

Will Franchisers Soon be Required to Extend Benefits to Franchisees?

The franchise industry faces many unanswered questions in the wake of the recent decision in *Awuah v. Coverall North America*. Though the industry had hoped to be reassured that it could continue to classify independent franchisees as distinct from independent contractors for the purpose of denying benefits to these workers, the case offered no such assurance. In fact, *Awuah* seems to indicate that courts may be moving towards upholding greater protections for franchisees in the future.

Awuah v. Coverall North America

Four franchisees filed suit against Coverall in 2007 asserting that Coverall misclassified them as independent contractors rather than employees. They alleged that the misclassification was an intentional unfair or deceptive business practice designed to withhold rightful benefits including minimum wage, overtime payments and workers compensation protections. In March, a federal district judge determined that Coverall had failed to establish that the franchisees were independent contractors and had thus violated Massachusetts state employment law by withholding benefits from the workers.

On appeal, the franchisees' claim that they were misclassified as independent contractors was dismissed because they failed to prove that they had suffered damages as a result of this misclassification. A jury subsequently found in favor of Coverall on other allegations including fraud and breach of contract. However, Coverall's victory may prove to be case-specific. The *Awuah* proceedings have raised several legal questions that may greatly affect the franchise industry in

the future.

Unanswered Questions

Though the franchisees in Awuah failed to prove that they suffered damages as a result of employment status misclassification, future franchisees are not barred from proving that they have been misclassified and have suffered damages as a result. In addition, the lower court's determination that franchisers and franchisees are engaged in the same business, rather than separate and distinct businesses, leaves the door open for future franchisees to insist that their connection to franchisers' businesses render them employees rather than independent contractors for the purpose of claiming employee benefits. Though Coverall claimed a victory in this suit, franchisees in general are likely to benefit in the long term from the rulings.

For Further Reference

If you have been injured on the job, regardless of your classification within the system, please contact an experienced workers compensation attorney who can advise you of your options. The law firm of Martin Law provides Pennsylvania workers with sound advice on worker's comp questions.

Related Sources:

[Franchisees: We're Employees, Not Contractors](#)

[Franchise Digital Interactive](#)