Written by **Clinton Alexander** on March 18, 2016

Minimum Wage Debate Pushes Fast Food Automation Forward

As President Barack Obama, presidential candidates Bernie Sanders and Hillary Clinton, and others across the country push for higher minimum wages, the fast food industry is taking bold steps forward in automation — moves that will help those companies offset the rising cost of employee wages.

Andy Puzder, CEO of Carl's Jr and Hardee's recently visited the heavily automated San Francisco based restaurant Eatsa and is looking at the impact of the pressing minimum wage debate with a fresh perspective; automation can work.

The restaurant Eatsa opened on August 31, 2015 in San Francisco and has since opened a location in Los Angeles. While a kitchen staff still prepares the meals unseen by the public, the front-service experience has been fully automated. A single front-house employee exists for the sole purpose of coming to the aid of the tech-challenged as they place orders in a system that otherwise requires absolutely no interaction with a restaurant employee.

After visiting Eatsa recently, Puzder told *Business Insider*, "I want to try it." He has been candid in his opposition to raising the minimum wage, having written two op-eds for the *Wall Street Journal*. Now he is investing in fast food automation. Touting such benefits as the elimination of employee training, personnel issues, employee absence due to illness or vacation, and other issues, such as age, sex, or racial discrimination, Puzder does not see a downside to automation. Echoing another sentiment others in the restaurant industry have already discovered, Puzder said:

> Millennials like not seeing people. I've been inside restaurants where we've installed ordering kiosks … and I've actually seen young people waiting in line to use the kiosk where there's a person standing behind the counter, waiting on nobody.

Other multinational restaurant chains have already begun the transition. McDonalds Canada CEO John Betts recently commented "We're basically blowing up the front counter." Having unveiled automation plans that will empower the customer to completely customize meals, many see a fast food industry in the future that will look much different than that of today.

A study published in 2013 by the University of Oxford estimated that there is a 92-percent chance that "Combined Food Preparation and Serving Workers, Including Fast Food" jobs would be susceptible to automation. While there has been debate as to the accuracy of that number and what impact it may have on the labor market, one thing is certain. The minimum wage debate is already beginning to push workers from their jobs.

In a move to reduce the number of front counter employees, Domino's Pizza enabled website, twitter, and text ordering. Last year more than half of all orders at their more than 5,000 stores were placed electronically. An ordering system needing no input from a front counter employee.

Introduced in 2013, tableside tablets have been available at thousands of Applebee's and Chili's restaurants, allowing their customers to completely bypass their waiter in both ordering and paying the bill. Since that time, other restaurants such as Olive Garden, Panera Bread, and Buffalo Wild Wings have followed suit, and a plethora of others have announced intentions to do the same.

Noah Glass, founder and CEO of Olo, a company that manufactures mobile ordering technology for multiple fast food restaurants stated, "I fully believe that it will seem crazy, even just two or three years from now, that we used to wait in long lines until we got our turn, and then told [a cashier] what we wanted, and had them punch it into a machine for us."

It would seem that Pandora's Box has been fully opened. Having been opened, fast food (and indeed other industrial) automation has obviously come forth. The question that arises is how this affects the minimum wage debate. The answer is a simple financial equation. Said Andy Puzder, "If you're making labor more expensive, and automation less expensive — this is not rocket science."

The first and foremost goal of any business is simple, to stay in business. This is done by increasing customer satisfaction and maximizing profits. As labor costs rise, Puzder and others in the industry must look for ways to keep their companies profitable. If the answer is automation, then those pushing the minimum wage ever higher will not have come to the aid of those earning a lower income — they will have cost those very people their jobs.

Writing for the Cato Institute, Steve H. Hanke said:

> There are seven European Union (E.U.) countries in which no minimum wage is mandated (Austria, Cyprus, Denmark, Finland, Germany, Italy, and Sweden). If we compare the levels of unemployment in these countries with E.U. countries that impose a minimum wage, the results are clear. A minimum wage leads to higher levels of unemployment. In the 21 countries with a minimum wage, the average country has an unemployment rate of 11.8%. Whereas, the average unemployment rate in the seven countries without mandated minimum wages is about one third lower — at 7.9%.

Examining 21 EU countries for the article, Hanke showed that in countries with minimum wage laws, 27.7 percent of young adults were unemployed in the year 2012. European Union countries without minimum wage laws had a combined unemployment rate of 19.5 percent for the same year.

The minimum wage laws have been promoted as a "social justice" tool, a methodology to lift the poorest among us to a new standard of living. However, as Nobel Prize winning economist Milton Friedman once observed "A minimum wage law is, in reality, a law that makes it illegal for an employer to hire a person with limited skills."

Walter E. Williams, professor of economics at George Mason University, wrote:

> The people who are harmed by an increase in the minimum wage are low-skilled workers. Try this question to economists who argue against the unemployment effect of raising the minimum wage: Is it likely that an employer would find it in his interests to pay a worker $15 an hour when that worker has skills that enable him to produce only $5 worth of value an hour to the employer's output? Unlike my fellow economists who might argue to the contrary, I would say that most employers would view hiring such a worker as a losing economic proposition, but they might hire

> him at $5 an hour. Thus, one effect of the minimum wage law is that of discrimination against the employment of low-skilled workers.

The words of both Steve H. Hanke and Walter E. Williams above hold true, evidenced by the move toward automation in the food industry. When costs go up, companies must find ways to stay profitable. As Andy Puzder looks to begin modeling the front counters of his Hardees and Carl's Jr chains after the near employee-free Eatsa restaurants, people must take a careful look at the price-tag that comes with pushing policies upon business and industry that raise employee wages beyond the value that employee provides.

While the stated goal of those pushing the minimum wage forward is to help the poor, perhaps Hanke stated it best in his Cato Institute piece, "The most important lesson to take away from allowing the minimum wage and unemployment benefit data to talk is that abstract notions of what is right, good and just should be examined from a concrete, operational point of view. A dose of reality is most edifying." When the conversation is moved away from emotional arguments and the data is evaluated, facts show that minimum wage hikes will only hurt those intended to be the beneficiaries.