

NEWS & INSIGHTS

Legislation to Repeal NLRB Joint Employer Rule Vetoed, Raising Concerns for Franchise Industry

BY: [THOMAS J. KENT, JR.](#) | [INSIGHTS](#) | [ARTICLE](#)

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The White House announced that President Biden has vetoed bipartisan legislation that would have repealed the NLRB joint employer rule. Over 5,300 franchise leaders across the country sent a petition to the White House urging President Biden to sign the legislation and protect small business. The President's signature on this bill would have ensured that the NLRB could never write an anti-franchise joint employer rule again. The joint employer rule, issued in October 2023, would make franchisors and franchisees jointly liable for the actions of the franchisee employees.

This rule undercuts the foundation of the franchise system. A similar rule was passed in 2015 and it cost franchised businesses \$33.3 billion per year, resulted in 376,000 lost jobs, and increased lawsuits by 93%, according to the International Franchise Association (IFA).

President Biden commented that his veto of this legislation is for the sake of protecting worker's rights to organize and bargain collectively. However, the IFA and franchise owners across the country see this as undercutting the franchise system, and attacking small businesses. The NLRB joint employer rule was struck down by the Fifth District of Texas because the court reasoned that the NLRB exceeded the scope of its authority and violated the Administrative Procedure Act.

If you have any questions related to the joint employer standard, or what this means for the franchise industry, please contact attorney Thomas J. Kent Jr. or any other member of the Saxton & Stump [Franchising, Licensing, and Distribution](#) group.

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