



HB 494; Franchise Agreements
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Written Proponent Testimony
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Senate Transportation, Commerce & Workforce Committee

Chairman LaRose, Vice Chair Kunze, Ranking Minority Member Schiavoni and members of the Senate Transportation, Commerce & Workforce 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 & 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, creates 93,000 hotel-related jobs, produces \$800 million in employee wages and serves as 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.

The Ohio Hotel & Lodging Association supports Rep. Niraj Antani's HB 494 to codify the traditional joint employer standard of "direct and immediate control" in state law to help protect hotels and other 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. HB 494 does nothing to impact existing worker's rights and in no way limits potential redress of any employment claims.

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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 business opportunities by diminishing the autonomy of Ohio's hotel owners and other business owners, dissuading potential entrepreneurs from wanting to expand.

Passage of HB 494 would correct the course for all in the joint employer relationship. For many of our members, part of the appeal of becoming a franchisee is that they're in business for themselves but not by themselves. 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.

Since the expansion, uncertainty plagues hotel owners: is the employer 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.

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

OHLA asks for the support of the members of the Senate Transportation, Commerce & Workforce Committee in clarifying the traditional joint employer standard. We ask the committee for favorable passage of HB 494.

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.