



Written by [Raven Clabough](#) on January 10, 2018

Minimum Wage Hikes Take a Toll; Red Robin Announces Massive Layoffs

Even the government's best intentions usually result in unintended negative consequences, and the new minimum wage increases that went into effect on January 1 in 18 states and 19 localities are a prime example of that. The minimum wage hikes have resulted in massive layoffs and higher prices. Most recently, the national restaurant chain Red Robin has announced that it will be forced to eliminate busboys at all of its 570 restaurants to offset the labor increases resulting from the increased salary costs.



Red Robin's chief financial officer Guy Constant announced at the ICR retail conference that the measure would save \$8 million in 2018 and that it will help to "address the labor increases we've seen."

This decision comes after the restaurant chain had already eliminated expeditors — individuals who plate the food in the kitchen.

In fact, faced with rising labor costs, a few nationwide chains including Red Robin are beginning to roll out "restaurant pods," which are kitchens that prepare food for delivery only.

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"Labor costs across the country are going up, and that's clearly putting pressure on all restaurants," says Jason Rusk, Red Robin's vice president of innovation. "Ideally, we'd like to go into low-rent warehouse spaces with our delivery concept."

According to Michael Saltsman, director of the Employment Policies Institute (EPI), these cutbacks are a direct result of the minimum wage increase.

Saltsman told Fox Business. "If they can't pass those increases off in higher prices ... they have to find a way to do more with less."

He added that the minimum wage hikes are directly impacting entry-level opportunities as companies looking for cost-saving measures are targeting those positions first. Food, service, and retail employees tend to be the most affected by such hikes.

These effects can be seen almost immediately. Last June, the *Seattle Times* reported that Seattle's \$15-an-hour minimum wage law cost the city jobs and lowered incomes. A University of Washington team found that while the law did boost pay in low-wage jobs, it caused a nine percent reduction in hours worked. For the average Seattle worker, that was a loss of about \$125 per month.

"If you're a low-skilled worker with one of those jobs, \$125 a month is a sizable amount of money," said Mark Long, one of the authors. "It can be the difference between being able to pay your rent and not being able to pay your rent."



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The study estimated there would be approximately 5,000 more low-wage jobs in Seattle were it not for the law.

A study released last month by EPI also found that in California, a 10 percent increase in minimum wage causes a 5 percent reduction in employment in industries with a higher percentage of lower-paid employees. The authors of the study estimated that California will lose approximately 400,000 jobs by 2022 resulting from the \$15 minimum wage.

Nick Powills, 851Franchise.com editor in chief, noted that the irony of the minimum wage hike is that it was intended to help employees, and now employees are hurting as a result.

“When intentions are good, and you can’t appease everybody; someone is going to eventually be on the short [end of the] stick,” Powills wrote.

In addition to hurting those individuals who are losing their jobs, measures such as those taken by Red Robin could negatively impact the chain’s customer service, restaurant consultant John Gordon told the *New York Post*, with the potential to cost the restaurant chain revenue.

None of this should come as a total surprise, however, as statistics have consistently shown that minimum wage hikes hurt employment.

According to a study conducted by EPI, minimum wage increases can also have a negative effect on state Gross Domestic Product (GDP) generated by certain lower-skilled industries.

“This research suggests that in both good and bad economic times, raising the minimum wage is a bad idea,” Saltsman explains. “Legislators should carefully scrutinize proposals like minimum wage increases, which fail to improve the economy and will certainly cause further job loss.”

What’s more, University of Chicago business professor Steve Kaplan contends that minimum wage hikes give technology an advantage over people.

“Technology is already taking jobs,” Kaplan told [ABC News](#). “What you ought to do is make it easier to hire people.”

Restaurant chains such as Chili’s and Applebee’s have already replaced some servers with tableside tablets for placing orders.



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