



HB 494; Franchise Agreements
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Written Proponent Testimony
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House Government Accountability & Oversight Committee

Chairman Blessing, Vice Chair Reineke, Ranking Minority Member Clyde and members of the House Government Accountability & Oversight Committee, thank you for granting Ohio Hotel Lodging Association the opportunity to lend their voice in favor of House Bill 494 Representative Antani's clarification of franchise agreements.

I'm Michael-lynn Evans, the government affairs consultant for Ohio Hotel and Lodging Association (OHLA). Ohio is home to nearly 1,500 licensed and active hotel properties providing more than 135,000 rooms to guests across the state. The lodging industry employs more than 35,000 people directly and 93,000 hotel-related jobs, produce nearly \$800 million in employee wages and are an integral part of Ohio's vital travel economy. With more than 26 million room nights sold in Ohio annually, hotels have a \$25.5 billion total economic impact in our state, and support \$3.4 billion in taxes. Many of the hotel businesses in Ohio that produce this economic activity are franchised operations.

For more than 30 years, the franchisor/franchisee relationship has been based on the fundamental understanding that franchisors and franchisees are not joint employers because they do not exercise direct control over the same employees responsibilities. The NLRB's decision to expand the definition of joint employer severely limited opportunities by diminishing the autonomy of Ohio's hotel owners and dissuading potential entrepreneurs from wanting to expand.

Since the expansion, a big issue facing hotel owners are who is the employer: is it the owner or the manager, the franchisor or the franchisee, the client or the contractor? Who has the liability for employment claims? Many hotel owners today are real estate investment trusts, private funds,

insurance companies and other institutional owners, which muddies dividing lines, as does the changing legal landscape.

OHLA's members support Rep. Antani's HB 494 clarification efforts to codify the traditional joint employer standard of 'direct and immediate control' for state law purposes and protects hotel businesses in Ohio from certain joint employment claims. HB 494 makes clear the franchisee is the owner of the business and the ultimate employer of any individuals who work in that business. While HB 494 does nothing to impact the existing worker's right and in no way limits potential redress of any employment claims an employee may have.

Passage of HB 494 would, re-right the course for all in the joint employer relationship. The advantages of the arm's-length system don't go to just franchisors. Part of the big appeal of becoming a franchisee is: You're in business for yourself but not by yourself. In good franchise systems, franchisees get all sorts of valuable help, from scheduling software and payroll support to help in finding and hiring good managers or technical positions.

Clarification of the traditional joint employer standard reinstalls confidence to in our franchise members. When NLRB changed the traditional joint employer standards, hotel business owners felt as if they longer business owners, it was as if they were working for someone else who had no risk invested. The franchisor does not understand the relationship a franchisee has with their employees.

OHLA would like to thank Rep. Antani for his efforts to right the ship again by clarifying the traditional joint employer standard. We ask the committee for favorable passage of HB 494.