

Going Nowhere Fast: Limited Occupational Mobility in the Fast Food Industry

Front-line jobs in the fast food industry—including cooks, cashiers, delivery workers, and other non-managerial positions—rank among the lowest-paying occupations in the U.S. economy. In response to growing criticism, industry spokespersons have defended low wages for front-line fast food workers by arguing that these jobs serve as stepping stones to higher-paying managerial positions, as well as to opportunities to eventually own and operate a fast food franchise.

These claims, however, are not supported by the facts. Managerial positions account for only a tiny fraction of jobs in the fast food industry, and opportunities for franchise ownership are even fewer. Moreover, the substantial financial resources required to open a fast food franchise make entrepreneurship an unrealistic option for front-line fast food workers earning poverty-level wages.

Main Findings:

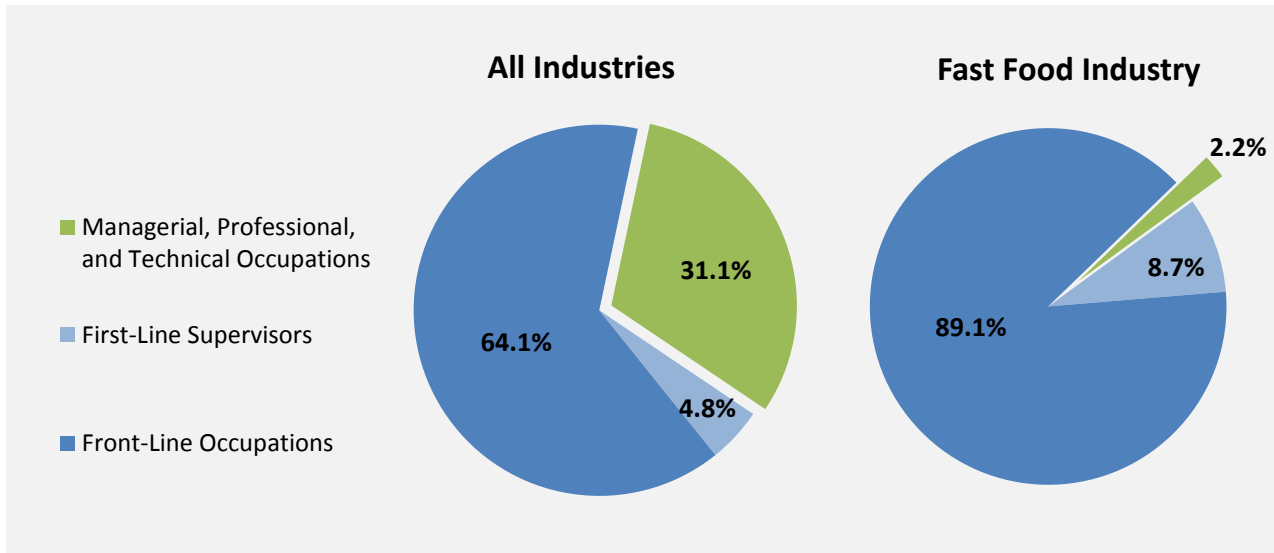
- While managerial, professional, and technical occupations make up 31.1 percent of jobs throughout the U.S. economy, only 2.2 percent of jobs in the fast food industry are managerial, professional, or technical occupations.
- Front-line occupations make up 89.1 percent of all jobs in the fast food industry and have a median hourly wage of \$8.94 per hour. First-line supervisors, with a median hourly wage of \$13.06 per hour, make up the remaining 8.7 percent of jobs in the fast food industry.
- Franchise owners represent only 1.0 percent of all jobs in the fast food industry. The limited number of fast food franchise owners can be understood in light of the significant financial assets that franchising requires: 9 of the 11 largest fast food chains in the United States require prospective franchisees to have at least \$500,000 in net worth and \$250,000 in liquid assets.

I. Only 2.2 Percent of Fast Food Jobs are Managerial, Professional, or Technical Occupations

Opportunities for advancement in the fast food industry are significantly limited compared to other industries: only 2.2 percent of jobs in the fast food industry are managerial, professional, or technical

occupations, compared with 31 percent of jobs in the overall U.S. economy that are managerial, professional, or technical occupations.¹

Fig. 1: Occupational Composition of Fast Food Industry Relative to U.S. Economy



Source: NELP analysis of Occupational Employment Statistics data

The “Mobility Myth” in the Fast Food Industry:

Despite what the data make clear about the barriers to upward mobility in the fast food industry, spokespersons for the industry and representatives from the major chains have collectively promoted a “mobility myth” that characterizes low-wage fast food jobs as springboards for advancement to managerial positions or opportunities to open a franchise:

“...[E]mployees who want to go from crew to management can take advantage of a variety of training and other professional development opportunities.” –**McDonald’s spokesperson, NBC News**

“The restaurant industry provides opportunities for millions of Americans, women and men from all backgrounds, to move up the ladder and succeed.” –**National Restaurant Association, AP**

“The restaurant industry is a launching pad. There are low-wage, entry-level jobs for young people and others but it creates an opportunity for people to live the American Dream and get a piece of the life we want for people.” –**New York Restaurant Association, MSNBC**

“ ‘Our restaurants in the area are franchise-owned, and we are proud that the franchise system of KFC restaurants provides employment and opportunities for career advancement to thousands of workers in the New York City area,’ said KFC spokesman Rick Maynard.” –**KFC, FOX News**

“In a statement, Burger King said its restaurants ‘have provided an entry point into the workforce for millions of Americans,’ including many franchisees.” –**Burger King, USA Today**

Source: For sources of quotes, see endnote 2.

II. Front-Line Fast Food Workers Earn an Hourly Median Wage of \$8.94 per Hour

Front-line workers and first-line supervisors both earn significantly less than managers in the fast food industry. Front-line occupations constitute 89.1 percent of all fast food jobs, and workers in these occupations are paid an hourly median wage of \$8.94 per hour. Another 8.7 percent of fast food jobs are first-line supervisors, who earn an hourly median wage of \$13.06 per hour.³

Fig. 2: Median Hourly Wages and Total Employment in the Fast Food Industry

	Median Hourly Wage	Employment	Industry Employment
Fast Food Industry – All Occupations	\$9.05	4,101,790	100%
Managerial, Professional, and Technical Occupations (e.g. Store Manager)	\$21.92	88,340	2.2%
First-Line Supervisors (e.g. Crew Supervisors)	\$13.06	355,570	8.7%
Front-Line Occupations (e.g. Cashiers, Cooks, Crew)	\$8.94	3,655,550	89.1%

Source: NELP analysis of Occupational Employment Statistics data. All values expressed in 2012 dollars.

III. Franchise Owners Constitute Only 1.0 Percent of Fast Food Industry Jobs

Opportunities to become an entrepreneur in the fast food industry are even more limited than the availability of managerial opportunities: franchise owners account for only 1.0 percent of all jobs in the fast food industry.⁴ Moreover, over the past several years, many major fast food brands have begun selling corporate-owned stores to franchisees, with a preference for selling to existing franchisees who already own multiple units. McDonald's, for example, estimates that its average franchisee owns at least five stores.⁵ As a result, franchise opportunities are increasingly inaccessible to those not currently established as owners.

Fig. 3: Fast Food Franchise Owners Make Up a Tiny Share of Total Fast Food Employment



Source: NELP analysis of 2007 Economic Census Franchise Report

At many of the leading companies in the fast food industry, opportunities for franchise ownership are even more limited than the industry-wide trend: for example, at McDonald's, there is only one franchise owner for every 300 employees at the company in the U.S. These extreme imbalances prevail at many of the other leading brands in the fast food industry, as seen in the Fig. 4 below.

Fig. 4: Major Fast Food Companies Provide Highly Limited Opportunities for Franchise Ownership⁶

<p>McDonald's Corp.</p> <p>1 : 293</p> <p>Franchise Owner : Employees</p>	<p>Wendy's</p> <p>1 : 260</p> <p>Franchise Owner : Employees</p>
<p>Burger King</p> <p>1 : 198</p> <p>Franchise Owner : Employees</p>	<p>Papa John's Pizza</p> <p>1 : 141</p> <p>Franchise Owner : Employees</p>

Source: FranData, 10-K forms for selected companies.

Furthermore, the barriers to franchise ownership are compounded by the substantial financial assets that nearly all of the top corporate brands require of prospective franchisees. Nine of the 11 largest fast food chains in the United States require franchisee applicants to have a net worth of at least \$500,000, in addition to at least \$250,000 in liquid assets. Six of the 11 largest fast food chains require a net worth of at least \$1 million.

Fig. 5: Financial Requirements for Opening a Franchise at the 10 Largest U.S. Fast Food Companies⁷

Company	Minimum Financial Requirements	
	Net Worth	Liquid Assets
Taco Bell (subsidiary of Yum! Brands, Inc. NYSE: YUM)	\$1.5 million	\$750,000
KFC (subsidiary of Yum! Brands, Inc. NYSE: YUM)	\$1.5 million	\$750,000
Pizza Hut (subsidiary of Yum! Brands, Inc. NYSE: YUM)	\$700,000	\$350,000
McDonald's Corp. (NYSE: MCD)	\$750,000 Non-borrowed Assets	
Wendy's (Subsidiary of The Wendy's Company, NYSE: WEN)	\$5 million	\$2 million
Burger King (NYSE: BKW)	\$1.5 million	\$500,000

Subway (<i>Subsidiary of Doctor's Associates, Inc.</i>)	\$80,000 - \$310,000	N/A
Dunkin' Donuts (<i>Subsidiary of Dunkin' Brands Group, Inc.</i> NASDAQ: DNKN)	\$500,000	\$250,000
Sonic Drive-In (NASDAQ: SONC)	\$1 million	\$1 million
Jack in the Box (NASDAQ: JACK)	\$1.5 million	\$750,000
Papa John's Pizza (NASDAQ: PZZA)	\$150,000	\$50,000

Source: Minimum financial requirements for franchise applicants available on company websites

The data make clear that opportunities for advancement in the fast food industry are severely limited by the tiny number of managerial, professional, or technical positions in the industry relative to front-line positions—numbers that are much lower than those found in other industries. Opening a fast food franchise is even more unlikely for front-line workers, given the substantial financial resources required and the industry preference for selling franchises to existing owners. In the final analysis, if front-line fast food workers are to have any meaningful opportunities for upward mobility, significant reforms to pay standards and occupational structures within the fast food industry will be necessary.

Notes:

¹ Based on analysis of most recent data available for fast food industry employment and earnings by occupation, which is the May 2011 Occupation Employment Statistics data for "Limited Service Eating Places" (NAICS 722200).

"Managerial, Professional, and Technical Occupations" include the following major occupations for Limited Service Eating Places: Management Occupations; Business and Financial Operations Occupations; Computer and Mathematical Occupations; and Art, Design, Entertainment, Sports, and Media Occupations.

"Front-Line Supervisors" refer to the following detailed occupations for Limited Service Eating Places: First-Line Supervisors of Food Preparation and Serving Workers; First-Line Supervisors of Housekeeping and Janitorial Workers; First-Line Supervisors of Retail Sales Workers; First-Line Supervisors of Office and Administrative Support Workers; First-Line Supervisors of Mechanics, Installers, and Repairers; First-Line Supervisors of Production and Operating Workers; First-Line Supervisors of Transportation and Material-Moving Machine and Vehicle Operators.

"Front-Line Occupations" include the following major occupations for Limited Services Eating Places: Protective Service Occupations; Food Preparation and Serving Related Occupations; Building and Grounds Cleaning and Maintenance Occupations; Personal Care and Service Occupations; Sales and Related Occupations; Office and Administrative Support Occupations; Installation, Maintenance, and Repair Occupations; Production Occupations; Transportation and Material Moving Occupations.

² Barbara Raab, "Fast Food Workers Strike, Citing Low Wages: 'It's Not Enough'," *NBC News*, April 4, 2013, available at: <http://inplainsight.nbcnews.com/news/2013/04/04/17587032-fast-food-workers-strike-citing-low-wages-its-not-enough?lite>

Karen Matthews, "Fast Food Workers, Supporters Protest in NYC for Higher Wages," *Huffington Post*, April 4, 2013, available at: http://www.huffingtonpost.com/2013/04/04/fast-food-workers-protest-nyc_n_3018123.html

Transcript of *All In with Chris Hayes*, MSNBC, April 4, 2013, available at: <http://video.msnbc.msn.com/all-in-/51435760#51435760>

Emily Jane Fox, "KFC, McDonald's Workers to Strike in NYC," *CNN Money*, April 4, 2013, available at: <http://myfox8.com/2013/04/04/kfc-mcdonalds-workers-to-strike-in-ny/>

Paul Davidson, "Fast Food Workers Stage Protests for Higher Wages," *USA Today*, May 14, 2013, available at: <http://www.usatoday.com/story/money/business/2013/05/14/food-workers-strikes/2159047/>

³ Median hourly wage figures for the two categories, "Managerial, Professional, and Technical Occupations" and "Front-line Occupations," are based on weighted average of median hourly wage rates of major occupations included under each of the two categories as described in footnote 1 above. The median hourly wage figure for the category "Front-line Supervisors" is based on weighted average of detailed occupations included under this category, as noted in footnote 1 above. Employment figures do not sum to total due to rounding. All values expressed in 2012 dollars.

⁴ Based on analysis of 2007 Economic Census Franchise Report, the most recent source of data available on the number of franchise establishments in the U.S. by industry and by ownership status. Assumes 23.8 percent of all fast food franchisees are single-unit owners and 76.2 percent of franchisees are multi-unit owners, based on data for all food franchises provided by FRANdata, as cited in Angus Loten, "The Big Get Bigger," *The Wall Street Journal*, March 18, 2012, available at: <http://online.wsj.com/article/SB10001424052702304723304577370431589231276.html>.

⁵ Angus Loten, "The Big Get Bigger," *The Wall Street Journal*, March 18, 2012, available at: <http://online.wsj.com/article/SB10001424052702304723304577370431589231276.html>.

⁶ Data on total number of franchise owners for each company provided by FranData, a franchise data provider. Estimates for total U.S. employment for each company based on analysis of 2011 10-K forms.

⁷ Minimum financial requirements for franchise applicants available on the following official company websites:

YUM! Brands	http://www.yumfranchises.com/fran_process/qualify.asp?brand=
McDonald's Corp.	http://www.aboutmcdonalds.com/mcd/franchising/us_franchising/aquiring_a_franchise.html
Burger King	http://www.bk.com/en/us/company-info/franchise/our-process.html
Subway	http://www.entrepreneur.com/franchises/subway/282839-0.html#
Wendy's	http://aboutwendys.com/Our-Company/Franchising/US/
Dunkin' Donuts	http://www.dunkinfranchising.com/franchisee/en/process.html
Sonic Drive-In	http://sonicdrivein.com/Franchise/OwnAFranchise
Jack in the Box	http://www.jackintheboxinc.com/franchising/opportunities
Papa John's Pizza	http://www.papajohns.com/franchise/franchise-ownership-process.shtm