

March 2, 2021

The Honorable Josh Gottheimer  
Co-Chair  
Problem Solvers Caucus  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Tom Reed  
Co-Chair  
Problem Solvers Caucus  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Representatives Gottheimer and Reed:

We appreciate your leadership of the Problem Solvers Caucus and your commitment to finding common ground on many of the difficult legislative challenges pending before Congress. The undersigned organizations, which represent a broad swath of business and industries involved in franchising, have a strong desire to work constructively with the Caucus on policies that will support workers and business owners alike. Specifically, we urge the Problem Solvers Caucus to analyze our below concerns with the *Protecting the Right to Organize Act* (PRO Act), which is scheduled to be considered by the full House during the week of March 8, and create more balanced policy that will both advance workers' rights and preserve the franchise business model. With your help, franchising will continue to play a vital role in the economic recovery, and we can achieve our shared goals of ensuring fair opportunity for both workers and small business owners across the country.

As you know, franchise businesses are independently and locally owned. The franchise business model, by which an established brand licenses its name, products and processes to an independent owner, has proven to be a resilient and mutually beneficial driver of economic opportunity for owners, employees, and brands. The pandemic has hit franchise businesses extremely hard. Within the first six months after the COVID-19 outbreak, an estimated 32,700 franchised businesses closed as of August 2020; 21,834 businesses were temporarily closed, while 10,875 businesses were permanently closed.

If Congress does no harm, franchise businesses will surely accelerate the post-COVID economic recovery. While the number of unemployed individuals peaked at nearly 30 million workers early in the pandemic, such workforce dislocation forced many individuals to try entrepreneurial ventures, including starting new franchise businesses. Now franchising is poised to rebound; a February 2021 report from market research firm FRANdata revealed that more than 26,000 franchised business locations and nearly 800,000 franchise jobs will be created in 2021. This outsized growth should be expected, because franchising has helped fuel recovery following past economic downturns. After the financial crisis from 2009-2012, employment in the franchise sector grew 7.4%, versus 1.8% growth in the total U.S. employment.

Franchises also play an outsized role in generating wealth creation for minority communities, especially those who have been left unbanked or underbanked during the pandemic. Minorities have too frequently been denied equal opportunity in business, but franchising has helped thousands of our entrepreneurs overcome common societal obstacles. Over 30% of franchises are minority-owned, compared to 18% of non-franchised businesses. Rather than hinder the ability of new entrepreneurs to generate wealth and support their local communities, Congress should strongly support the franchise business model.

Therefore, we strongly urge Congress to avoid major legislative changes like the PRO Act that would severely disrupt the franchise business model and impede new business formation and job growth during the economic recovery. Polarizing policy proposals, such as those that prohibit fair representation, coerce broad unionization across franchised systems and restrict independent contractor qualifications to the point that franchisees would be treated as employees, would hamper the economic recovery.

The franchise business community stands ready to collaborate with you on finding policies that will better support workers and employers. We support efforts that encourage brands to share information and best practices with franchise owners on COVID-19 safety measures and employee education. Thus, rather than considering the PRO Act, which would dramatically change liability rules during a small business economic recovery, Congress should be proactively finding ways to encourage businesses to engage in important corporate social responsibility activities and develop apprenticeship training programs by providing a safe harbor for these practices from additional liability.

Due in large part to its treatment of franchise small businesses, the PRO Act puts the national economic recovery at risk. As written, the PRO Act would harm current franchise owners through a potential massive expropriation of equity. It would harm *potential* franchise owners through a limiting of economic opportunities available to them. It would harm franchise employees through a sudden change of their places of work away from their communities and into a large corporation. Finally, it would harm franchise brands by upending the business model that they use to grow and expand in communities across the U.S.

For these reasons, the undersigned organizations strongly encourage you to build better policy than the PRO Act – policy that will both elevate workers’ rights and protect the franchise business format used by hundreds of thousands of entrepreneurs. We look forward to your views as we work to rebuild the economy from the COVID-19 pandemic.

Sincerely,

American Hotel & Lodging Association  
Asian American Hotel Owners Association  
Coalition of Franchisee Associations  
Franchise Business Services  
International Franchise Association  
National Association of Women Business Owners  
National Council of Chain Restaurants  
National Franchisee Association  
National Restaurant Association  
National Retail Federation  
Small Business & Entrepreneurship Council  
U.S. Chamber of Commerce  
Workplace Policy Institute

cc: Members of the Problem Solvers Caucus