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Obama's War on Franchises

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Little noticed by most of the press and public, the Obama administration is poised to undertake another breathtakingly bold power grab that will dramatically expand the scope of the federal government, hurt the aspiring middle class in the name of equality and further polarize the country.

This is happening because the unelected bureaucrats of the National Labor Relations Board are advancing a decision that would deconstruct one of the most successful business models of all time – the franchise.

Some issues are easy to grasp, and some are not. The ins and outs of the Federal Communications Commission vote to subject the Internet and its players to Title II regulation is abstract. It takes work to line up all of President Barack Obama's promises for the Affordable Care Act with its actual outcomes. But everyone understands Subway, Massage Envy, Papa Johns and Anytime Fitness.

Attacking these mom-and-pop stores will not be popular. When Democrats on Capitol Hill wake up to what is being done in their name – and they will when the letters and phone calls start pouring in – they will have every reason to feel that the Obamacrats have once again left an unpleasant surprise on their doorstep.

Here's the issue: Franchises are business arrangements that allow local investors to obtain a license for the right to sell a national brand in a given area (whether McDonald's or Burger King, the UPS Store or Sylvan Learning). Franchisers offer an operating system and support, while insisting that certain standards be met. For their part, franchisees are given wide lee-

way to hire, fire and manage their stores.

Some franchises are better deals than others. Prospective investors certainly need to scrutinize the small print before getting into business with a national brand. But as a drive past any strip mall in America shows, investing in a franchise is one of the most common ways for people with limited savings and limitless drive to start a business and build personal wealth.

Such scalable opportunity explains why there are now roughly 760,000 franchise small businesses in the United States employing millions of people. One out of five franchise owners is a member of a minority group. Franchising is an especially common route many women take to owning their own business. The franchise model has allowed many aspiring entrepreneurs to create a local success and, with other people's capital, rapidly expand it into a national network.

Given that small business is the principal driver of employment in this country, any other administration would celebrate the franchise business model as a driver of social success. But as with "net neutrality," the Obamacrats are ever ready to solve problems that don't exist by, well, creating bigger problems.

The NLRB appears to be preparing to move on a recommendation from its general counsel to declare franchisees and franchisers to be "joint employers," thus making the franchisers liable for virtually anything that happens in thousands of small businesses. Purveyors of social justice see this as a way to make national chains take responsibility for their workers with uniform policies and higher wages. Unions

see it as a wedge to organize an untapped workforce. Franchisees see it as a way to go broke.

With their money on the line, franchisees naturally want to set wages and manage working conditions in their own shop. If this system is unilaterally rewritten by unelected Obamacrats, the costs of buying a franchise license and franchise fees will soar. Liability concerns will discourage brands from accepting the very people with the most to gain – potential partners who are long on energy and drive but short on managerial track records.

The Obamacrats' franchise decision would be in line with other initiatives forced on America. In 2010, Obamacare was sold as a law that would lower premiums, protect vulnerable populations from being gouged for prescription drugs, while bringing more choice and competition. The result has been higher premiums for people who obtain health insurance outside of work, higher medication costs for people with pre-existing conditions and less choice and less competition in health care.

This year, the FCC enacted net neutrality to protect the consumer, only to ground it in a 1930s Ma Bell-era regulation of the Internet that now has leading advocates of net neutrality publicly voicing regret that they ever opened their mouths.

It is this appetite for government power at the expense of business and people that has already reduced the number of Democratic Party officeholders to their lowest national levels since the 1920s. It's almost enough to make you wonder if Obama harbors a secret Democratic death wish.