefer temps are obvious: lower labor costs and greater staffing flexibility. Companies that have hired more temps run the gamut, from retail to IT (18). No industry is immune from the trend. Sure, employees don’t like it, but it doesn’t matter. The freedom and savings employers realize by using temps outweighs the risks.

Low-cost Craigslist ads change the hiring game

A long time ago, Craigslist only listed apartment rentals. It then grew to listing jobs (19). The low-budget look of Craigslist, plus its spam-heavy content, initially kept larger companies from using their services. The website’s incredible popularity and low-cost job listing service has changed its reputation. Nowadays, Fortune 500 companies advertise job openings alongside mom and pop businesses.

Although Craigslist has grown tremendously, the website has not changed its generic appearance. Visitors to Craigslist looking for work know how careful they must be in the vetting process. Many of the jobs are suspicious looking and pay little. There is even a “scam alert” section on the company’s homepage. In spite of this, any full-time position offering benefits attracts hundreds of applicants – within the first hour of listing. One administrative assistant position in NYC offering an \$11 to \$13 hourly wage attracted 653 applicants (20)!

A new job opening starts at the top of the page on Craigslist, under the industry selected. As other postings are published, the job gets bumped from its position and moves down the list. Regular job hunters know that they are competing against hundreds of other applicants for every full-time job they apply for on Craigslist. They know the numbers are not in their favor. And yet, holding out against impossibly low odds, they still track, monitor, and apply. Crazy, right?

LinkedIn encourages big dreams

Wait, there’s more. LinkedIn is like Craigslist. Users can build an extensive and detailed profile with a few simple uploads. Many job listings allow an applicant to substitute their LinkedIn profile for their resume. LinkedIn is constantly suggesting jobs to its members. These “dream” jobs are always full-time, salaried positions with standard benefits. The average LinkedIn user is 44-years-old (21). The average job post on LinkedIn attracts 50-120 applicants.

Millennials face a declining job market

Although the mainstream media faithfully reports unemployment rates of 7.5%, John Williams of Shadowstats.com, reports unemployment rates between 20 – 25% (22). Millennials (18-to 32-year-olds) have the country's highest unemployment rates. They also carry the bulk of the nation's student debt. Student debt in the U.S. is now higher than both auto loan and credit card debt (23). Request for payment on student loans begins six months after graduation. Given that, it's no wonder that so many young people are desperate enough to take ANY job that offers stability.

Wages stagnant but hope abounds

Real wages for American men peaked in 1972 (24). Men mask their falling salaries by using credit cards, saving less and sending their wives to work. Until 2007, many homeowners had expected the equity in their houses to supplement their retirement. The sharp drop in housing prices dashed those hopes.

The stock market today is lower than it was during the late 1990s, adjusted for inflation (25). Politicians talk constantly about their job creation bills but it's all bluster. Private sector jobs can only be created when there is sufficient demand for a goods or service. Government jobs however, are created by the stroke of a pen. That is the reason why despite a recession, federal employment is 11% higher than it was in 2008. The private sector workforce is four percent smaller since 2008 (26).

Public sector jobs pay a lot more than similar jobs in the private sector. In 2008, the average salary for a federal employee was \$79,000. It was \$50,000 for a private sector employee (27). Public sector employees were five times as likely to belong to a union as were private sector employees, making them much harder to fire (28). It is not surprising that fast food workers want to unionize. It's also not surprising that every federal job listed on the *Federal Daily* receives 1,000 applicants (29)! Who wouldn't want a job that pays well, offers guaranteed raises and lifetime security?

College grads with minimum wage jobs

There are more college graduates earning minimum wage now than there were 10 years ago (30). The *Huffington Post* recently reported that a McDonald's restaurant in Massachusetts was requiring cashier applicants to hold bachelor degrees (31). As more young people enter the workforce with few prospects, they are finding common cause with today's fast food workers. Frustration with low paying work is already making political headway. There is enormous pressure to raise the federal minimum wage in reaction to the dismal economic landscape (32).

The federal government has in recent years bailed out banks, underwater homeowners and automakers (33). It is possible that fast food workers, service employees and other minimum wagers will be next. The bailout could come as a sweeping mandate that hikes wages, unionizes industries or nationalizes businesses. The legislation would please many and receive broad political support. The younger workers affected will believe they have won a victory.

Retirement is the goal

Most people, no matter where they work, dream of retiring. They count down the days until they can “do nothing.” Interestingly enough, the retirement age of 65 is a new phenomenon, adopted in the U.S. as part of the Social Security Act of 1935. Prior to social security, people retired either when they had accumulated enough money to live on or until their employer “retired” them (34). Today, more than half of all workers stop working before age 65 despite the poor economy and longer life spans.

Few workers nearing retirement age have saved enough to maintain their lifestyle. Americans between the ages of 50 and 64 saved less last year than all other age groups. Forty percent of all households do not have a retirement account (35). Many are counting on social security, despite its shaky financing. They are hoping it will all work out.

Leisure is the dream

Middle class workers nearing retirement don’t plan on being poor. But they also don’t plan on giving up their lifestyle. They comfort themselves by thinking there will be a turnaround in the future. Their thoughts are purposely vague.

In this way they are similar to the protesting fast food employees and recent college graduates. All three groups are hoping against hope for things to get easier. For the fast food worker, that’s a \$15 per hour union job. For the college graduate, that’s a comfortable salaried position with benefits. For the individual nearing retirement, that’s enough money in old age.

Where do you stand?

As you know, life is -- if anything else -- unpredictable. Things always cost more than you think. Businesses go bankrupt. Government action causes volatile reactions. Financial security at any age is dependent on making a plan and following it through. It requires discipline and long-term thinking. Most people are unwilling to commit to a plan.

What about you? If you’re concerned about the rapid changes in our economy and wonder how you can protect your family from whatever lies ahead, then I invite you to click the link below. By doing that, you’ll have an opportunity to build real wealth, one step at a time.

[\(FAST START KIT link\)](#)

I’m talking about the kind of wealth that cannot be taken away, seized, or destroyed by government dictate... or by striking fast food employees, recent college graduates, or the millions of baby boomers set to retire.

Click here to see for yourself: [\(FAST START KIT link\)](#)

- (1) http://www.huffingtonpost.com/2012/11/29/fast-food-strikes-nyc_n_2213548.html
- (2) <http://www.usatoday.com/story/news/nation/2013/08/29/fast-food-workers-strike-for-higher-pay-in-nearly-60-cities/2726815>
- (3) <http://www.thenation.com/blog/174577/fast-food-workers-striking-seattle#>
- (4) <http://www.investopedia.com/university/economics/economics3.asp>

- (5) <http://www.usatoday.com/story/news/nation/2013/08/29/fast-food-workers-strike-for-higher-pay-in-nearly-60-cities/2726815/>
- (6) http://news.cnet.com/mcdonalds-hires-7000-touch-screen-cashiers/8301-17938_105-20063732-1.html
- (7) <http://www.chron.com/news/us/article/Fast-food-strikes-set-for-cities-nationwide-4770082.php>
- (8) <http://www.washingtonpost.com/blogs/on-leadership/wp/2013/08/29/fast-food-workers-are-staying-longer-on-the-job-and-wanting-more/>
- (9) http://articles.chicagotribune.com/2007-05-15/business/0705140540_1_restaurants-turnover-rate-karen-king
- (10) <http://www.usatoday.com/story/money/business/2013/09/04/mcdonalds-dollar-menu-extra-value-menu/2763981/>
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- (12) <http://www.usatoday.com/story/money/business/2013/09/04/mcdonalds-dollar-menu-extra-value-menu/2763981/>
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- (15) <http://www.biography.com/people/sam-walton-9523270>
- (16) <http://beta.fool.com/margiecf/2013/02/19/are-walmart-sales-canary-coal-mine/24685/>
- (17) <http://jobs.aol.com/articles/2013/06/24/nation-temp-workers/>
- (18) <http://management.fortune.cnn.com/2011/05/05/the-rise-of-the-permanently-temporary-worker/>
- (19) <http://www.marketplace.org/topics/craigslist-corporate-history>
- (20) http://www.npr.org/2012/08/01/157723695/one-job-seekers-ruse-to-check-out-his-competition?utm_source=fp&utm_medium=facebook&utm_campaign=20120802
- (21) <http://www.forbes.com/sites/mikemalone/2013/03/29/why-your-kid-cant-get-a-job/>
- (22) http://www.shadowstats.com/alternate_data/unemployment-charts
- (23) <http://www.bizjournals.com/stlouis/blog/2013/04/fed-student-loan-debt-surpasses-auto.html>
- (24) <http://www.washingtonpost.com/blogs/wonkblog/wp/2012/07/31/wages-arent-stagnating-theyre-plummeting/>
- (25) <http://www.usatoday.com/story/money/markets/2013/02/01/dow-cracks-14000-whats-next/1876723/>
- (26) <http://blogs.investors.com/capitalhill/index.php/home/35-politicsinvesting/7190-private-jobs-down-46-million-from-january-2008-federal-jobs-up-114>
- (27) <http://www.usnews.com/opinion/mzuckerman/articles/2010/09/10/public-sector-workers-are-the-new-privileged-elite-class>
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- (29) https://federalsoup.federaldaily.com/forum_posts.asp?TID=6291&title=number-of-job-applicants-per-federal-job
- (30) <http://money.msn.com/now/post.aspx?post=60c2d77c-2d2b-4920-8156-4fb05e443d93>
- (31) http://www.huffingtonpost.com/2013/04/04/winchendon-mcdonalds-college-degree_n_3013838.html
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- (33) <http://articles.latimes.com/2013/jun/07/autos/la-fi-hy-taxpayers-loss-gm-bailout-20130607>
- (34) <http://www.ssa.gov/history/pdf/80chap5.pdf>
- (35) <http://www.bankrate.com/finance/consumer-index/americans-retirement-savings.aspx>