



October 12, 2016

Michael Mitchell, Special Advisor
John Murray, Special Advisor
Changing Workplaces Review
ELCPB 400 University Avenue
12th Floor
Toronto, Ontario M7A 1T7

Dear Special Advisors Mitchell and Murray:

The International Franchise Association (IFA) is grateful for the opportunity to submit comments regarding Changing Workplaces Review Interim Report. We look forward to being active participants in the review process and hope you view us an informational resource.

Celebrating 56 years of excellence, education and advocacy, the IFA is the world's oldest and largest organization representing franchising worldwide. The IFA works through its government relations and public policy, media relations and educational programs to protect, enhance and promote franchising and nearly 733,000 franchise establishments that support nearly 7.6 million direct jobs, \$674.3 billion of economic output for the U.S. economy and 2.5 percent of the Gross Domestic Product (GDP). IFA members include franchise companies in over 300 different business format categories, individual franchisees and companies that support the industry in marketing, law, technology and business development.

Our comments and concerns are best read in combination with the attached letter from Michael Seid, who in addition to being the Founder and Managing Director of MSA Worldwide is also an IFA Board Member. While Mr. Seid's letter goes into great detail examining Canadian law related to independent contractors, we focus primarily on our policy concerns related to potential changes in the joint employment standard.

The IFA respectfully takes exception to the following language contained on pages 28-29 of the Interim Report, "The business model set up by the franchisor may squeeze profit margins, putting pressure on franchisees not to comply with minimum standards." Franchised businesses are no more likely to violate employment standards than any other small independently owned small business. Franchisors generally include in their franchise agreements a provision that franchisees meet all federal, state and local laws, regulations and codes. This is done to protect the brand and therefore already enhances legal compliance over non-franchised systems.

When the National Labor Relations Board (NLRB) changed the joint employer standard from direct and immediate control to indirect control, the effects within the franchising community were almost instantaneous. Some franchisors have begun to exert more control to protect their brands, while other systems have reduced the amount of support services they provide to their

franchisees lest they be deemed joint employers. A detailed examination of the negative economic impacts created by this new standard is “Main Street in Jeopardy, The Expanding Joint Employer Threat to Small Businesses,” which we have attached as a PDF. We have also included a summary of the report compiled by the Coalition to Save Local Businesses, which has spearheaded the efforts to educate Members of Congress on the standard’s impact.

The IFA has not sat idly by and there has been positive movement to return to the immediate and direct control standard. Already, nine states (Georgia, Indiana, Louisiana, Michigan, Oklahoma, Tennessee, Texas, Utah and Wisconsin) have passed laws, which at their core state, “Franchisors are not the employers of franchisees, nor are they the employers of franchisees’ employees.” Additionally, on the federal level, the business community has formed groups such as the Coalition to Save Local Businesses (www.SaveLocalBusinesses.com), which is comprised of a wide variety of associations and individual business owners. There is bipartisan support in Congress to force the NLRB to return to the direct immediate control standard.

In the midst of this process, it is imperative that the significant impact that the franchise business model has across the world be taken into account. Franchising has provided millions of entrepreneurs with the opportunity to go into business for themselves, but not by themselves. In turn, these small business owners create employment opportunity in their locales, while engraining themselves as part of the community. The IFA has worked consistently to showcase these stories, and through the @ Our Franchise (<https://atourfranchise.org/>) campaign, we encourage you to view the stories of local franchise owners, their employees, and its impact on their communities.

In conclusion, the IFA urges that the utmost caution be taken in any attempts to redefine Ontario’s joint employment standard. To that end, we encourage you to once again view us as an informational resource during this deliberative process.



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