

Legislative Analysis



APPLICATION OF EMPLOYMENT RULES TO FRANCHISEES

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House Bill 5070
Sponsor: Rep. Eric Leutheuser

House Bill 5072
Sponsor: Rep. Nancy E. Jenkins

House Bill 5071
Sponsor: Rep. Pat Somerville

House Bill 5073
Sponsor: Rep. Daniela Garcia

Committee: Commerce and Trade
Complete to 12-1-15

SUMMARY:

These bills would amend four employment acts by stating that *franchisees are considered the sole employer of the workers for whom they provide a benefit plan or pay wages, except as specifically provided in the franchise agreement.* This clarifies that an employee may only seek compensation or redress from the franchisee for whom he or she directly works, and not from the franchisor. The bills would take effect 90 days after they are enacted.

Often, a large company (franchisor) contracts with an individual or smaller company (franchisee), so that the individual may use the business model and brand of the company for a period of time, and in exchange will pay the company a portion of its sales and additional fees. Subway, McDonald's, and 7-Eleven are three of the country's largest franchises and, along with other franchises, comprise 11 million American jobs. Although these are national brands, these bills would make clear that the employees who work in a franchise store are considered employees of that franchisee alone, unless otherwise specified in the franchise agreement.

House Bill 5070 would amend the Michigan Occupational Safety and Health Act by adding the above highlighted language to its definition of "employer." (MCL 408.1005)

House Bill 5071 would amend Public Act 390 of 1978, by replacing the Department of Labor as the department governing the payment of wages, rights and responsibilities of employers and employees, and dispute resolution, with the Department of Licensing and Regulatory Affairs. It would also add the above highlighted language to its definition of "employer." (MCL 408.471)

House Bill 5072 would amend the Workforce Opportunity Wage Act by adding the above highlighted language to its definition of "employer." (MCL 408.412)

House Bill 5073 would amend the Michigan Employment Security Act by adding the above highlighted language to its definition of "employer." (MCL 421.41)

FISCAL IMPACT:

The bill would have no fiscal impact.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.