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## Minority Franchising Under Attack

*By Alfredo Ortiz*

The blur of taxes, regulations and mandates out of Washington has created a significant roadblock to job creation, but a recent action by an obscure government agency will hurt almost 200,000 minority business owners are sounding the alarm.

The National Labor Relations Board (NLRB) would rather not hear it, but the panel is poised to upend a business model that has been a proven path for enumerable minorities to pursue their American Dream. Late last year, the NLRB issued 13 complaints containing dozens of charges against the McDonald's Corporation and many of its franchisees. The complaints hold McDonald's jointly responsible for the labor practices at its franchisees' restaurants—a significant departure from long-held policy that would be the death knell of franchising as we know it.

Starting up a business is a formidable challenge. Many entrepreneurs find an affordable opportunity to own a piece of the American Dream through franchising. The move by five politically connected lawyers appointed—not elected—to the NLRB makes the national franchisor responsible for the actions of one local business owner, rather than each local owner calling his or her own shots. This means the cost of one local mistake or lawsuit against one local owner may be spread across all the other franchisees.

The cost to comply with Washington mandates like the Affordable Care Act already create too many barriers to those who simply want to own their own piece of the American Dream.

Now the NLRB is creating yet another barrier: fewer entrepreneurs will risk opening a franchise if they must accept the national corporation as co-employers of their staff. Franchisors would also likely favor large established operators or expanding with corporate locations over the budding entrepreneur to avoid running afoul of Washington.

In fact, many national companies are saying they may stop franchising entirely, opting instead to own all their local storefronts.

Franchising is an affordable way to realize the American Dream of small business ownership by going into business for yourself, but not by yourself: Entrepreneurs buy into an established brand and grow with a national business. For decades, franchising has been wildly successful and has created more than 780,000 franchise establishments in America. Today franchising generates 8.9 million direct US jobs and millions more indirect jobs and accounts for 3 percent of the Gross Domestic Product (GDP). Quite frankly, the innovative business model has helped minorities drive growth of our economy.

Minority-owned businesses as a whole are responsible for nearly \$1 trillion of economic output and six million jobs in this country. And importantly, one out of every five franchisees is a minority, employing many more minorities and often located in minority communities.

What's more, according to a 2007 report from the International Franchise Association, minority owned franchises represented 20.5 percent of franchised

businesses, compared to 14.2 percent of non-franchised businesses. A little more than ten years ago they made up just five percent of franchise owners.

At franchises like Popeye's Louisiana Kitchen, with a remarkable female chief executive at the helm, upwards of 60 percent of stores are minority-owned—and most of those owners are women running challenging small businesses. In fact, almost 80 percent of minority-owned franchises have less than 50 employees. So this ruling really goes at the heart of small, minority owned business.

Some think the NLRB ruling is just an attempt by labor unions to open the door to unionizing restaurant workers. With only one percent of membership in the food service industry, unions have had a very difficult time enlisting a workforce with high turnover and thousands of owners. If they have just one national owner to organize against, suddenly the path to unionizing thousands of employees is easier.

Recent minimum wage protests show exactly what labor unions have in store for franchises. Who would want to risk starting a business under that threat?

In the end, the NLRB action is really about big government getting bigger and small business getting smaller. We are seeing the disenfranchising of America right before our eyes, and it's going to hit minorities hard.

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