



Written by [Bob Adelman](#) on November 23, 2016

## McDonald's Response to \$15 Minimum Wage: Automation in Every Store

It's official: McDonald's [says](#) that every one of its 14,000 stores nationwide will be replacing cashiers with automated touch-screen kiosks. They're starting with stores where minimum-wage laws mandate the highest rates, such as Florida, New York, San Francisco, Boston, Chicago, Washington, D.C., and Seattle.

According to [CNNMoney](#):

So the fast food giant is rolling out self-order kiosks, mobile pay options, an updated interior design, even table service. The changes are already starting to show up at locations in Florida, New York and Southern California, where 500 restaurants have been updated. Restaurants in San Francisco, Boston, Chicago, D.C. and Seattle will get upgrades in early 2017. Now, McDonald's loyalists will be able to place their customized order on a touch screen, take a seat and have their meal brought right over. Next year, they'll even have the option of mobile ordering.



That means that, eventually, more than 20 million customers every day will place their own orders at a kiosk or on a mobile device and then have them delivered by a human to their table. And it's just a matter of time before those humans will be replaced by machines as well.

Ed Renzi started as a grill man for McDonald's in Columbus, Ohio, in 1966. He was promoted to manager within a year and continued to be promoted, all the way up to president and chief operating officer in 1984. In 1991, he was named chief executive officer and retired to a life of speaking professionally about his experiences in 2007.

In May, Renzi was asked about the discussion over raising the minimum wage. He responded: "I guarantee you if a \$15 minimum wage goes across the country you're going to see a job loss like you can't believe. It's cheaper to buy a \$35,000 robot than it is to hire an employee who's inefficient making \$15 an hour bagging French fries."

It's all about the math. Renzi oversaw every aspect of McDonald's: sales, profits, operations, customer satisfaction, product development, personnel, and training. If a store can replace a \$15 an hour employee with a robot that costs \$35,000, it will not only improve that store's operating margins but



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will actually enhance customer experience: robots don't get sick, they don't have attitudes or get pregnant, they don't go on strike, they always show up for work on time, and, as software improves, will provide a friendly, interactive interface with the store.

McDonald's decision will also answer, finally and forever, the question that economics textbooks and economics professors have been raising and then trying to answer for decades: What impact will raising the minimum wage have? Supporters of minimum-wage laws say that they increase the standard of living of workers, reduce poverty, reduce inequality, and boost the economy as well as the morale of workers.

Opponents say minimum-wage laws increase unemployment and poverty and are especially damaging to small businesses that are forced to raise their prices to cover the increased labor costs.

Here's the math: a worker being paid \$15 an hour costs his employer \$38,500 a year, including unemployment insurance and the employer's part of Social Security. If Rensi is right, and the average robot in a McDonald's costs \$35,000, in less than a year that store has paid for it in reduced wages, and eliminates that \$15 an hour cost forever after. If there are 30 employees in a McDonald's, and if just 10 of them are replaced by a robot, customers will enjoy another benefit: lower prices on their Happy Meals.

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