

Bilked: How Trump's Labor Secretary Pick Costs Taxpayers \$250 Million per Year

President-elect Trump's nominee for U.S. labor secretary, Andrew Puzder, is the CEO of CKE Restaurants, the parent company of the Hardee's and Carl's Jr. fast-food restaurant chains. Puzder is on record opposing any meaningful increase in the minimum wage,¹ even as the overwhelming share of jobs in the fast-food industry pay such low wages that millions of fast-food workers must turn to public assistance in order to afford health care, food, and other basic necessities.

In an October 2013 study, *Super-Sizing Public Costs: How Low Wages at Top Fast-Food Chains Leave Taxpayers Footing the Bill*,² using data on the costs of low-wage jobs published by the UC Berkeley Labor Center,³ we found that low wages and lack of benefits at the 10 largest fast-food companies in the United States cost taxpayers an estimated \$3.8 billion per year. At the same time, the seven publicly traded corporations in that group earned at least \$7.4 billion in profits and paid out \$52.7 million to their highest-paid executives. Below, we apply a similar analysis to Puzder's CKE Restaurants.

Even the most basic information about the CKE empire is shadowy since the corporation has changed hands in two consecutive private-equity leveraged buyouts in the last six years, the second of which resulted in an estimated 165 percent return for the first set of buyout partners after just three years.⁴ Away from public scrutiny, even questions as simple as the number of Hardee's and Carl's Jr. restaurants, the number of workers the company employs, and their typical wages are subject to speculation. However, using some information provided by Andrew Puzder himself and estimates provided by economists, **we can estimate that public taxpayer-funded safety-net programs subsidize CKE to the tune of approximately \$247 million a year to offset poverty wages** and keep its low-wage front-line workers and their families from economic disaster.

To offset poverty wages, taxpayer-funded safety-net programs subsidize CKE to the tune of approximately \$247 million a year.

In repeated testimony on Capitol Hill to oppose precisely the kinds of worker protections one might expect the U.S. secretary of labor to safeguard, Mr. Puzder has stated that there are more or less 3,000 CKE-branded restaurants in operation in the United States, and that on average these operations employ 25 workers and one general manager.⁵ For our purposes, we rely on Mr. Puzder's most recent assertion that there were 2,920 CKE

restaurants operating in the United States. Mr. Puzder also stated that CKE restaurants accounted for “about 75,000 jobs” nationally. Because we are not concerned here with corporate staff or other non-restaurant workers nor the in-store general managers, we will use his estimate of 25 restaurant workers per facility for a total U.S. front-line employment of 73,000.

Economists at the University of California, Berkeley, used federal employment data and safety-net program data to estimate that in 2013, the average public cost per fast-food employee for participation in Medicaid, State Children’s Health Insurance, the federal Earned Income Tax Credit, the Supplemental Nutrition Assistance Program, and Temporary Assistance for Needy Families was just over \$3,300 per year.⁶ In 2016 dollars, this is the equivalent of \$3,506.31. (Because the underlying data comes from years before the implementation of the Affordable Care Act, these figures do not include subsidies available to very low-wage workers to purchase health insurance, which could affect these estimates.)

By multiplying the average public cost per employee in the fast-food industry by the total number of front-line workers in CKE restaurants, we arrive at the approximation of \$250 million annually. This is by necessity an estimation because wages from location to location will vary depending on state or local minimum wage laws, qualification for various programs will vary depending on family composition and family income, and because Mr. Puzder has yet to share employee turnover information with which to refine annual costs. We do know that the vast majority of his workers are unlikely to be able to support themselves through their work at a CKE operation: in his 2015 testimony, Mr. Puzder asserted that 65.5 percent of his employees worked fewer than 30 hours a week, meaning that they did not qualify for ACA-compliant employer-provided coverage.

Puzder’s Own Compensation

As was true with basic information about CKE employment data, information about Mr. Puzder’s own compensation is shrouded in secrecy. All we have available are the last public filings from 2012, which list his total compensation as \$4.5 million, or 291 times the annual income for a full-time front-line worker earning the federal minimum wage.⁷

Endnotes

- ¹ Andy Puzder, “Minimum Wage, Maximum Politics,” *The Wall Street Journal*, October 5, 2014, <http://www.wsj.com/articles/andy-puzder-minimum-wage-maximum-politics-1412543682>
- ² “Super-Sizing Public Costs: How Low Wages at Top Fast-Food Chains Leave Taxpayers Footing the Bill,” National Employment Law Project, October 2013, <http://www.nelp.org/content/uploads/2015/03/NELP-Super-Sizing-Public-Costs-Fast-Food-Report.pdf>
- ³ Allegretto, et al., “Fast Food, Poverty Wages: The Public Cost of Low-Wage Jobs in the Fast-Food Industry,” UC Berkeley Labor Center, October 2013, <http://laborcenter.berkeley.edu/fast-food-poverty-wages-the-public-cost-of-low-wage-jobs-in-the-fast-food-industry/>
- ⁴ <https://www.pacbiztimes.com/2013/11/22/apollo-cashes-in-on-cke-with-1-6b-sale/>
- ⁵ “Written Testimony of Andrew F. Puzder, CEO of CKE Restaurants Holdings, Inc. On Why the NLRB Adopting a New Joint Employer Standard Would Be Bad for Workers, Employers, Franchising and the Economy, Before the House Education and the Workforce Committee’s Subcommittee on Health, Employment, Labor, and Pensions,” June 2014. Available at: http://edworkforce.house.gov/uploadedfiles/puzder_testimony_revised.pdf (accessed January 4, 2017). “Written Testimony of Andrew F. Puzder, CEO of CKE Restaurants Holdings, Inc. On the Forty Hours is Full Time Act Before the Senate Health, Education, Labor and Pensions Committee,” January 2015. Available at: <http://www.help.senate.gov/imo/media/doc/Puzder.pdf> (accessed January 4, 2017).
- ⁶ Allegretto, et al., “Fast Food, Poverty Wages: The Public Cost of Low-Wage Jobs in the Fast-Food Industry,” UC Berkeley Labor Center, October 2013. Because they were using aggregate federal data, these researchers multiplied the total industry employment by 44 percent in order to limit their focus to “core” front-line workers who were employed for at least 27 weeks per year and at least 10 hours per week in a given year.
- ⁷ In 2012, as Apollo Capital attempted to sell CKE for the first time, the company was required to file an S-1 Registration Statement with the Securities and Exchange Commission. In that filing, Puzder’s base salary for that year was just over a \$1 million with an additional cash incentive bonus of \$1.9 million. This is in addition to a retention bonus of \$1.2 million he received in lieu of stock options. His employment agreement also allowed for payment of dues at recreational clubs, medical coverage, reimbursement for cell phones, the cost of preparing his taxes, and a car allowance. A table listing “all other compensation” presumably includes these perks and totals \$174,211. “Form S-1 Registration Statement, CKE, Inc.,” dated May 17, 2012, available here: <https://www.sec.gov/Archives/edgar/data/1550043/000119312512238523/d350029ds1.htm> (accessed January 5, 2017).

About NELP

The National Employment Law Project is a non-partisan, not-for-profit organization that conducts research and advocates on issues affecting low-wage and unemployed workers. In partnership with grassroots and national allies, NELP promotes policies to create good jobs, ensure safe workplaces, enforce hard-won workplace rights, and help unemployed workers regain their economic footing. For more about NELP, please visit www.nelp.org.

© 2017 National Employment Law Project. This report is covered by the Creative Commons “Attribution-NonCommercial-NoDerivs” license fee (see <http://creativecommons.org/licenses>). For further inquiries, please contact NELP (nelp@nelp.org).