WAGE INCREASE FAIRNESS ACT

FREQUENTLY ASKED QUESTIONS

How does franchising work?

Franchising is based on the principle that every franchisee owns and operates their own business and is independently responsible for their own decisions, including the opportunity to retain business-related profits. The franchisor provides support for the brand through standards regarding quality and uniformity. In short, the national brand, or franchisor, sets standards and ensures consistency of consumer experience, while the individual owner operates the business location and retains its profit.

What does the legislation accomplish?

The legislation amends the Fair Labor Standards Act to provide "franchise fairness" regarding minimum wage levels across the country. The bill ensures that all businesses are treated equally with regard to minimum wage policy, preventing ordinances from requiring franchises to implement new minimum wage levels at a faster pace than non-franchised businesses.

What states or localities have enacted discriminatory minimum wage policies?

- Seattle
- New York City (Quick Service Restaurants only)
- Minneapolis

What states or localities have aimed to enact discriminatory minimum wage policies, but now have policies that provide equality for franchises?

- St. Paul
- Chicago
- State of New York
- Baltimore
- Los Angeles
- San Francisco
- Kansas City & St. Louis

Why would legislators discriminate against franchises?

There is a gross public misperception that franchised businesses are corporations and not locally owned.

Do franchises pay lower wages than non-franchised business owners?

The most comprehensive study of franchise wages and training practices to date, by Peter Cappelli of the Wharton School and Monika Hamori, found no statistically significant differences between pay and benefits at franchised and non-franchised establishments. They further found that franchised establishments were more likely to have "high quality" management practices and provide employee training. "[O]verall, labor costs per employee were higher in franchise operations. There is no support for the idea that franchises pursue a strategy of lower expenditures on employees[1]."

Does the legislation pre-empt states or localities from enacting their own minimum wage levels?

No. The legislation only ensures all businesses are treated equally. States and localities would still be free to go above the federal minimum wage level. The bill would only prevent states and localities from requiring that franchise businesses implement new minimum wage levels at a faster pace than non-franchised businesses.

Why should the federal government act?

One of the goals of any new federal minimum wage policy should be to ensure a level playing field for all local business owners and not put some at an advantage at the expense of others.

PLEASE COSPONSOR H.R. 830, THE WAGE INCREASE FAIRNESS ACT

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[1] Peter Capelli and Monika Hamori, "Are Franchises Bad Employers?" Industrial and Labor Relations Review, January 2008, p. 157