

**“Expanding Joint Employer Status: What Does it Mean for Workers and Job Creators?”**

**House Committee on Education and the Workforce  
Health, Education, Labor & Pensions Subcommittee**

**Testimony of Jagruti Panwala  
Hotel Owner and Operator**

**September 9, 2014**

Chairman Roe, Ranking Member Tierney, and distinguished members of the Subcommittee, thank you for the opportunity to testify before you today.

My name is Jagruti Panwala. My family and I are owners and operators of five hotels in the northeastern United States and we employ over 200 people. I am also a first generation American, an entrepreneur and a franchisee. I come before you today to discuss a significant threat to my livelihood and the livelihood of those I employ, many of whom I consider to be family.

When I was only 22 years old, my husband and I bought the Economy Inn, an independent motel with 35 operational rooms, in Levittown, Pennsylvania. We borrowed money from family and friends to make the down payment and secured a loan to get started.

In addition to working at the Inn for more than 100 hours per week, we also lived in room 201. Not only was I an owner and operator, but I was also a desk clerk, housekeeper, plumber, security guard, handyman, landscaper and janitor. Even after all of our efforts to build our business, it was still difficult to make ends meet – particularly in that market. In order to succeed as hoteliers, we realized it was not enough to simply run the operations efficiently, but we needed to attract more customers. We found that we could do so by affiliating with a nationally recognized brand.

After Choice Hotels accepted our franchise application, we converted the Economy Inn into a Comfort Inn hotel. This was our first experience with franchising – or “raising a flag” of a

national brand, as it is known in the industry. Ultimately, franchising appealed to us because we still controlled our own business and simply paid fees for use of the brand name.

Since that time, I have worked with four different franchisors: Choice Hotels International, Wyndham Hotels, InterContinental Hotels Group and Best Western.

In addition to running our family business, I also serve as a volunteer-board member of the Asian American Hotel Owners Association (AAHOA). AAHOA members own over 40% of all hotels in the United States and employ over 600,000 workers, accounting for nearly \$10 billion in payroll annually. Approximately 80% of the more than 20,000 properties AAHOA members own are franchised businesses. My story is nearly identical to those of the nearly 13,000 small business-owner members of the association.

I am here today to explain my perspectives as a franchisee, and describe how an expanded definition of joint employer status will have devastating effects on my business, my employees and the lodging industry.

The franchising model as it pertains to lodging is straightforward. As an hotelier, it is my responsibility to identify the market, secure the financing, purchase the land, establish contracts, set prices, determine staffing needs, and run the daily operations of my business.

Conversely, hotel franchisors' responsibilities include granting franchise approvals, providing guidelines for construction, conducting marketing campaigns, developing training for management, and generally offering guidance to ensure the quality of their brand remains consistent from one hotel to the next.

Additionally, franchisors charge a onetime fee of \$25,000 to \$50,000 for use of their flag and monthly royalties of 10-15% of the gross revenues of the business.

In my role as the hotel operator, I determine the parameters of the working environment. I assess the overall staffing needs for each property and make hiring decisions accordingly. I also set wages, benefits, schedules, hours, break times, evaluation criteria, metrics for promotions and raises, and disciplinary procedures.

As I hope you can see, I am in no way an agent of the franchisor, and I am certainly not an employee of the franchisor. I am an independent small business owner, who makes decisions about my business and my staff autonomously. Affiliation with a franchisor can help generate revenues but, ultimately, success or failure and profitability of the hotel is based upon my decision-making – as it is with all small business entrepreneurs.

Mr. Chairman, it is for these reasons I am extremely alarmed by the radical decision of the NLRB's General Counsel seeking to confer joint employer status onto franchisors.

Assigning liability for employment decisions to the franchisor may cause franchisors to impose control over the daily operations of each business in an effort to mitigate against claims. Essentially, I would no longer be in business for myself.

Instead of acting as a licensor and providing guidance from time to time, the franchisor would likely feel the need to become a partner and try to have influence on business and staffing decisions.

In an effort to protect against liability, franchisors would likely have to take an active role in basic employee management determinations like hiring, firing, wages, hours, benefits, and schedules. Worse however, is that the franchisor may also try dictate policies for promotions, raises and advancement within my company. It is important to remember, most franchisors are public companies with different goals and motives than I have as a small business owner.

If this were to happen, I would essentially become an **employee** of the parent corporation and no longer an entrepreneur.

To be completely honest, if these were the conditions of the franchising model before I became an hotelier, I would have never entered into this business.

Mr. Chairman, Ranking Member Tierney and Members of the Committee, I sincerely thank you for the opportunity to share my story with you because I have worked too hard and overcome too many obstacles as an entrepreneur and as a first generation American, to sit idly by while bureaucrats and lawyers attempt to undermine my success and status as an employer – and a business owner.

In preparation for this hearing, I read portions of the NLRB General Counsel’s brief in the *Browning-Ferris* decision. It essentially claimed that franchisors were the *true* employers who inserted “intermediaries” between themselves and employees in order to avoid collective bargaining over working conditions. Mr. Chairman, I am **no** intermediary. I am a business owner and a job creator. This sort of uninformed rhetoric is quite frankly, offensive, because it diminishes my accomplishments as a businesswoman.

I strongly urge this committee, and the National Labor Relations Board, to consider the tremendously adverse impacts on franchisees and workers when deliberating policy proposals associated with the definition of a “joint employer.”

Thank you.