

# Restaurant association leader criticizes minimum wage increase

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Higher prices, fewer employees, more labor-saving technology and shorter hours of operation are expected within the restaurant industry from California's new law to boost the minimum wage to \$15 per hour.

Jot Condie, president and CEO of the Sacramento-based California Restaurant Association, visited the organization's Fresno chapter Wednesday to discuss the effects of the law and to share with local restaurateurs the experiences of their counterparts in cities where higher-wage laws are already in place.

Condie predicted that one long-range effect is a change in who restaurant owners will be hiring to fill entry-level positions such as dishwashers and other jobs that have typically been viewed as "first-time" jobs for people with little to no experience.

"A restaurant owner is not going to gamble on an inexperienced, untested worker at \$15 an hour," Condie said.

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"Certainly hours for employees are going to be reduced," he added. "And for those that have been thinking about adopting technology, this will absolutely increase that adoption."

And because wages won't top out at \$15 an hour before 2022, "at least business owners will understand they have a chance to test what the appetite of the consumer is in terms of prices."

Based on what the industry has seen in Southern California and Bay Area cities that have already put higher-wage laws into effect, different types of restaurants will have different options available to them. Some upscale table-service establishments, where tipping is a major supplement to the income of minimum-wage food servers and bus persons, are looking at folding tips into the price of the meal, he said.

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Between wages and tips, the average server in California earns about \$22 per hour. "In San Francisco, it's closer to \$70, and in L.A. it's about \$65 an hour," Condie said. "In Fresno, it's lower, probably about \$30 an hour."

At family casual sit-down eateries, more computerized tablets are showing up at tables for people to place their orders. "A restaurant owner in Los Angeles told me he moved to tablets at his tables and cut his workforce by two-thirds" by eliminating waiters/servers, Condie said. "You have runners and greeters going around to the tables, so you don't completely lose the human interaction. But you have two or three people running food out to the tables and another engaging customers if they want to be engaged.

"He told me the customer reaction has been great," Condie added.

The minimum-wage legislation approved last week and signed into law by Gov. Jerry Brown on Monday caught the restaurant association flat-footed. The organization, along with a broad coalition of business interests, had instead been focusing on efforts to defeat an initiative that had qualified for the November general election ballot. Now, Condie is assessing what he can do to blunt the effects on his members.

“The lawmakers cast their votes, and they’re not likely to turn around and undo what they just did.” The focus now appears to be getting member restaurants – about 85,000 independent establishments statewide –to flex their collective muscle.

“Our job will be to keep businesses engaged to have conversations with their legislators as this is ramping up,” he said.

Elbow Room owner Mike Shirinian, whose restaurant hosted Condie’s presentation, vented his own frustration with the new law.

“There’s apparently a presumption (in Sacramento) that there is so much money being made that this is a cost that can be absorbed,” Shirinian said. “The reality is that it’s going to be higher prices, less hours (for workers) and maybe fewer hours of operation.”

Shirinian said that of his 65 employees, most are part-time, and at least 35 are minimum-wage workers who also earn tips as servers, bus persons and bartenders.

“If we went to \$15 today, my bottom line would completely go away,” he said.

An analysis of low-wage workers across the state, conducted by the University of California, Berkeley, Labor Center estimated that there are about 193,000 workers across all industries in Fresno County whose wages would be increased by the law – either directly through the minimum-wage hike, or indirectly as other wages rise because of a “ripple effect.”

The UC Berkeley Labor Center indicates that there are an additional 141,000 workers in Kings, Madera and Tulare counties who would receive wage increases as a result of the law.

“To be sure, there are those at the lower end of the wage ladder who will see improvement to their income,” Condie acknowledged.

But he said that price increases caused by businesses paying out more for labor could eventually take a toll on that income.

“There may be more losers than many people expect,” he added. “We’re going to reduce the number of entry-level, lower-skilled jobs – the ones where people who are living in poverty need access to those jobs.”

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