



JOHN KLINE, MN
Chairman

GEORGE MILLER, CA
Senior Democratic Member

MAJORITY – (202) 225-4527
FAX – (202) 225-9571

COMMITTEE ON EDUCATION
AND THE WORKFORCE
U.S. HOUSE OF REPRESENTATIVES
2181 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6100

MINORITY – (202) 225-3725
FAX – (202) 226-5398

March 6, 2014

VIA FACSIMILE: (502) 874-2690

Mr. David Novak
Chairman of the Board and Chief Executive Officer
Yum! Brands, Inc.
1441 Gardiner Lane
Louisville, KY 40213

Dear Mr. Novak:

To better understand the business dynamics at work in low-wage but profitable industries with reportedly high rates of both wage theft and employee use of public assistance, we are writing to gain insight from a number of executives of restaurant franchisors. As senior Democratic members of the U.S. House Committee with jurisdiction over our nation's labor laws, we respectfully request information about Yum! Brands' labor policies and practices vis-à-vis its franchise relationships nationwide.

As you are well aware, millions of American workers rely on fast food industry jobs to provide for their families.¹ Many of these workers struggle to survive on the low wages offered in the industry, and more than half of them rely on some form of public assistance to supplement their low wages. It has been reported that 52 percent of all fast food workers receive public assistance, such as food stamps, at a cost of \$3.8 billion to taxpayers.²

Additionally, media coverage points to an alarmingly widespread pattern of illegal pay practices at fast food establishments.³ A recent study of New York City fast food workers found that a startling 84 percent of workers had personally experienced a violation of wage and hour laws.⁴

¹ See report entitled *The Low-Wage Recovery and Growing Inequality* by the National Employment Law Project (NELP) for additional information, available online at <http://www.nelp.org/page/-/Job_Creation/LowWageRecovery2012.pdf?nocdn=1> (visited Feb. 27, 2014).

² See Forbes' *Fast Food's Dirty Secret: Workers Are Starving* available online at <<http://www.forbes.com/sites/caroltice/2013/10/15/fast-foods-dirty-secret-workers-are-starving/>> (visited Feb. 27, 2014).

³ See The Seattle Times' *Seattle fast-food workers file wage-theft complaints* available online at <http://seattletimes.com/html/localnews/2021474715_wagetheftxml.html> (visited Feb. 27, 2014).

⁴ http://media.wix.com/ugd/c4876a_c69c3c4e8df5af6ade1775a38df0b6dd.pdf

Mr. David Novak
March 6, 2014
Page 2

A 2009 study, with over 4,300 respondents in New York City, Los Angeles, and Chicago, found that 68 percent of workers in low wage industries reported experiencing a pay violation in the previous week with an average loss of \$51 per week out of average weekly earnings of \$339. Assuming fulltime year-round work, these workers lost \$2,634 annually, out of total earnings of \$17,616 – a significant amount for a working family.⁵

Press reports show that the form that wage theft takes in these restaurants is wide-ranging. A Papa John's Pizza worker in St. Louis has said she was regularly required to work before clocking in and after clocking out, providing free labor for two to four hours every week.⁶ A KFC worker in New York City has said he worked nearly 80 hours per week but never received overtime pay.⁷ A New York City McDonalds employee has alleged losing up to \$75 every month because she was not compensated for the time spent counting the money in the register before and after her shifts.⁸ A Kansas City Burger King employee has alleged that she lost roughly \$1,300 each year because managers tampered with payroll documents to avoid paying overtime hours.⁹ A former employee of Qdoba Mexican Grill in Seattle alleged that a manager simply failed to provide him with his final paycheck after he resigned his position, despite repeated requests.¹⁰

Concern is growing about the fast food industry's labor practices. For example, the New York State Attorney General (NYAG) has initiated a robust investigation into the wage and hour practices of the fast food industry.¹¹ The NYAG has even had to intervene to stop fast food employers from firing workers for simply complaining about wage and hour violations.¹² American corporations like Yum! Brands rightfully take great care in protecting their brand.

⁵ <http://www.nelp.org/page/-/brokenlaws/BrokenLawsReport2009.pdf?nocdn=1>.

⁶ See Colorlines' *How Fast Food Companies Steal Workers' Pay* available online at http://colorlines.com/archives/2013/06/fast_food_franchises_wage_theft.html (last visited Feb. 27, 2014)

⁷ See MSNBC's N.Y. Attorney General Investigating Fast Food Industry Wage Theft <http://www.msnbc.com/all-in/ny> (last visited Feb. 27, 2014).

⁸ See Nation's *84 Percent of NYC Fast Food Workers Report Wage Theft in New Survey* available online at <http://www.thenation.com/blog/174375/84-percent-nyc-fast-food-workers-report-wage-theft-new-survey> (last visited Feb. 27, 2014).

⁹ See Colorlines' *How Fast Food Companies Steal Workers' Pay* available online at http://colorlines.com/archives/2013/06/fast_food_franchises_wage_theft.html (last visited Feb. 27, 2014)

¹⁰ Ibid.

¹¹ See Reuters' *New York Attorney General probing fast-food pay practices* available online at <http://www.reuters.com/article/2013/05/16/us-usa-fastfood-pay-idUSBRE94F19W20130516> (last visited Feb. 27, 2014).

¹² See NYAG press release available online at <http://www.ag.ny.gov/press-release/ag-schneiderman-secures-agreement-requiring-reinstatement-dominos-workers> (last visited Feb. 27, 2014).

Mr. David Novak
March 6, 2014
Page 3

Presumably, franchise agreements reflect this value, with assurances about the quality and uniformity of things like the menu, the food products, and restaurant appearance. But pervasive wage and hour violations and low wages do not reflect any better on a brand than do wayward menu items or inconsistent cooking times.

For us to fully understand Yum! Brands' workplace wage and hour policies and practices, we respectfully request that you provide us with the following information:

- A copy of your standard franchise agreement, including any attachments, manuals or policies provided to franchisees which reference wages, hours, and other labor standards.
 - A copy of training materials and guidance:
 - Provided to managers of corporate-owned restaurants and franchise owners or their managers regarding shift management and labor costs, including instructions on how to record hours and payroll.
 - Provided to franchise owners, employees at franchisee restaurants, or employees at corporate-owned restaurants, regarding compliance with wage and hour laws, including employee handbooks.
 - A detailed explanation of how your corporation oversees its franchisees, especially franchisee wage, hours, and other labor practices.
 - A detailed explanation of how your corporation addresses noncompliance with franchise agreements, especially with respect to any wage, hour, or other labor standards.
 - A detailed explanation of the steps your corporation takes, if any, to prevent wage and hour violations of local, state, and federal laws at both franchisee restaurants and corporate-owned restaurants.
 - A detailed explanation of how your corporation handles violations of wage and hour laws by franchisees, including whether your corporation keeps track of the number of wage and hour violations committed by franchisee restaurants and whether your corporation terminates or otherwise disciplines franchisees for such violations.
 - The number and location of alleged violations of local, state or federal wage and hour laws that have been committed by your franchisees and corporate restaurants from January 1, 2009, to present, and how those allegations have been resolved.
-

Mr. David Novak
March 6, 2014
Page 4

We thank you in advance for your attention and cooperation with our request. Please direct your staff to coordinate your response with Ms. Leticia Mederos, Democratic Labor Policy Director, who can be reached on (202) 225-3725.

Sincerely,



GEORGE MILLER
Senior Democratic Member



JOE COURTNEY
Ranking Member, Workforce Protections
Subcommittee