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U.S. CHAMBER OF COMMERCE

Presentation of Findings from National Research Conducted Among Business Decision-Makers

September – October 2013



PUBLIC OPINION STRATEGIES

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Executive Summary

On behalf of the International Franchise Association (IFA) and the U.S. Chamber of Commerce, Public Opinion Strategies conducted surveys of 208 decision-makers in franchise-owned businesses and 206 decision-makers in non-franchise businesses with 40 to 500 employees about the impact of the Affordable Care Act (ACA) on their businesses.

Together, franchise-owned and non-franchise businesses with 40 to 500 employees account for over 42 million jobs, which is over 25% of all employed Americans.

Overall, the decision-makers report that the ACA has already resulted in higher costs and fewer full-time positions. When fully implemented in 2015, the survey results suggest the ACA employer mandate will result in fewer employers providing health care.

Executive Summary (cont.)

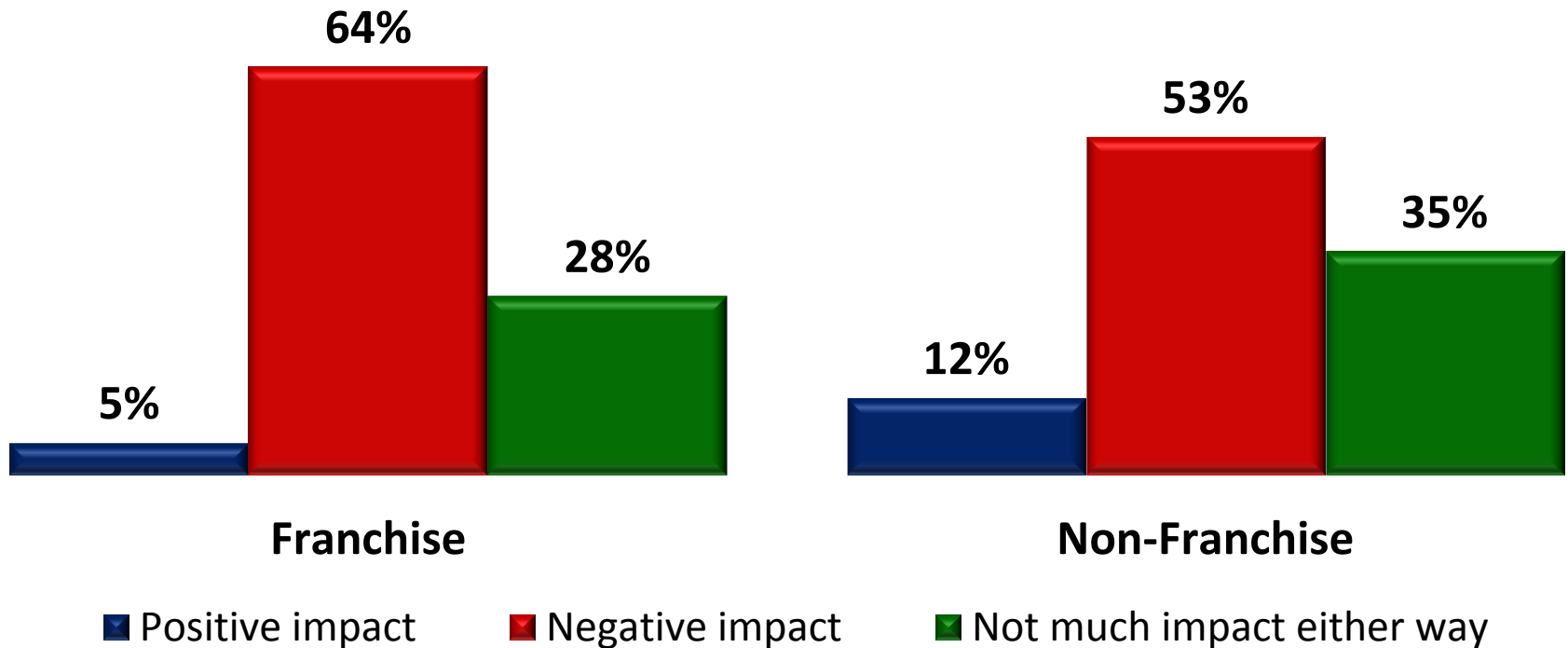
- **Sixty-four percent (64%) of business decision-makers in franchisee-owned businesses and 53% in non-franchisee owned businesses believe the ACA will have a negative impact on their businesses.**
- **Many businesses are already seeing their health care costs increasing because of the law. To cope, 31% of franchise and 12% of non-franchise businesses have already reduced worker hours, a full year before the employer mandate goes into effect.**
- **Additionally, 27% of franchise and 12% of non-franchise businesses have already replaced full-time workers with part-time employees.** Other cost control methods cited by survey participants included hiring only temporary help and cutting benefits and bonuses.

Executive Summary (cont.)

- **Among businesses with 40 to 70 employees, 59% of franchise and 52% of non-franchise businesses plan to make personnel changes to stay below the 50 full time equivalent employee threshold.** This accounts for 23% of all franchise and 10% of all non-franchise decision-makers surveyed.
- **Large chunks of decision-makers say the employer mandate will mean they will drop health coverage, opting instead to pay a penalty for each employee.** In effect, among this segment of businesses, the employer mandate will more than double the percentage of franchise-owned businesses and more than triple the percentage of non-franchise businesses that will not offer health coverage.

Majorities Say the Law is Already Negatively Impacting Their Businesses.

Impact on Your Business



“In thinking about the new health care law and its overall impact to your business, would you say it is having a positive impact, a negative impact, or not much of an impact either way?”

In an Open-ended Question...

Summary of Responses Among the 64% of Franchise Business and 53% of Non-Franchise Business Decision-makers Who Said the Law is Having a Negative Impact on Their Businesses

Decision-makers from both audiences, franchise and non-franchise, told us they are most concerned with the costs of health coverage and compliance. They feel the law will prove to be a disincentive for their companies to grow and will do quite the opposite—force them to cut staff and hours, get more out of fewer full-time workers, and cause undue strain on their operations.

Especially among decision-makers from franchisee-owned businesses, there is a concern for the hourly workers who will be hurt most by the downward pressure the law puts on non-salary workers. As one Quick Serve Restaurant owner in Kansas said:

“The workforce, the backbone of the people here, are the hourly people. They rely on a forty-hour week. You take ten hours away, that’s going to kill people. But I guarantee you that more companies and corporations will do just that because that’s the loophole that is in there. It’s not a win-win. Having everyone insured is a great idea, but this is the wrong way of going about doing it.”

Many Businesses Are Already Seeing Their Health Care Costs Increasing Because of the Law.

Among Those Companies Who Currently Offer Health Care Benefits

Franchise (68%)

Non-Franchise (91%)

Costs increasing
because of the law

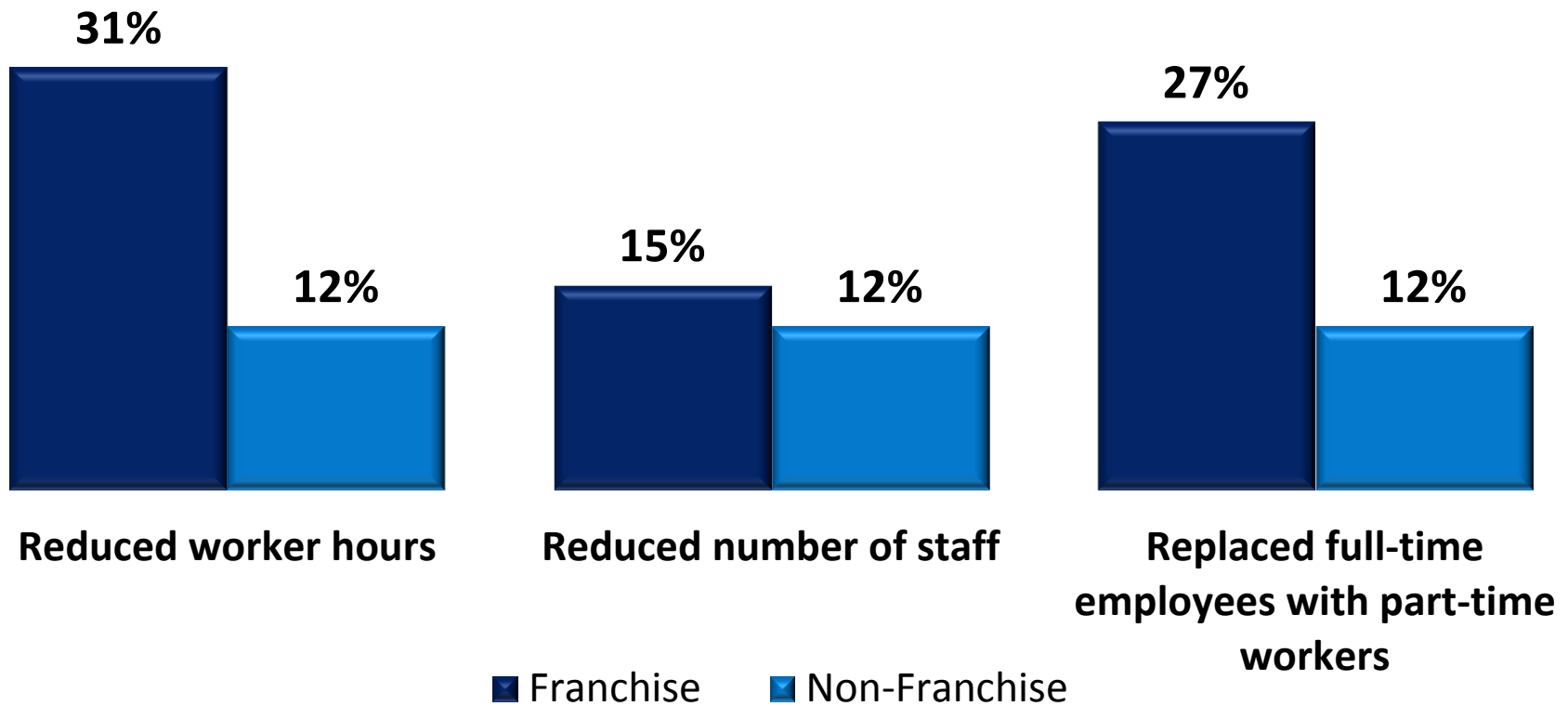
29%

41%

“Have your costs for providing health care benefits to your employees increased or decreased in the past year or so, or have they not changed? Have your costs for providing health care benefits to your employees increased because of the new health care law, for some other reason, or both?”

Even with the Employer Mandate a Year Away, Businesses Are Reducing Hours and Replacing Full-time Workers with Part-time Workers.

% Yes, Because of Health Care Law



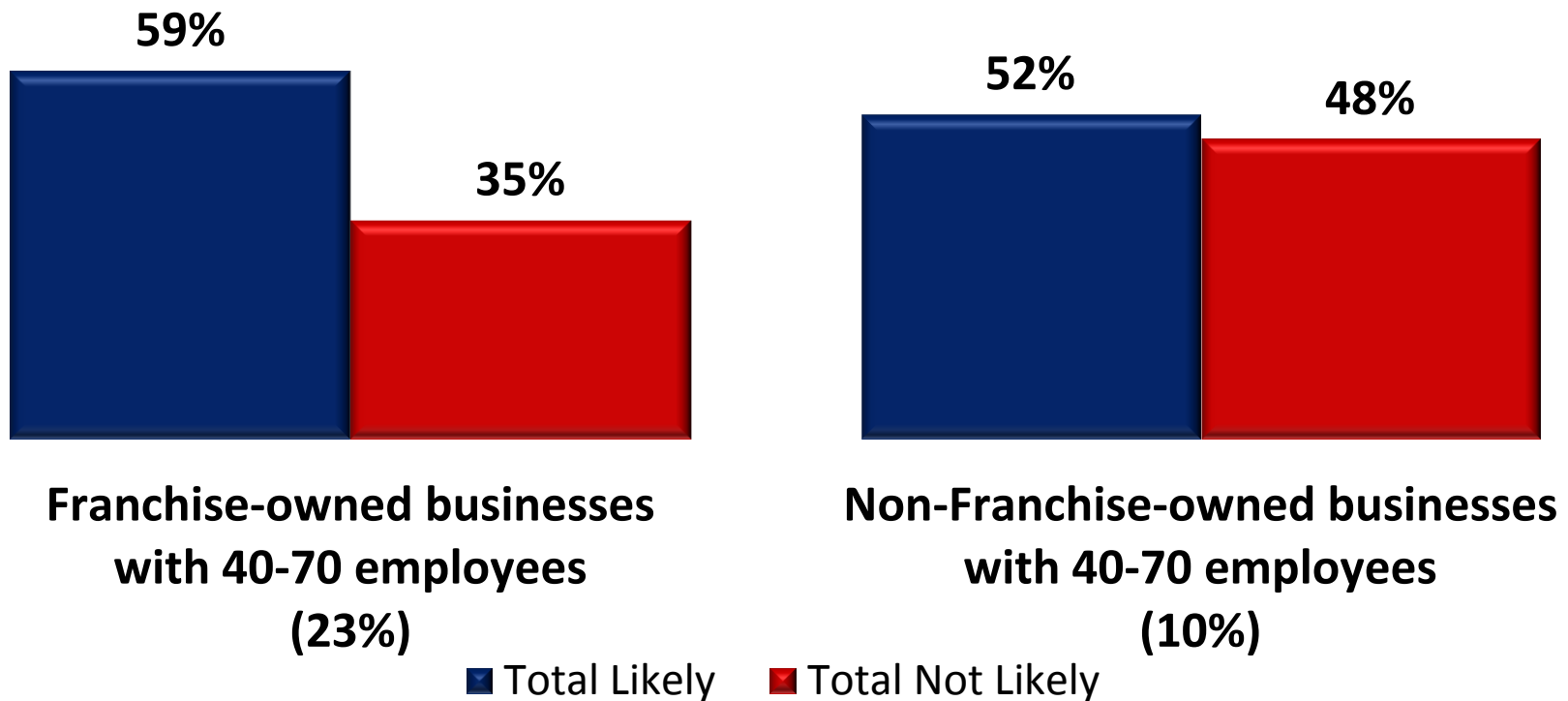
“Have you reduced the number of hours your employees work in the past year or so?”

“Have you reduced the number of people you employ in the past year or so?”

“Have you replaced full-time workers with part-time workers in the past year or so?”

A Majority of Decision-makers with 40-70 Employees Say They Will Make Personnel Decisions to Stay Below the 50 Full-time Equivalent Employee Threshold.

Among Businesses With 40-70 Employees



“Looking forward to 2015 when the employer mandate penalty will be enforced, how likely do you think it is that your company will make personnel decisions to keep your workforce below the threshold of fifty (50) full-time equivalent employees and avoid the requirements and penalties associated with the new health care law?”

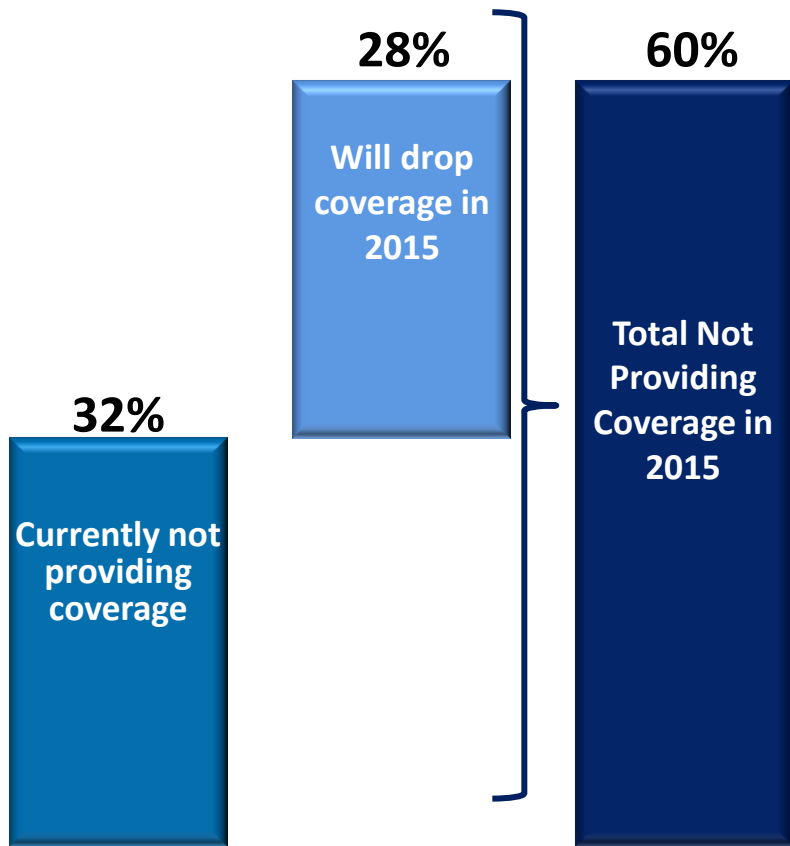
In An Open-ended Question...

Decision-makers in businesses employing 40-70 people have a very specific set of actions planned for 2015, when the employer mandate goes into effect:

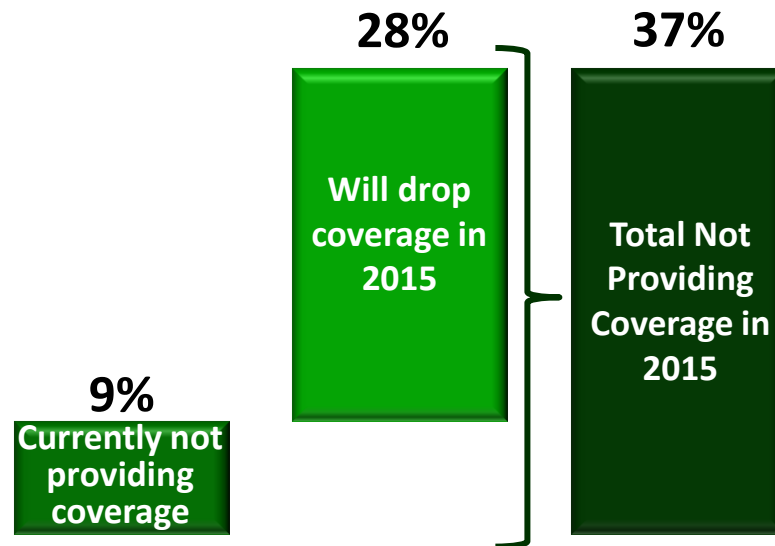
- **Cut full-time staff and cut hours of part-time workers**
- **Hire only temporary help or part-time employees and strictly monitor hours**
- **Stop making efforts to grow and expand business**
- **Cut benefits and bonuses**

Among Businesses Offering Health Coverage, Large Chunks of Decision-makers say the Employer Mandate Will Mean They Will Drop Health Coverage.

Among Franchise Businesses



Among Non-Franchise Businesses



“Looking forward to 2015 when the employer mandate penalty will be enforced, how likely do you think it is that your company would stop offering health insurance benefits to your employees and instead potentially pay a penalty of \$2,000 a year per employee for employees covered by a health plan available through an exchange.”

TURNING
QUESTIONS
INTO
ANSWERS

 PUBLIC OPINION STRATEGIES

PUBLIC OPINION STRATEGIES

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Appendix

Methodology

On behalf of the International Franchise Association and the US Chamber of Commerce, from September 25 through October 18, Public Opinion Strategies conducted concurrent surveys of two unique audiences:

- **208 decision-makers in multi-unit and single-unit franchisee-owned businesses with 40-500 employees.**
- **206 decision-makers in non-franchise businesses that employ in the range of 40-500 employees.**

Respondents were reached by either phone or email.

Comparing This Survey to Government Data

By Gender, Ethnicity, and Region

	This Survey/ Franchise	This Survey/ Non-Franchise	Government and Other Data
Percent of Respondents Compared to Female-Owned Businesses ¹	30%	35%	29%
Percent of Respondents Compared to Minority-Owned Businesses ²	14%	11%	15%
Northeast ³	20%	23%	22%
Midwest ³	24%	21%	23%
South ³	34%	32%	32%
West ³	22%	24%	24%

¹ National Women's Business Council, <http://www.nwbc.gov/facts>

² US Census Bureau, http://www2.census.gov/econ/sbo/07/pums/2007_sbo_pums_users_guide.pdf

³ US Census Bureau, http://www2.census.gov/econ/susb/data/2006/us_state_totals_2006.xls

Comparing This Survey to Franchise Disclosure Document (FDD) Records for Multi-Unit Owners¹

By Industry

	This Survey/ Franchise	FDD
Food Related ²	52%	55%
Automotive Products and Services	11%	4%
Lodging	6%	4%
Services – General	6%	3%
Business Services	4%	8%

¹ Data reflects the population of multi-unit owners by industry according to FRANdata counts based on Franchise Disclosure Document records.

² Food Related includes Baked Goods Establishments, Frozen Desserts Establishments, Quick Serve Restaurants, Table Full Service/Sit Down Restaurants, and Retail Food Stores.

Comparing This Survey to Dun and Bradstreet (D&B) Small Business Records¹

By Industry

	This Survey/ Non-Franchise	D&B (40-500 emps.)
Professional Services	24%	28%
Manufacturing	15%	15%
Retail Trade	15%	15%
Construction	14%	8%
Finance, Insurance, and Real Estate	13%	7%
Business Services	8%	14%

¹ Data reflects the population of businesses with 40-500 employees by industry according to Survey Sampling International counts based on Dun and Bradstreet records.

Comparing this Survey to Other National Data

By Party Identification

	This Survey/ Franchise	This Survey/ Non-Franchise	National Data ¹
Republican	52%	47%	48%
Independent	16%	20%	16%
Democrat	30%	33%	35%

¹ Data shown reflect results among 633 self-described small business owners collected as part of nationally representative surveys of registered voters conducted by Public Opinion Strategies from 2011-2012. A total of 5,600 interviews were conducted among registered voters using both landlines and cell phones using random digit dialing. The total number of self-described small business owners was 633, or 11% of the interviews conducted.

Economic Impact of the Audiences We Surveyed

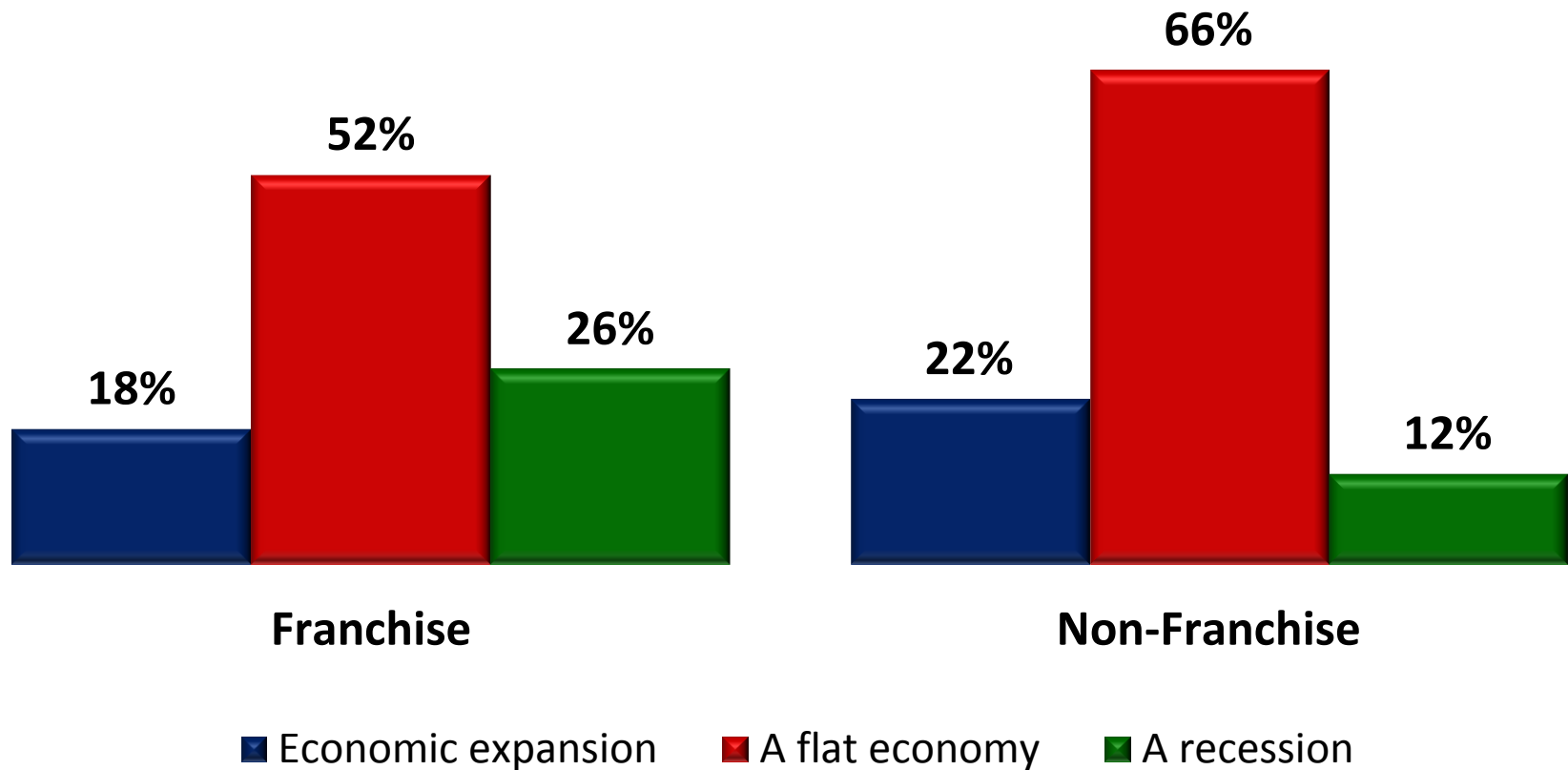
Multi-unit and single-unit franchisee-owned businesses that employ 40-500 people account for more than half of all U.S. franchise establishments and employment. These businesses provide 4.1 million jobs in over 379,000 establishments.¹

Non-franchise businesses that employ 40-500 people represent about two percent (2%) of all U.S. businesses but account for 300,000 companies and over 38 million jobs.²

Together, these businesses account for over 42 million jobs, which is over 25% of all employed Americans.³

1. Source: International Franchise Association
2. Source: "Survey Sampling International Dun and Bradstreet Sample."
3. Source: Bureau of Labor Statistics

Decision-makers in These Businesses Expect The Economy to Remain Flat Over the Next Year With Only One in Five Expecting Economic Expansion.



In 2014, do you anticipate...

Fewer Than One in Five Decision-makers Expects More Than Single Digit Growth in Their Company Revenues.

Franchise



Non-Franchise



■ Increase More Than 10% ■ Increase Less Than 10% ■ Stay the Same ■ Decrease

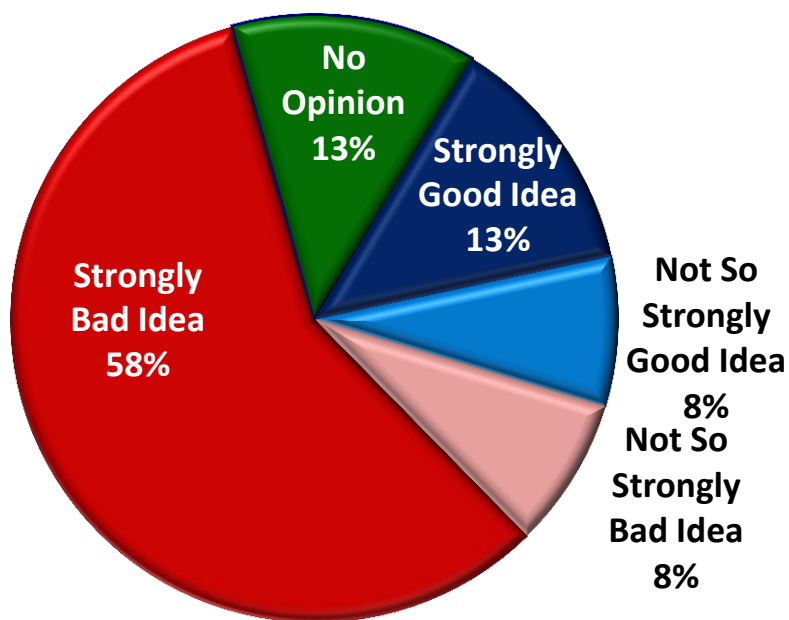
As you look to 2014, do you project your company's gross revenues to increase or decrease compared to 2013, or will they probably stay the same?

A majority of employers who are offering health insurance to their employees say the law is a bad idea.

Among Those Who Offer Health Insurance to Employees

Franchise (68%)

Total Good Idea	21%
Total Bad Idea	66%



Non-Franchise (91%)

Total Good Idea	28%
Total Bad Idea	61%



From what you have heard about the new health care law, do you think it is a good idea or a bad idea? If you do not have an opinion either way, please just say so.