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IFA CAUTIONS DOL OF OVERLY BROAD INDEPENDENT CONTRACTOR RULE

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Proposed rule preserves independence of franchisees, but must do more to promote Main Street opportunities

WASHINGTON – The International Franchise Association (IFA) this week issued comments to the U.S. Department of Labor (DOL) on its proposed independent contractor rule. In the comments, IFA highlights the importance of a standard that maintains the independence of franchise owners and urges the Department to further clarify that the proposal will not interfere with the franchise business model.

“The independence of franchise owners is essential to the way franchising works, and IFA urges DOL to provide clarity in the standard to protect the integrity of the franchise business model,” said Michael Layman, senior vice president of government relations and public affairs. “Franchising provides incredible opportunities for women, veterans and People of Color to pursue the American Dream. While IFA is appreciative that the proposal recognizes that the ABC test does not apply to the Fair Labor Standards Act (FLSA), franchised business owners deserve more clarity that this rule will not upend their livelihoods.”

The [comments](#) state, “The standard for determining employee or independent contractor classification under the FLSA is of direct and immediate concern to the franchise community, insofar as an overly broad standard threatens to fundamentally upend the successful franchise business model, particularly in the case of owner-operated franchises. IFA has strongly opposed efforts to enact independent contractor tests that rob franchise owners of their investments by effectively demoting them to employees of their brand.”

The comments, in response to the October 13, 2022, Proposed Standard for Determining Employee or Independent Contractor Classification Under the Fair Labor Standards Act, highlight the unique aspects of the franchise business model and explicit trademark and brand requirements under federal law that allow for independence business operation. IFA applauds the proposal for its express recognition that the ABC test does not apply to the Fair Labor Standards Act, appropriately clarifying that the franchise relationship falls outside of its coverage.

IFA also highlights how specifically minority-owned franchises would benefit from further clarity on several aspects of the rule, as the franchise business model [results](#) in higher wages, higher rates of minority ownership, and higher sales for minority-owned companies. Nearly 30% of franchised businesses are minority owned. Black-owned franchises, on average, earn 2.2% more in sales compared to Black-owned independent businesses and pay wages at a rate of 2.2% to 3.4% higher than non-franchised businesses.

Read the full comments [here](#).

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About The International Franchise Association:

Celebrating over 60 years of excellence, education, and advocacy, the International Franchise Association (IFA) is the world's oldest and largest organization representing franchising worldwide. IFA works through its government relations and public policy, media relations, and educational programs to protect, enhance and promote franchising and the approximately 775,000 franchise establishments that support nearly 8.2 million direct jobs, \$787.7 billion of economic output for the U.S. economy, and almost 3 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.

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We represent excellence in franchising education and advocacy. We're here to support your growth, connect our community, and protect our business model. Advancing every aspect of franchising since 1960, IFA is the collective power of our membership.

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