S. HRG. 118–97

ECONOMIC CHALLENGES AND OPPORTUNITIES FOR OLDER AMERICANS

HEARING

BEFORE THE

SPECIAL COMMITTEE ON AGING

UNITED STATES SENATE

ONE HUNDRED EIGHTEENTH CONGRESS

FIRST SESSION

INDIANAPOLIS, INDIANA

AUGUST 22, 2023

Serial No. 118–07

Printed for the use of the Special Committee on Aging

Available via the World Wide Web: http://www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE

53–321 PDF WASHINGTON : 2023

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C O N T E N T S

ECONOMIC CHALLENGES AND OPPORTUNITIES FOR OLDER AMERICANS

U.S. SENATE
SPECIAL COMMITTEE ON AGING
Washington, D.C.

The Committee met, pursuant to notice, at 2:00 p.m., in the Indiana War Memorial Auditorium, 55 East Michigan Street, Indianapolis, Indiana, Hon. Mike Braun, Ranking Member of the Committee, presiding.

Present: Senator Braun

OPENING STATEMENT OF SENATOR MIKE BRAUN, RANKING MEMBER

Senator BRAUN. This hearing is called to order. Welcome to the hearing. I am the Ranking Member of the Aging Committee. I want to tell you a little story about how I got onto it. It was shortly after I got elected, and Senator Tim Scott, who is running for President, busy, I think, out in Iowa right now, called me, and it is a committee that you cannot legislate through, but I thought, no legislation, you are recruiting someone to be on it, and you are talking to a freshman Senator. Well, let me think about it.

When he told me what you can do with it, it has been, actually, the Committee that is probably been most interesting because we can pick any topic. Generally, it has got to be related to aging, and we all age, so I have really enjoyed it.

Now the Ranking Member, Senator Casey from Pennsylvania, is the Chairman, and we've talked about all kinds of issues. Then, that discussion can lead to legislation, and we always get a varied opinion on the subject matter.

Older Americans play such a critical role throughout the economy. Business and law enforcement, on the family farms, and even now some are considering maybe coming out of retirement, so it has gotten to be a different dynamic out there.

A report from a committee found earlier this year that 43 percent of Americans retired—and I mentioned it just a moment ago—are thinking about coming out of retirement, and that is probably not the plan that everybody was looking to happen. We worked so hard to get there, and then when you have to consider that it is just a dynamic, I think most would rather see being a little different.

Prices have been rising. A lot of times when you try to enterprise through government it is how you pay for it. The printing press, remember, is in the basement with the Fed, and a lot of what was done, especially post-COVID, did not have a real pay-for. I have been one of the few voices in D.C. I am on the Budget Committee, and it is like maybe talking to the side of my barn back home sometimes. We have got to get better at that. That kind of spending may feel good in the short run, but we know it is not a long-term plan because look at the results, so many Americans thinking about coming out of retirement.

Police officers often retire from careers, and I want to bring this subject up, and it concerns WEP and GPO, that can cut their Social Security by nearly 60 percent, just because they have a separate earned pension. There is a bill in D.C. currently that I have been looking at, and due to that inherent inequity I am going to get on that bill as a sponsor, and if we can find a bona fide pay-for, which I have been able to do through my team on more legislation than almost any Republican Senator on issues like education, health care, agriculture, I think this is something that makes sense, and I am going to work hard when I get back to where we get an honest pay-for and we do not borrow the money to do it.

At the same time rising interest rates are squeezing any retirement funds. In terms of expenses, you may get a little better return on your investment portfolio, but then if you need to borrow any money, and it is also part and parcel of how we are having to react to tame inflation, it gets very complicated.

Our office weighed in on ESG—environment, social, and governance—and I do not care what you say you can do with an investment approach, the most important part should be the return on investment, the numbers, and if you can do both at the same time, that is fine. It should be ancillary, not primary.

When older Americans are productive, socially connected, gainfully employed, are secure in their retirements, we are all better off. We are all going to be there someday. The good news is there are still economic opportunities for older Americans. Many are reinventing their retirements, deciding to stay active and split time between flexible work, leisure, and family activities. Older Americans help employers and communities and benefit in that process.

Like an 82-year-old grandma who went back to work as a baker in Georgia. She was recruited while shopping. For employers facing labor shortages, older Americans can still fill those gaps.

A recent report showed that older workers will make up a quarter of the workforce by 2031, and if we want to turn that around we are going to have to do something about how, from the bottom up, we reinvigorate the economy to where we can set more aside for retirement and still be gainfully employed along the way before you get there, and my thinking is for 40 or 50 years we have been moving toward a stronger presence from our Federal Government. It would be different if we were knocking it out of the park, and currently, tragically, not only for older Americans but younger Americans, we are running the biggest business in the world, borrowing nearly $2 trillion a year.

Think about the Greatest Generation. They grew up in the Depression, fought the World War, came back, paid off that highest debt that we had ever been encumbered by, and built the interstate highway system. Where has that gone? We need to get back to it. If we do, and we can, I think the solutions will be mostly crafted where you do have to live within your means, where you do not have the printing press in the basement, or the credit card gets renewed regardless of your behavior.

Our goal should be collectively, through all levels of government, to untap that potential, supporting dignified work and retirements, not holding back, being entrepreneurial, at least don't keep doing the same thing that has taken us to a place where I think there is going to be reconciliation the hard way, not to where we proactively fix it.

With that I am going to introduce all the witnesses that have been so gracious to come here today. We will start with Toby Deaton. Toby Deaton is Vice President of the Indiana FOP and Chief Deputy Sheriff for Scott County. He is a graduate of IU and a dedicated law enforcement officer. He has championed better pensions and more support for the families of officers killed in the line of duty. He also has extensive experience with Social Security's impact on law enforcement officers. Thank you for testifying today.

Tom McKinney. We have known one another for some time. I was involved in agriculture before I got into government. You are the President and Owner of McKinney Farms, along with law enforcement, two of the more difficult jobs out there. After attending Purdue, you chose to return to the family farm—I was glad I did that when I came back to my hometown. I think there is a lot to be gained from doing it—where he worked to grow the operation. Tom's calling is to help feed our Nation and the world. A Tipton County native, Tom has been married to his wife Karen for 42 years and has three children and three grandchildren. Thank you for coming in today.

Wes Snyder. Wes is a multi-unit and multi-brand franchise owner across six states. He owns eight FASTSIGNS locations, including in Indianapolis, as well as Pirtek, College Hunks Hauling Junk and Moving—that is an interesting one—My Salon Suite franchise locations. Sounds like a serial entrepreneur. That is a good place to come from. Wes graduated from Purdue in 1995, with a degree in accounting, got married and moved to Indy, and has been there ever since. He has two daughters and a son-in-law. Thanks for coming here today.

Last but not least, Valerie Jones. Thank you for being here. Valerie is an Assistant to the Philanthropist for St. Vincent de Paul in Indianapolis. She works with software to manage and organize donor files, keeping information on track, and ensuring that it is properly set up. She is joined today by Chris Green, Program Manager of Goodwill of Central and Southern Indiana and its Senior Community Service Employment Program, in which Ms. Jones is also a participant. Thank you for being here today.

Well, for the rest of the time I am going to be putting some questions out to you, and I think we will start with you, Toby.

I am very concerned about the long-term fiscal health of Social Security. I said earlier it is roughly nine years, and we have been paying into that fund, employers and employees, since the Depression, and actually, we have known this day is coming for a long time. It is vital that we hold up our end of the bargain for millions of Americans who expect Social Security to be there for them, including law enforcement. I am starting to think of WEP and GPO reducing benefits by up to 60 percent.

What kinds of sacrifices are Hoosiers that are police officers, who have already sacrificed so much for the good of the community, making because of WEP and GPO the way it is currently constituted.

Mr. DEATON. First, good afternoon, Senator. Thank you for taking the time to discuss this important issue.

We have many officers that are absolutely in a crisis, and I want to use one example right off the bat. As an individual that served for nearly 40 years, he lost his wife unexpectedly, because of the GPO he was forced to sell his home. Basically, if you receive a pension from another government side of work you will not receive Social Security benefit, or at least a very substantial one, and this problem is affecting a great deal, between recruiting police officers to the current allowing our folks that have served with dignity to continue on in their later years.

Senator BRAUN. I am going to ask a question first and then go to your testimony, because that, to me, these are the most important questions we have got, and then it will have the context of where your testimony is going to come from, so go ahead and do that next.

Mr. DEATON. My testimony?

Senator BRAUN. Yes.

Mr. DEATON. Okay.

STATEMENT OF TOBY DEATON, VICE PRESIDENT, INDIANA FRATERNAL ORDER OF POLICE, CHIEF DEPUTY SHERIFF, SCOTT COUNTY, INDIANA

Mr. DEATON. Good afternoon, sir. On behalf of over 370,000 FOP members nationwide and nearly 17,000 in Indiana, I would like to thank you for discussing this vital issue and the negative impact of the Windfall Elimination Provision, or WEP, and the Government Pension Offset, or GPO, has on our public safety officer retirees. To be clear, this is our number one legislative priority, and several groups are in attendance to support fixing this problem. These include the Indiana Troopers Association, and the International Association of Fire Fighters. It is an especially important issue for our Nation's public safety officers.

For this reason Senator, today I am asking you to co-sponsor S. 597, the "Social Security Fairness Act." The Senate bill currently has 44 co-sponsors. The House companion member, H.R. 82, has 289 co-sponsors, including Representatives Frank Mrvan, Jim Banks, Rudy Yakym, and Andre Carson, so you can see it is a bipartisan bill.

The FOP contends that this provision has a negative impact on law enforcement and other public safety officials for several reasons. First, law enforcement officers retire earlier than many employees. Owing this to the physical demands of the job, a law enforcement officer is likely to retire between the ages of 45 and 60.

Second, after 20 or 25 years on the job, many law enforcement officers are likely to begin second careers and hold jobs that do pay into the Social Security system. Even more officers are likely to "moonlight," that is, hold second or even third jobs throughout their law enforcement career in order to augment their income.

This creates an unjust situation that too many of our members find themselves in. They are entitled to a state or local retirement benefit because they worked 20 or more years keeping their streets and neighborhoods safe. They also worked at these other jobs where they did pay into Social Security, entitling them to the benefit as well.

However, because of the WEP, if their second career resulted in less than 20 years of substantial earnings, upon reaching the age at which they could be eligible to collect Social Security they will discover that they lose 60 percent of the benefit for which they were already taxed.

Actuarially speaking, I doubt many officers will live long enough to "break even"—that is, collect the money they paid into the system—let alone receive any type of "windfall." These men and women earned their state or local retirement benefit as public employees, and they paid Social Security taxes while employed in the private sector. How is this a windfall?

Fairness, justice, and equality have always been important words in this country. They are extremely important to my organization. In fact, they were put in the FOP logo that I wear around 108 years ago, so many people are passionate about these issues because it is about fairness and inequality. As a police officer, we know being financially wealthy is not an option, but we never thought we would be penalized and treated differently and financially harmed for serving our communities.

Let me be clear about this. What we are asking for is simply what we have earned and nothing more. I have never met anyone that after understanding this issue believes that this is fair. In fact, most believe this goes against the fundamental way of American life.

It should be noted that we do pay into our pension systems as well, and many have negotiated this as part of a total compensation package, only to discover that they are later penalized.

Police officers love the communities we serve, but because the pay is so low most of us do work other jobs as well. In fact, as knowledge about the impact the WEP and GPO have on the ability of officers to retire, it is hurting our recruiting efforts. Our young people do not want to go into a career they will be penalized due to secondary employment.

As a Nation, we are experiencing a massive recruitment and retention crisis in law enforcement. We need to be doing everything we can in order to make the profession of law enforcement attractive to our young people. Repealing the WEP and GPO will make many of our retirement and pension systems appealing to the next generation.

Our members want Social Security to last, and while the WEP is vital to our membership it is a small fraction of the overall total Social Security conversation. The WEP affects about 2.1 million people and roughly 18,000 Indiana residents. The recent CBO estimated the cost of the WEP at $88 billion over 10 years and the GPO at $107 billion during that same time. While certainly a great deal of money, it is again what we paid into the system. It is nothing more. It is what we paid.

I contend if we are trying to maintain Social Security on the backs of public servants then we have a much larger problem as a society. We believe that this topic should be discussed on its own merit and not part of the total Social Security conversation.

The fact that some retired police officers are now having to face purchasing medication or food is a travesty and should be fixed immediately. Several of our members retired when they thought they could sustain on the pension. We are all aware that prices and inflation have weakened the dollar, and some do not have a cost-of-living adjustment on the pension. The extra money they earned from Social Security could allow them the dignity they have earned.

The years on the job often give retired police officers physical issues, but the mental horrors are just now beginning to be discussed in society. When you add on the financial strain this causes, many are left feeling hopeless.

I would like to compare this with other occupations that have a 401K. Many people change companies or even careers over a lifetime, and the 401K that they have travels with them with no penalty. Companies have contributed to the 401K with money that is never penalized. To be clear, we are not advocating for that but pointing out the difference that public servants are not treated fairly.

I would like to compare that again that the wage base limit for 2022 was $147,000, and for 2023 was adjusted to $160,200, so instead of raising this we are putting the burden on those that have served our communities, often at a wage far below the private sector. Our members are only asking for what they have earned. They have earned this, and the communities are suffering more now than ever.

We could use many examples and stories but for time constraints and not wishing to expose publicly names, I will use examples. However, these are real life situations for people in Indiana.

—Example one: A police officer in a small northern Indiana town should draw $1,514 a month but brings home $956.

—Example two: Is a mid-sized city in southern Indiana. He was injured while on duty and had to go out on a medical disability. He had an entire other career other than law enforcement. He should earn over $2,300 a month, but now draws around $1,800 a month. He did not plan to go out on a disability, and he now is struggling with physical and financial issues, and you mentioned those folks coming back to work. This individual is trying to find work and is back working now, despite his disability.

—Example three: Is a name I am going to mention. He is in the audience. It is our FOP President, Bill Owensby. He retired from Indianapolis Police Department, and like most he worked a second job. He has earned $1,800 a month, but more than likely was only going to draw about $1,200. He is still working his numbers out. That is a pretty significant amount that he is going to be penalized over his entire lifetime for serving in the community.

I mentioned earlier that everyone believes this is wrong, and I would like to offer evidence of that. Last year we had 305 co-sponsors in the House of Representatives to fix this issue. Getting over 300 people to agree on anything in Washington can almost be classified as a miracle, Senator. We urge you to take up this legislation and help fix this travesty.

Thank you for your time.

Senator BRAUN. As I said in my opening statement, I will get on that bill and try to find a pay-for for it and get it across the finish line.

Mr. DEATON. Thank you, sir.

Senator BRAUN. Tom, I am going to ask you this question because these are the ones we compiled as being most important and then follow-up with your opening statement.

The Biden Administration's environmental, social, and governance, ESG, rule allows fiduciaries to invest according to some political agenda instead of solely adhering to financial factors. President Biden issued his first veto to reject my bipartisan bill to challenge that rule. You have also helped us understand how ESG can impact agriculture. What do you think the most significant impact on agriculture would be if you are pushing an agenda as opposed to the best return on investment?

Mr. MCKINNEY. Thank you for having me here, Senator. My kneejerk reaction is an undertow that does not make the newspapers, but part of my testimony will be concerning the emissions controls on our tractors. The over-the-road semitruck drivers get high enough heat temperature to get rid of it, but the fire trucks, police cruisers, tractors that idle, our semi tractors, 40 percent of all service calls from the John Deere dealers across the State, as well as the Case IH dealers—that is four big dealers—are on emissions problems.

In talking to some of the fire truck drivers, they do not get enough heat in their engines and so they are always under maintenance repair, not always but required to maybe have an extra vehicle.

A very small school corporation in Howard County, the technician that works on their buses, they have to own one to two extra school buses so that they can keep them going because school buses start and stop, start and stop. They do not get the heat up enough to make the DEF fluid. DEF fluid is diesel exhaust fluid that has been simply pure urea that is injected into the exhaust stream and burns up the particulate in the air coming out is better than the air going in, but it is just very, very expensive to use. That is one example.

Senator BRAUN. Thank you. Go ahead with your opening statement.

STATEMENT OF TOM MCKINNEY, PRESIDENT AND OWNER, MCKINNEY FARMS, INC., KEMPTON, INDIANA

Mr. MCKINNEY. Senator Braun, staff, guests, thanks for inviting me to this hearing and listening session.

As we have a discussion on challenges as well as opportunities for older Americans, I will tend to migrate toward agriculture and mostly production agriculture experiences.

One of the greatest obstacles is health care, especially when one spouse has graduated to Medicare status and the other has not. This concern is heard in many group settings and heard frequently in Social Security Office waiting rooms when citizens chat among themselves ahead of an appointment. Church groups, organized meetings at the local Farm Bureau, and other public gatherings are other examples of where this subject arises as well.

On a personal note, since our farm is not large enough for a group health plan, we purchase from the Affordable Care Act alternatives which is very expensive, and then we supplement that with a membership in a Christin Health Ministry policy.

A very positive note on the Christian Health policy is we are a member with an incentive to live healthy, exercise, and eat healthy. There is nothing more powerful than a personal incentive to make a situation better for yourselves as well as others in the group. It just works. It invites competition as well, which is a good thing.

With respect to opportunities for our rural elderly, on a positive note, in attempt to remain objective, production agriculture does offer a unique way for retired or elderly citizens to stay involved and earn a supplemental income. Seasonal needs on the farm, such as grain cart driver, seed tender for the spring planter with a pickup truck, or driving semis are all superb ways for elderly or retiring farmers to stay active.

A few short years ago we rotated two firefighters and police officers on their days off to have one full-time employee. It worked fabulously. This is a win/win scenario.

Another challenge that has affected all of us in agriculture falls along the ESG topic. While the title "Environmental, Social and Governance" seems to be like a benign title, it has far-reaching and costly effects. On our farm and others like ours, we have moved to a strip tillage system for corn and a nearly complete no-till system for soybeans. We do seed cover crops with a vertical till, minimum disturbance tool, simply incorporates the seed into the soil a little better. We have eliminated as many as three additional trips across the acreage and have prevented carbon expulsions into the atmosphere. We have also reduced our nitrogen and fertilizer as a result. This is all a good thing and not required by the government yet. Economics has driven this.

A case where government mandate has been expensive to all of us as producers and taxpayers is the emissions mandate of farm equipment. Both Case IH dealers and John Deere dealers, representing approximately 70 to 80 percent of all sales across Indiana, share with me that about 40 percent of all service calls are for emissions. Three years ago, that was 70 percent. Their words, not mine.

Personally, in 2019, which was a late planting and wet year, we added a third seed planter to our lineup to get seeds planted, albeit late. The tractor on that planter was only two years old with low hours. It did have emissions required material on it. We spent, and ultimately lost, three days working on emissions issues. We had three different technicians trying to get the tractor to run.

The end result was we got rained out again and had to collect Preventative Planting Insurance claims on 500-plus acres. Although we did pay our premiums to Federal crop insurance, it was no fun and goes against every fiber of a farmer's being to not plant. In the three lost days we could have easily planted way over 500 acres, but the government-mandated emissions made it impossible.

Several tens of thousands of dollars were paid out from the USDA Insurance funds as a result.

Friends and neighbors share stories about ambulances or fire trucks requiring excessive funds, school buses, just to keep their equipment running so emergency runs can be made. The chatter behind the scenes is the idea that emergency equipment should be exempt so they can at least get to the job, the scene of an accident or the scene of a crime. Is agriculture any different?

If electric tractors and combines are forced upon us, I see a disaster in the making. I say this not because I am opposed to new technology or energy, because we have our own, 1/3-meg solar farm that covers all of our electricity needs for a half of million bushel grain handling, drying, and processing facilities, as well as all shop and storage facilities. I personally invested a strong six-figure cost into building it. It works great, with no complaints.

Let's look at some hydrogen engines, which is the same core engines that are already in the tractors and semi's but just made with a little different fuel on the top. Electric combines and tractors will not work. This is because we operate nearly eighteen to twenty hours, sometimes twenty-four hours per day, and we cannot stop for eight to twelve hours to charge batteries. There is no way to charge the equipment, and the same with semi tractors.

Electric vehicles make perfectly good sense, especially in an urban setting. One size does not fit all in this world, so let's not make it do so. Our operation could easily, and probably will have a couple of EV pickup trucks in the future, especially for my father, who drives around and observes everything, but it is not for my production equipment. It is a cost that is too costly and too high for my returns, and before I end I want to thank you for your service to our country and whoever is in the audience with you. You guys are the backbone.

Senator BRAUN. Thank you, Tom.

Wes, as an employer, older Americans are unretiring, mostly because of inflation, and I think true worry about what lies ahead. What are your experiences as a multifaceted employer on workers unretiring? What do you think the reasons are once they come back into the workforce? How do you view them reentering? Plus, minus, just give me your overview there, and then follow-up with your opening statement.

Mr. SNYDER. Thank you. My workforce ranges in ages anywhere from teenagers to workers over 60 years old, although probably 25 percent of my workforce is over the age of 50. We have experienced many retired workers coming back, and I think it is all the reasons you initially talked about. With inflation their dollars are not going as far as what they had in the past.

In many cases we have found that older employees are very good mentors. They are great with our younger team members. However, we still need more employees coming out post-COVID. It is still hard to attract and retain good employees. The fact that some retirees are coming back in is a definite plus for us.

Senator BRAUN. Very good. Go ahead.

STATEMENT OF WESLEY SNYDER, MULTI-BRAND FRANCHISE OWNER, FISHERS, INDIANA

Mr. SNYDER. Good afternoon, Ranking Member Braun. Again, my name is Wes Snyder. I am a franchise business owner of FASTSIGNS, Pirtek, and My Salon Suites. I mostly own and operate FASTSIGNS locations here in my home State of Indiana, as well as Arizona, Texas, North Carolina, South Carolina, and Florida. I appreciate the invitation to appear before this Committee to share my story of small business ownership and discuss the views of my fellow local business owners everywhere as it relates to challenges of today's labor market.

Senator, I would like to take a moment to express my gratitude for all you have done to support the franchise business community in Indiana. You have been our go-to leader in Congress for standing up to Washington, D.C., policies that would hinder our ability to serve our businesses, employees, and our local community. We appreciate you for taking a stand against overregulation, and in particular for your leadership against the nominations of David Weil to serve as the Administrator of the Wage and Hour Division, and most recently the still-pending nomination of Julie Su to serve as the Labor Secretary at the Department of Labor. On behalf of the franchise community, thank you for standing up for our business model when so many other lawmakers and advocates are actively trying to make running our businesses more difficult.

I began my franchising journey in 1998, when I opened my first FASTSIGNS location here in Indianapolis. Today I am a proud location of eight locations across six states. Like many, I have found franchising a pathway to build a new life that I could pass down to our children.

I have experienced firsthand the remarkable impact that franchise businesses can have on local economies and communities, including their ability to create jobs, develop a skilled workforce, and foster economic growth. I have been in franchising for over 25 years, and created a community of our own, employing more than 200 team members that have been a part of our system for several years, exceeding average employee retention in large part due to the company culture we have created amongst the team. I use the word "team" instead of "employees" or "workers" because that is what we are, and the team that supports my business is uniquely suited for the communities in which we operate.

I appreciate this hearing to address the economic challenges and opportunities for older Americans. As a multi-brand franchise owner, our team members span generations, from teenagers to team members aged 60 and older. We are proud of our growth through franchising and the broader role of franchising in the economic recovery.

The COVID–19 pandemic battered small businesses in historic ways. Being part of a franchise system helped me navigate the pandemic immensely. In franchising we say you go into business for yourself but not by yourself. In a time of need, other franchisees of our brands would stay connected regularly to share best practices and brainstorm ideas on how to best approach government-assisted programs like EIDL and PPP loans.

In addition to the peer-to-peer communications, we have significant support from our franchisors. The FASTSIGNS brand hosted weekly calls to assist with operations, informs us about government-assisted programs, and other resources available to help us navigate the crisis.

While we are on a path to recovery from the devastating effects of the pandemic, we still have a long way to go. As a small business owner still recovering from the pandemic, my main focus right now is rebuilding our team and navigating policy uncertainties that may have real-world, bottom-line impacts to our balance sheet.

Now the biggest threat facing franchise small businesses like mine during the economic recovery are legislative and regulatory actions. This month, the NLRB is planning to issue a final rule on a joint employer standard that would reverse its course back to the harmful 2015 version. Moreover, it risks wiping away the equity that I have spent my life and career building in my business, and ultimately makes me a middle manager of any brand.

In fact, forthcoming research from Oxford Economics based on a July 2023 survey of franchisees shows that franchise owners are bracing for more harm from the new NLRB joint employer rule as it injects uncertainty into the franchisor-franchisee relationship and threatens standard enforcement across franchise systems.

One of the findings in the report is that 74 percent of franchisees expressed a high level of concerns at the prospect of increased franchisor control of their franchises, and 55 percent gave a high level of concerns with decreased franchisor support and involvement in their franchises. Both outcomes are bad for franchisees.

This Oxford report shows that franchising generally has the right balance in the franchisor-franchisee relationship and the joint employer policy out of the NLRB is just unnecessary and very harmful to the franchise businesses like mine.

Further compounding the strain of the franchise business model by legislative and regulatory interference is Julie Su's nomination to serve as the Secretary of Labor. On May 8th of this year I been an op-ed in the Phoenix Business Journal, noting that if confirmed Julie Su would turn the American dream of business ownership into the American nightmare. During her time as Deputy Secretary of Labor, Su was a key figure in supporting California's FAST Act, a law that will undercut franchise owners by giving unaccountable government appointees the authority to dictate business decisions on issues like wages and working conditions.

Without a doubt, these seismic shifts in the employment policy and governance would hurt small businesses and provide fewer opportunities, particularly for women, minorities, and other underrepresented communities.

Franchise businesses possess a unique ability to address the workforce challenges faced by our Nation. It is vital that Congress considers policies that support and encourage the growth of the franchise businesses while carefully assessing the potential implications of harmful legislation and regulatory action.

Ranking Member Braun, thank you again for all you have done for Main Street businesses here in Indiana and for the invitation to speak on behalf of small business owners everywhere. I look forward to answering any questions you might have.

Senator BRAUN. Thank you, Wes.

Valerie, you have been working at St. Vincent de Paul, and you come there as a senior citizen. Give me your take on how folks like you and others that have chosen to work at this stage of the game, how that compares maybe to what you see in terms of younger people that you might confront, their point of view, the work ethic, and all of that, because I think some of what is drawing many out of retirement would be because the jobs are there, and you just assume maybe younger people would do it. Would you mind weighing in on that, and then after that do your opening statement.

Ms. JONES. Okay. Senator Braun, being a senior citizen going back to work, St. Vincent de Paul welcomed me with open arms, and they have since said to me that they are glad they made that decision.

Work ethics for the younger ones have changed. I do not know when that happened, but they do not take it as seriously as my generation. They want what they want right now, and they do not necessarily want to work long-term for it. That is the biggest difference I have noticed.

They tend to act on what I think is impulse. For instance, as an example, we had a young person that they hired, and she got a toothache so she thought she should go home, where someone in my generation would have asked, "Can I go to the store and get a pain killer and come back and work?"

We, as older citizens, the younger people need us. We need to be examples for them. We need to share our experiences, because if we do not, we are going to lose them.

Senator BRAUN. Thank you. Go ahead and do your opening statement.

STATEMENT OF VALERIE A. JONES, ASSISTANT TO THE PHILANTHROPIST, ST. VINCENT DE PAUL, INDIANAPOLIS, INDIANA

Ms. JONES. Thank you again, Senator Braun, for hosting this panel.

I am here to share my journey of my experiences going back to work as a senior citizen. Being a Baby Boomer, from that generation, we had different rules to grow up by. We were taught that you finished high school, you go to college and finish college, get a good career, get married, have children, and retire at 65. As Senator Braun and all of us have pointed out, that is not the case.

I started looking around, and there are more older people going back to work, and I never thought I would have to be in that position, but I found myself in that position.

I have had a lot of careers. When I was in college, I said I would have five careers before I retired, and I made it. This is my fifth career. That being said, when I finished college I went to work for the Internal Revenue Service for a couple of years. My degree was in elementary education, so I taught reading, English, and adult education. It was there that I found out that seniors were getting prepared to have to go back to work.

After I had my children I found myself having to go back home, which many women had to do, and still have to do today because kids come first. However, in 1994, I became disabled, and I did not see that coming, so that went on, that disability. Trying to live on SSDI was very difficult because I was used to making much more money. It seemed like I was budgeting month-to-month, a different budget every month, and money was just not there. It was just not enough. I had to choose, do I buy food and groceries today and not buy my medication for my disability, or what exactly do I do?

That went on until 2017, and in 2017, I was introduced to SCSEP, which stands for Senator Community Service Employment Program. What that did is it changed my life. I did not realize how useless I felt or how depressed I had become, because I like to work. I like challenges. I like learning new things. I like experiences, and that was not happening at home on disability.

SCSEP changed my life. Going through that free training program I was reinvented. I was reenergized. I got my self-respect back. Baby Boomers take pride in working. We are dependable and we are loyal, and employers are finding that out because a lot of our bosses are much younger than we are, so that see that, hey, wow, this will work, and I think that goes to how our country is made. We are a great country.

Seniors today have many challenges, even going back to work, because we are older, of course, we have health issues, most of us, of course, and we do not have many benefits because we are kind of at the bottom of the totem pole at the jobs that we have.

My situation is not unique. There are many seniors that are in my position. Going back to work is necessary today, unfortunately, because of the things we have talked about—inflation. The job market is suffering because there are not enough people going to apply for jobs, so like you said, Senator, that did open doors for older Americans to go back to work, but employers like us. They need us. Our younger generation needs us because we set the example to have good work ethics, to take care of your families, and to live the best life that you can.

I would like to thank you, Senator, for inviting me and talking about this because seniors, we need the free programs like SCSEP to give us the training. I learned some new skills, I enhanced older skills, and that made me very valuable to St. Vincent de Paul. I do kind of a little bit of everything, and I can do that, so please, please consider the program, Senator, because we are not castaways, we are not throwaways. We are people that have values, that want to work, that can work, and want to be a part of our community, and I believe with everything, being a Baby Boomer, America is still a land of opportunity.

Senator BRAUN. Thank you.

Ms. JONES. Thank you.

Senator BRAUN. For the rest of the hearing we are going to circle around with questions. I will have another set of them. I have got a few that I have written down, and then before we wrap it up and I give my closing statement if there is something you want to say, where it is not a question, giving you the incentive to do it, speak up, so that will be kind of your closing statements before I close out.

Toby, we will get back to you. When I look at law enforcement and the difficulty that it has had to navigate through in terms of recruitment, some of the ways certain jurisdictions look at law enforcement, you hear crazy talk like defunding police and just a lot that would say why would somebody want to come into it.

Why don't you talk a little bit about how the WEP and GPO aggravates that and then what else you think needs to change to kind of counter that sentiment.

Mr. DEATON. Well certainly the violence and the continued attacks on law enforcement has had a massive effect on recruiting. Last week I was at the National FOP Conference and every state, this was a major topic. I will give one example, California was down 1,800 deputies in a very large sheriff's office there.

I want to make it more personal. I want to talk about my own department, sir. I currently have three openings. We are a small agency.

Senator BRAUN. How many work in the agency altogether? You have got three openings.

Mr. DEATON. I have 21 is what we have.

Senator BRAUN. Fifteen percent or so. That is a fairly high number, and have you had trouble filling it over time?

Mr. DEATON. Trying to hire right now, I have eight applicants to fill three positions, and this is before the testing starts. By the time we do the physical agility and written test I will be lucky to have three applicants left, let alone the background investigation, the interviews, that sort of thing.

The problem that I really want to discuss with this, and it goes into a lot of other areas, I contend that whenever we put less-qualified people in these positions it is going to exacerbate the problems that we have had in law enforcement across this country, any type of negative encounters, and we want to change that desperately.

I still believe this is a very noble profession, but unfortunately right now it is very hard to recruit and it is very hard to get people to go into this profession, given the sentiment, given the problems that we have, and then couple that with understanding you are going to work your entire life and then you are going to be penalized for not only the second but the third job that you have had, by up to 60 percent. It is a big problem, and repealing this would be a huge help in recruiting.

Senator BRAUN. Thank you.

Tom, the average age of a farmer—is this correct, 57 years old?

Mr. SNYDER. Yes.

Senator BRAUN. We were just talking. Valerie mentioned earlier that the ideal retirement would be 65, and we know that we are living longer so maybe that cannot be what we always thought it was going to be, but for that job, it seems it only filled generationally, whether you have that next generation interested in it, and it is probably the thing that is most important in our lives—food, and maybe shelter.

What does the future of farming look like when you have got the average age being so far out there, and it is seemingly hard to get that new farmer, even if they come outside of farming, it is so expensive to get started. How do you see that play out?

Mr. MCKINNEY. That is a two-fold, Senator Braun. First of all, there are opportunities because there are operations like ours that are looking for a young man or woman or couple that want to farm but have no opportunity to do so because we are willing to help them get started.

One of the greatest problems, and it was clear underneath the radar, is when the discussion was happening a few months ago about taking away stepped-up basis when a parent dies. That would be an unmitigated disaster for our entire nation because you do not reinvent the American farmer. You cannot teach them like you can a CEO of Amazon or a store manager or a bank manager or a bank president. You cannot teach that all over again.

If my grandkids wanted to farm, I do not know if they would be able to because they have missed a generation. Now do not get me wrong. My kids are doing very, very well. They are doing what they should be doing because they have to do it to be happy, but there is probably not an opportunity for my grandkids to do it because there would not be anybody there to teach them, but if we take away stepped-up basis to where every farm is taxed based on fair market value instead of the stepped-up basis, you can forget the family farm. No question about it, and so I am glad that kind of fell by the wayside, thanks a lot to the National Wheat Growers Association, believe it or not, because that would be the worst thing of all.

There are some things coming out of the EU, they are in Brussels, to do away with glyphosate herbicide. You have heard of Roundup? First of all, that came out of the Ninth Circuit Court in San Francisco, is why it is in trouble, but if you do away with those contact herbicides, they do not get into the water stream, they are simply a contact herbicide that go away with the sunshine, and that is what we need to be able to start using more cover crops, which do hold water. More and more people are using cover crops, especially this State. We are one of the top in the Nation in using cover crops to hold soil, to hold back weeds. I will not get into a bunch of examples.

The main thing is USDA really does a really good job, and there is not much changeover between an R and D and administration. There just is not because we all have the same common interests, but for the most part, do not start meddling in agriculture. We get the crop in, we get the crop out, but if we are required to start using electric combines and electric tractors, forget it. We cannot do it.

Now I am not opposed to new technologies, but as a member of the Energy Committee for Indian Farm Bureau we are going to be talking to the Cummins folks down here in Columbus, Indiana, and looking at their hydrogen engines because the waste product for that is water.

Senator BRAUN. Listening to your testimony I heard you talk about health care costs. Health care costs for all of us, some of the highest in the country right here in our own State with some of the poorest outcomes. I was so fatigued of hearing how lucky I was that my health insurance costs are only going up five to ten percent each year. It got to be so repetitive and so hard to counter by raising deductibles, changing underwriters every three years, I said, "Enough is enough."

I took it on when we had about 300 employees and I could not dismiss it anymore, and turned my employees into health care consumers at that time, buy in to avoiding the system with taking care of your plant and equipment, gave them every wellness tool, created an incentive for them to have skin in the game on minor health care, and then got some of the best protection when you get critically ill or have a bad accident.

I had the benefit of being large enough to self-insure. The insurance companies never told us about that until I said I was basically not going to renew my plan.

What have you been able to do, as a farmer? I know Farm Bureau has stepped up where you can associate through their buying power.

Mr. MCKINNEY. I am not as familiar with the Indiana Farm Bureau health plan as I should be, basically because I am happy where I am at and with what we have done, because we are a small operation we are able to give health care reimbursement. Our employees can choose the plan of their choice, and we can reimburse the cost of that insurance plan, and we can also offer, out of our own pocket, supplemental dental, and eye protection, things like that. We just do that out of our own costs, and it is much cheaper than trying to buy an expensive mandated plan of some sort.

Senator BRAUN. Very good. I do not think that is going away, and we need to do a better job of that here in Indiana.

Wes, joint employer rule. I heard more from franchisors and franchisees on a system. Why, if there is nothing broken, would you try to fix it? Often in government that is a relevant question, regardless of what the subject is, so if you would, explain what that means. I led a bicameral letter with 67 of my colleagues, including Tim Scott, Marco Rubio, Rick Scott, who came in when I did back in 2018, objecting to the then-proposed rule which would cost hundreds of thousands of jobs and over $30 billion in economic activity.

Where the rubber meets the road, as a franchisor, franchisee, tell us what that means if, in fact, they dig in deeper there.

Mr. SNYDER. Right, so the joint employer rule, at the crux of it is, the government would like to say, okay, that the franchisee and the franchisor share those employees. The NLRB's proposed changes to the joint employer rule will take away the equity and the independence of franchise small business owner and would put their success and livelihoods, including mine, in jeopardy. Franchisors will naturally move to hire numerous attorneys to oversee employment issues, claims across its network of independently owned franchise businesses, that the franchisor has no control.

Ultimately, the additional cost to the franchisor would translate to additional cost to independent owners like myself, and that would make the franchise business model untenable. Coupled with the rising cost of labor, this rule would make it more difficult to fill positions of unskilled labor, skilled labor, and both.

Brand new research from the Oxford Economics that I spoke about earlier shows that franchisees are bracing for more harm from the new NLRB rule. Seventy percent of franchisees expect increased litigation costs. Sixty-six percent of franchisee respondents expected a new standard to raise barriers to entry into franchising.

One of the things that I really enjoy doing now is all the different franchise locations that we have, I partnered with local owners inside of those businesses, acting equity partners that I give equity to, give them a chance to earn more equity and buy those businesses over time. One of my greatest things that I enjoy doing is building leaders and building entrepreneurs of the next generation, and that joint employer rule would not allow us to do that.

Senator BRAUN. Thank you, because I am guessing a franchisee, I do not know how many of small businesses start that way but it is a fairly large percentage, no different from my wife's business that started in downtown Jasper, she has been running for 45 years, and that is, to me, the ultimate kind of blue-collar job because you are doing most of the work and you are responsible for making sure all the bills are paid for the entity itself, so we have got to make sure that when it comes to franchisees, small business owners, National Federation of Independent Business is an organization that is always looking out for that—that we do not forget that that is how you become a medium-sized and large business, and if you ever squelch that, you know, we are getting into territory that I think is so far off base and I am glad for explaining that today. Thank you.

Mr. SNYDER. Thank you.

Senator BRAUN. Valerie, you have described what it is like coming back into the workforce, and it sounds like you have embraced it, and you have given us good reasons why maybe that wisdom from being older comes into play. You have compared it with maybe some of the assumptions and some of the things that the younger generation thinks should just automatically be there.

I want to have you tell us, in your own life, inflation has never been as bad as it is now. I would have to go back to when I first started in the early 1980's, and for anyone who does not remember that a home mortgage was a bargain in the late 1970's at 10 percent, 10 percent, and if you were unlucky enough to not get your home mortgaged before, I think it was Paul Volcker had to wring inflation out of his system, it was close to 18 percent in the early 1980's, fall of 1981, and it took four to five years to get rid of that through keeping interest rates high, and that is how tough that issue is when you let that little nasty out of the box, so in your own life, in your own budget, where has inflation been most negatively impactful in your life?

Ms. JONES. That is a very good question. Most people do not believe I am 71, so I have seen a lot of changes with inflation.

Like you said, at one time it was very easy to buy a home. Most seniors today have lost their homes because of inflation. They cannot pay the property taxes. Social Security just does not get it, if that is their only source of income. They have having to help raise their grandkids a lot of times, so that means more food, so it is very difficult today.

I have watched, it is like, in a sense, America changed in a way, because I was taught one way but I was actually forced to live another way. You know, more money for this. When I was working childcare—I do not know if I mentioned, my daughter is mentally challenged, so I had her in addition to my son to raise. I was divorced at the time, so it was very, very difficult. I had to really search around for a cheap caregiver for my children, if that makes any sense, because I could not afford some of the rates that people were asking.

Then clothing went up. When kids are in school and you have especially a boy, they grow fast, and every month you buy new shoes, it looks like, so it was very costly.

I feel for the generation today because they do not have a lot. The younger people do not have a lot to pull from, unfortunately, because of how the economy has changed, because of how people's attitudes about the economy and working have changed. Even attitudes about raising a family have changed.

I believe we, as seniors, have to move in and pull it back together. I feel like seniors are the glue that has held everything together, and if you discard us or forget about us, I do not know. I think we would be in real big trouble.

Senator BRAUN. Amen. Thank you.

We have got a little under a half an hour left, and usually this does not happen in a hearing out in D.C., but we do not cover everything that you might be interested in talking about, so I am going to give you the latitude to use three to five minutes to bring up another topic you want to talk about. If I hear something that I need to get a little more detail on—like I know, Tom, I am going to ask you, and this will be a simple one, how much acreage does one-third megawatt takes up. You can save that for when it comes around to you.

Toby, go ahead, and if there is something that we needed to cover, now is the time to do it.

Mr. DEATON. Well certainly, obviously, we talk about funding when it comes to grants, I represent a small agency in Indiana, and we currently have a grant. It involves sexual abuse of minor children. We are going to do away with that grant because we are spending more time doing the paperwork on the grant than what we are able to actually do the grant.

Senator BRAUN. A Federal grant or a State grant?

Mr. DEATON. Both.

Senator BRAUN. Both are kind of complicated.

Mr. DEATON. Yes.

Senator BRAUN. That is not good.

Mr. DEATON. Well, from my perspective it is certainly not. Law enforcement officers want to be working doing law enforcement stuff, and too often, unfortunately, we are having to fill out paperwork, accountability, and while certainly every dollar we spend is vital because it is a very short dollar, I guess my question to you is, is there anything that you can do? I realize getting anything passed in Washington is a miracle. Is there anything you can do to help law enforcement funding, particularly make it to the small agencies? Most in Indiana are small agencies.

Senator BRAUN. Easy question to that is my background was finance, and then I was an entrepreneur, and then I decided not to take the normal route and come back to my hometown, and then got involved in a hardscrabble business. The same kind of dynamic applies to almost any entity. The one I am a part of now, being on the Budget Committee, we do know budgets.

I was an appropriator, which is the most coveted committee to be on, and when I found out the head appropriators on each side of the aisle did not want any input from the members of their own Senate Committee, we could not even get the top line in terms of what we were going to spend until you hear about these omnibus bills, the government shutting down.

That is why I think that when it comes to funding, probably it is going to be harder to get, because if you are going more and more in debt, you are asking your kids and grandkids to pay for it.

I would say that we need to probably focus on a cash-flow that is strong in our own State, and most of the checks are written from a state government to law enforcement, and probably need to work on it there, and when it comes to anything that is going to incentivize people to come into, like I said earlier, a job about as difficult as being a farmer, and you two could argue between the two of yourselves on what might be tougher, that is how we fix it, so in the meantime, just like WEP/GPO, we have never had so much money sloshing around in our Federal Government. A lot of it is rat holed or put into some places where it is even hard for a Senator to see it, but in anything that has a fiscal, and that would have, we have been able to find it, because if the policy is important enough, the money is there, siting in unused funds. I am worried about the mid and long term, when you are running a place that is not managing its own budgets in the way it should because it does not do them.

More funding is what everybody wants from D.C. I think until it starts actually cash-flowing, that is probably a business partner that I would be a little wary of and figure out how you might be able to fix it in ways that are more dependable.

Mr. DEATON. Certainly, we always are looking for grants and looking for ways to spend dollars a little more fiscally conservative, because they go far away. You mentioned what is tougher—law enforcement or farming.

Senator BRAUN. I would suggest get the grants from places that will have them available, dependably, and that is from entities that cash-flow and do not borrow to do it.

Mr. DEATON. Absolutely. I was going to make one last point. You said what was tougher, a farmer or a police officer. I baled hay for my grandfather——

[Laughter.]

Senator BRAUN. There we go. At least we have got that on record, okay.

Tom, go ahead. Anything we missed, and then how much acreage does one-third megawatt generate?

Mr. MCKINNEY. One-third megawatt is 12 of the big arrays. If you have been by the airport, those are the small arrays. These are the big arrays. It takes about one acre, and it is basically an old hog lot that Grandpa and Dad used to have when hogs were outside, and we just converted that to a solar farm.

For what it is worth, Duke Energy loves me because I am on the very end of a Duke line, because Frankfort Power and Light is two miles away, Boone County REMC comes at the other end, and the only time I suck power off the grid is in October, on grain fans, so the rest of the time that solar farm is cranking power out on a line for the end of that line. Now they will never say so. Great relationship, but solar just plain works. A lot of you consider it, and the efficiency is going to increase.

Remember this term: perovskite. You can make it synthetically. There is an associate professor at Purdue that teaches each semester's class how to do it, and that, along with silica, will increase the efficiency of a solar panel nine to fifteen percent, and let's just say twelve as an average, and that is a fact.

That is a great way of just putting a little bit in your own facility. I think the laws are going to change to help facilitate that, but back to what Valerie said, I am with you. I used to de-tassel seed corn for 35 years, and we would have anywhere from 200 to 600 junior high-aged kids every July. We were in the cornfields at 5:30 in the morning, not 5:45, 5:30. I do not think I could get 10 percent of those kids to come out and do that anymore. I do not want to beat up on Gen Z.

If there is a message that could be sent, and I think you probably already do this, Senator Braun, is that the next generation does not need to be made easier. They need to have the same hard experiences that maybe we did, especially Valerie.

Senator BRAUN. The Greatest Generation, that grew up in the Depression, fought a World War, highest debt we ever had, paid it off, built the interstate highways.

Mr. MCKINNEY. Exactly right. That is the best example there ever is, but we need to stop making things so easy. I am not going to argue with maybe if they are going to need to stay on their parents' insurance policy until a little longer. Okay, fine, but my gosh, to give everybody everything. You are giving them fish rather than teaching them to fish, and that is an unmitigated disaster for our country if we do not teach work ethic, because that has always been our advantage. We have had it in spades over Europe and other places.

Senator BRAUN. Many businesses that I talk to that have had the kids do not want to be on the farm because you get so much more done, productivity, and a lot of kids just do not want to do that. Some of their best workers came from the farm because of the work ethic there when they grew up.

Mr. MCKINNEY. Exactly. My daughter works for an H.R. firm out of Chicago, and she will hire anybody at any land grant university. If it has 4-H or FFA on the application they are immediately hired and find a place for them.

When Mitch Daniels was interviewing for the Governor job in this State, he stayed with farm families and he could not believe that some of the 10-and 12-year-old 4-Hers were up at 5:30, 6:00 a.m. to go feed their steers or let the sows out and eat.

Senator BRAUN. One final question. Do you use an alarm clock, or not?

Mr. MCKINNEY. No.

Senator BRAUN. Very good.

Mr. MCKINNEY. It is automatic, 6:00 a.m.

Senator BRAUN. That is a blessing.

Wes, go ahead. What do we need to discuss that we did not cover?

Mr. SNYDER. You know, I do not know if there is anything additional. I just want to say again, thank you so much for this opportunity, and thank you so much for being such an advocate for small business. As I was sitting here just thinking about this, I have got 12 former employees that are now business owners on their own, in different places throughout the country, and being able to live the American dream because of the franchise community, the franchise model, and thank you so much for protecting that model and continuing to do that.

Senator BRAUN. You are very welcome.

Valerie?

Ms. JONES. I guess I would like to just kind of enhance a little bit about employment, free employment programs for the elderly. We now know it is a fact. We are going back to work. I have talked to younger people and they do not even expect to retire. They are wondering, will I last that long?

I think medicine makes so many advancements that cause us to live longer. I can remember when I was growing up the average around death, around me and my community, was like 51. My mother even died at 52.

We have got to do something about that. We have got to get people ready. I agree with you. We should not make it easy for our kids. My son hates me to this day because he did not have it easy, but he also thanks me, because he says, “Mama, I am stronger. I can stand on my two feet. You taught me to think.”

We need that. Our country, in some ways, has gotten too soft. We have lost some of our backbone, and if we do not regain that, that strength, we are going to flop, but also, on the other end, young people have other different issues, like crime is higher, violence is off the chart. I would be very nervous if my kids were in school today because kids carrying weapons into schools—that was unheard of.

Also safety even for seniors has gotten pretty significant. In fact, I was attached three weeks ago going into my apartment building, and I live in a senior citizen apartment building, but this young man thought I had money, and he knocked me down, purse stepping, and hit me in the back of the head with a piece of wood or something. I had never thought about that I would be unsafe going into my home.

I take my hat off to law enforcement. I want to. I appreciate you. In fact, I appreciate all of you, because we are working together. We see the issues and we want to take care of them, and that is a plus, so thank you very much.

Senator BRAUN. You are very welcome, and the panel’s discussion, I think, has been enlightening to me. I do a lot of these. I am on Health, Education, Labor, and Pensions, and it is interesting to think of what that covers, and a lot of times what we do here on the Aging Committee, since you cannot legislate through it, you can take a different Committee and do something with it.

I think about Bernie Sanders is the Chair of the Health, Education, Labor, and Pensions, and not too long ago there was an issue, and this had to do with the railroads, and, of course, Bernie always likes to do things in a certain way, and he put an amendment on the floor that was not going to pass, but it addressed an issue, and that was because rail workers did not have real sick days, and a lot of it evolved because a train has to show up on time, and you had to kind of bargain for a sick day.

I thought about that. I even checked in my own company to make sure what we were doing, and, of course, Bernie wanted seven out of the gate, and that was way more than almost any business would have, average business, but we went to vote on it, and I had some of my Republican cohorts say, "You might regret that vote."

Well, I said, "I do not think so. I am going to vote for it. It is not going to pass anyway." It is like most things in Congress, is it going to send a message? You do not necessarily have to legislate to get something done.

Well, three weeks later, the suggestion was, I thought, closer to four days, and I do not even know if I made that public, but then found out nearly half to two-thirds of the railroads settled with their employees for four real sick days, so it does not mean that you cannot come up with a solution, and even in Health, Education, Labor, and Pensions, imagine the territory that covers, and you can get things done.

In my view, if you do it only through the Federal Government you are asking for a lot of the red tape, a lot of the complications, a lot of the things we have talked about here, so when you want to craft real solutions, maybe look more to your communities, your local and state governments, because it will be paid for.

It would be like asking, at your Thanksgiving dinner, you want to put an addition on the home, and "Hey, kids. We do not have the money but we would like to borrow it from you, and it is going to be expensive enough, maybe the grandkids will have to sign the note." We cannot do that, and that might sound like a crazy analogy, but that is kind of what we have been doing.

I am glad that we have discussions like this one here. We will continue to do it. You have brought out, Toby, the inherent inequity in WEP and GPO, and I will, honestly, go back there and try to find a pay-for to get that across the finish line, and we will keep you posted on that.

A strong economy benefits everyone, and this country was based upon equal opportunity, everyone having a chance to make it in a way that maybe if you choose not to, you do not have to work that late into your senior years. We are blessed with technology and a health care system that it costs us a lot but enables us to live longer.

The challenges in government are how do you have your cake and eat it too. Most of the time that does not happen, but we can do better than what we are currently doing, and when it comes to the Aging Committee, the topics we have been talking about today, there are solutions to it. This has been a productive hearing, and for the time that I have been in the Senate, four and half years, it may sound like the Hatfields and McCoys, but really there are places where you can find stuff that makes so much common sense that you get to it, and even not paying for it by borrowing from our kids and grandkids.

The legislation that has gone through our office, almost without exception, finds a pay-for. No one wants to raise taxes. That is tough politically, and we do not need to. We have got more revenue coming into the Federal Government in the history of the country. We need to spend it more wisely. You need to have good conversations like this on how to do it.

That is the optimism I share on how we have a better country, not only to where it reforms itself out in D.C., but to where we continue things where it really works, on Main Street, in our states, in our businesses, and in our families.

That will conclude our hearing today. Thank you all for being here, witnesses and attending.

[Whereupon, at 3:20 p.m., the hearing was adjourned.]

APPENDIX

Prepared Witness Statements

Opening Statement
Toby Deaton
Senator Braun's Aging Committee Field Hearing
August 22, 2023

Good afternoon Senator, on behalf of over 370,000 FOP members nationwide and nearly 17,000 in Indiana, I would like to thank you for discussing this vital issue and the negative impact of the Windfall Elimination Provision, or WEP, and the Government Pension Offset Provision, or GPO, has on our public safety officer retirees. To be clear, this is our number one legislative priority, and several groups are in attendance to support fixing this problem. These include the Indiana Troopers Association, International Association of Chiefs of Police (IACP), and the International Associaion of Fire Fighters (IAFF). It is an especially important issue of our nation's public safety officers.

For this reason, Senator, today I am asking you to cosponsor S. 597, the "Social Security Fairness Act." The Senate bill currently has 44 cosponsors. The House companion member(HR 82) has 289 cosponsors—including Representatives Frank Mvran, Jim Banks, Rudy Yakym, and Andre Carson.

The FOP contends that this provision has a disparate impact on law enforcement and other public safety officers for several reasons. First of all, law enforcement officers retire earlier than employees in many other professions. Owing to the physical demands of the job, a law enforcement officer is likely to retire between the ages of 45 and 60. Secondly, after 20 or 25 years on the job, many law enforcement officers are likely to begin second careers and hold jobs that do pay into the Social Security system. Even more officers are likely to "moonlight," that is, hold second or even third jobs throughout their law enforcement career in order to augment their income. This creates an unjust situation that too many of our members find themselves in: they are entitled to a State or local retirement benefit because they worked 20 or more years keeping their streets and neighborhoods safe, and also worked at a job or jobs in which they paid into Social Security, entitling them to that benefit as well. However, because of the WEP, if their second career resulted in less than twenty (20) years of substantial earnings, upon reaching the age at which they are eligible to collect Social Security, they will discover that they lose sixty percent (60%) of the benefit for which they were taxed! Actuarially speaking, I doubt many officers will live long enough to "break even"—that is, collect the money they paid into the system—let alone receive any "windfall." These men and women earned their State or local retirement benefit as public employees and they paid Social Security taxes while employed in the private sector. How is this a windfall?

Fairness, Justice, and Equality have always been important words in this country. They are extremely important to my organization. In fact they were put in the FOP logo around 108 years ago. So many people are passionate about this issue because it is about fairness and inequality. As a police officer, we know being financially wealthy is not an option, but we never thought we would be treated differently and financially penalized for serving our communities. Let me be clear on this, what we are asking for is simply what we have EARNED and nothing more. I have never met anyone that after understanding this issue, believes this is fair. In fact, most believe this goes against the fundamental way of American life. It should be noted that we also pay into our pension systems as well and many have negotiated this as part of a total compensation package, only to discover later they are penalized.

Police Officers love the communities we serve but because the pay is so low most of us work other jobs as well. In fact, as knowledge about the impact the WEP and GPO have on the ability of officers to retire, it is hurting recruitment efforts. Our young people do not want to go into a career that will penalize the Social Security benefits they might earn from secondary employment or from a post-law enforcement career. As a nation, we are experiencing a recruitment and retention crisis in law enforcement. We need to be doing everything we can to make the profession of law enforcement attractive to our young people. Repealing the WEP and GPO will make many of our retirement and pension systems appealing to the next generation of officers.

Our members want social security to last and while the WEP is vital to our membership, it is a small fraction of the total social security conversation. The WEP affects about 2.1 million people and roughly 18,000 Indiana residents. The recent CBO estimated the cost at of the WEP at 88 billion over 10 years and the GPO at 107 Billion during the same time. While certainly a great deal of money, it is again what we paid into the system.
I contend if we are trying to maintain social security on the backs of public servants, then we have a much larger problem as a society. We believe that this topic should be discussed on its own merit and not part of the total social security conversation.

The fact that some retired police officers are now having to face purchasing medication or food is a travesty and should be fixed immediately. Several of our members retired when they thought they could sustain with the pension. We are all aware that prices and inflation have weakened the dollar and some do not have a cost-of-living adjustment on the pension. The extra money they earned from social security could allow them the dignity they have earned. The years on the job often give retired police officers physical issues such as a bad back, but the mental horrors are just now being discussed in society. When you add on the financial strain this causes, many are left feeling hopeless.

Compare that with other occupations that have a 401K. Many people change companies or even careers over a lifetime and the 401K that they have travels with them with no penalty. Companies may have contributed to this fund and that money is never penalized. To be clear we are not advocating for that but pointing out the differences that public servants are not treated fairly. Compare again that the wage base limit for 2022 was $147K and for 2023 was adjusted to $160,200. So instead of raising this we are putting this burden on those that have served the communities at a wage that is often far below the private sector. Our members are only asking for what they have earned, and they have served the communities often suffering far more than is ever known.

We could use many examples and stories but for time constraints and not wishing to expose publicly names, I will use examples. However, these are real situations and people in Indiana. Example one. A police officer in a small northern Indiana town should draw $1514 dollars a month but brings home $956.

Example two is a mid- size city in southern Indiana. He was injured while on duty and had to go out on a disability. He had an entire other career other than law enforcement. He should earn over $2300 a month but now draws around $1800 a month. He did not plan on the disability and now is struggling with physical and financial issues.

Example 3 A retired Officer from IMPD and like most worked a 2nd job. He has earned $1800 a month but only draws $900. Over $10,800 a year he is penalized. For a person that spent his entire life serving, this is a disgrace and we can do better

I mentioned earlier that everyone believes this is wrong and I would like to offer evidence that last year we had 305 co- sponsors in the House of Representatives to fix this issue. Getting over 300 people to agree on anything in Washington can almost be classified as a miracle. Senator we urge you to take up this legislation and help fix this travesty. Thank you for your time.

<u>Thomas McKinney</u>

Presentation Notes

"Economic Challenges and Opportunities for Older Americans"

Good afternoon,
Senator Braun, Committee Members, Staff and guests, thank you for inviting me to this hearing and listening session.

As we have a discussion on challenges as well as opportunities for older Americans, I will tend to migrate toward Agriculture and mostly production agriculture experiences.

One of the greatest obstacles is Health Care, especially when one spouse has graduated to Medicare status and the other has not. This concern is heard in many group settings and heard frequently in Social Security Office waiting rooms when citizens chat among themselves ahead of an appointment. Church groups, organized meetings at the local Farm Bureau and other public gatherings are other examples of where this subject arises. On a personal note, since our farm is not large enough for a Group Health Plan, we purchase from the Affordable Care Act alternatives which is very expensive and then we supplement that with a membership in a Christian Health Care Ministry policy. A very positive note on the Christian Health Care policy is we are a member with an <u>incentive</u> to live healthy, exercise and eat healthy. There is nothing more powerful than a personal incentive to make a situation better for yourselves as well as others in the group. It just works. It invites competition as well, which is a good thing.

With respect to opportunities for our rural elderly...........
On a positive note, in attempt to remain objective, production agriculture does offer a unique way for retired or elderly citizens to stay involved and earn a supplemental income. Seasonal needs on the farm, such as grain cart driver, seed tender in the Spring with a pickup truck or driving semi's are all superb ways for elderly or retiring farmers to stay active. The physical needs aren't as great, but the skill set is still there to be able to help. Fall, winter and even into the other seasons, we and others, have the need to haul grain, so this works well for the elderly yet capable semi operators. A win/win scenario.

Another challenge that has affected all of us in agriculture falls along the ESG topic. While the title "Environmental, Social and Governance" seems like a benign title, it has far reaching and costly results. On our farm and others like ours, we have moved to a strip tillage system for corn and a nearly complete no-till for soybeans. We do seed cover crops with a vertical tillage, minimum disturbance tool which simply incorporates the seed into the soil a little better. We have eliminated as many as three additional trips across the acreage and have prevented carbon expulsions into the atmosphere. We have also reduced our nitrogen and fertilizer (P & K) as a result. This is all a good thing and not required by the Government yet, Economics has driven this. A case where government mandate has been expensive to all of us as producers and taxpayers, is the Emissions Mandate of farm equipment. Both Case IH dealers and John Deere dealers, representing approximately 70-80 % of all sales across Indiana, share with me that about 40% of all service calls are for emission issues. A couple of years ago, that number was about 60-70%. Their words.....not mine. Personally, in 2019, which was a late planting and wet year, we added a third seed planter to our lineup to get seeds planted albeit late. The tractor on that planter was only two years old with low hours. We spent and ultimately lost three days working on emissions issues. We had three different technicians trying to get the tractor to run. The end result was, we got rained out again and had to collect a Preventative Planting Insurance claim on 500+ acres. Although we did pay our premiums for Federal Crop Insurance, it was no fun and goes against every fiber of a farmer's makeup to NOT plant. In the three lost days we could have easily planted the 500 + acres, but government mandated emissions made it impossible! Several tens of thousands of dollars were paid out from the USDA Insurance funds as a result.

Friends and neighbors share stories about ambulances, or fire trucks requiring excessive funds just to keep their equipment running so emergency runs can be made. The chatter behind the scenes is the idea that emergency equipment should be exempt so they can at least do their job by reaching the scene. Is agriculture any different?

If electric tractors and combines are forced upon us, I see a disaster in the making. I say this not because I am opposed to new technology or energy. We have our own, 1/3-megawatt solar farm that covers all of our electricity needs for a half of million bushel grain handling, drying and processing facility. I personally invested a strong six figure cost into building it. It works great, with no complaints. Let's look at some Hydrogen engines; the same core engines are already being made but just with a little different fuel. Electric combines and tractors will not work. This is partly because we operate nearly 18-20 hours per day at different locations. There is no way to charge the equipment, same with semi tractors.

Electric vehicles make perfectly good sense, especially in an urban setting. One size doesn't fit all in this world, so let's not make it do so. Our operation could easily own a couple of EV's in the future but not my production equipment. It is a cost that is too high for my returns.

Thomas McKinney
08/22/2023

INTERNATIONAL FRANCHISE ASSOCIATION

WESLEY SNYDER

FRANCHISEE/OWNER
FASTSIGNS, PIRTEK, & MY SALON SUITES
INDIANAPOLIS, INDIANA

TESTIMONY BEFORE THE U.S. SENATE SPECIAL COMMITTEE ON AGING

HEARING ON "*ECONOMIC CHALLENGES AND OPPORTUNITIES FOR OLDER AMERICANS*"

AUGUST 22, 2023

Good afternoon Ranking Member Braun. My name is Wesley Snyder, and I am a franchise business owner of FASTSIGNS International, Pirtek, and My Salon Suites. I mostly own and operate FASTSIGNS locations in my home state of Indiana and Arizona, Texas, North Carolina, South Carolina and Florida. I appreciate the invitation to appear before this Committee to share my story of small business ownership and discuss the views of my fellow local business owners everywhere as it relates to challenges of today's labor market. I will focus my comments on the path to recovery from the COVID-19 pandemic, the ongoing workforce challenges which continue to be an issue of great importance to franchise business owners like me, and policies that could diminish my business and my employees. It is important that small business perspectives are heard by our nation's leaders.

Senator, I would like to take a moment to express my gratitude for supporting the franchise community, and pushing back against policies that would hinder our ability to serve our businesses, employees, and our local community. On behalf of the franchise community, we appreciate you for taking a stand against the nomination of David Weil to serve as Administrator of the Wage and Hour Division (WHD) at the U.S. Department of Labor (DOL) and most recently the nomination of Julie Su to serve as the Labor Secretary at DOL.

I appear before you on behalf of myself and the members of the International Franchise Association (IFA). IFA is the world's oldest and largest organization representing franchising worldwide. For over 60 years, IFA has worked through its government relations, public policy, media relations and educational programs to advocate for the protection, promotion and enhancement of franchising and the approximately 790,000 franchise establishments that support nearly 8.4 million direct jobs, $825.4 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 industries, individual franchisees, and companies that support franchising in marketing, technology solutions, development and operations.

I have experienced firsthand the remarkable impact that franchise businesses can have on local economies and communities, including their ability to create jobs, develop a skilled workforce, and foster economic growth. I have been in franchising for over 25 years and have created a community of our own, employing over 200 team members that have been part of our systems for several years, exceeding average employee retention in large part due to the company culture we have created amongst the team. I use the word "team" instead of employees or workers because that is what we are, and the team that supports my business is uniquely suited for the communities in which we operate. As a multi-brand franchise owner, our team members span generations, from teenagers to team members aged 60 and older. We are proud of our growth through franchising and the broader role of franchising in the economic recovery. Franchising had an exceptional year in 2022, and 2023 looks to be another strong year of growth. Even with current economic headwinds, franchising is expected to continue to expand at a more moderate pace, trending upwards with the United States' overall economic progression and exceeding pre-pandemic norms.

In my testimony, I will share how my business has served our team members and local communities and how the franchise business model helped my business and team members during the pandemic; and show why harmful policies like the PRO Act needlessly threaten every small business during the economic recovery.

The unique franchise business format

Franchising is perhaps the most important business growth strategy in American history. The first franchises started in the colonies by Ben Franklin, and over the centuries, this system has served as a core American model of opportunity and entrepreneurism. In 1731, Ben Franklin entered into a partnership with Thomas Whitemarsh, who franchised his printing business – *The Pennsylvania Gazette*. Later, Whitemarsh would introduce the first "franchised" newspaper of South Carolina, the *South Carolina Gazette*.

Franchising has contributed to robust job creation and provided foundational skills development for small business owners and workers. Today, there are more than 790,000 franchise establishments, which support nearly 8.4 million jobs.[1] Many people, when they think of franchising, focus first on the law. While the law is certainly important, it is not the central thing to understand about franchising. At its core, franchising is about the relationship that the franchisor has with its franchisees—how the franchisor supports its franchisees, the franchisor's brand value and how the franchisee meets its obligations to deliver the products and services to the system's brand standards.

Franchising is often confused with "big business" when it is in fact the exact opposite. A franchise is first a local business, distinguished from other local businesses because it licenses the branding and operational processes of a franchisor while operating independently in a defined market. The local owner, or franchisee, is responsible for hiring staff, organizing schedules, managing payroll, and all daily operational tasks as well as local sales and marketing. The value of franchising lies in a strategic balance in the relationship between a franchisor and franchisee: the independence of a franchisee to manage its day-to-day operations and connections with its employees, consumers and the local community balanced with the franchise system giving aspiring small business owners a head start toward becoming their own boss, with a proven business model that can set up new business owners for success and easier access to lines of credit than a traditional business.

The value of franchising is supported by empirical data. A recent study by Oxford Economics found that franchising offers a path to entrepreneurship to all Americans, but especially to minorities and women. Around 26% of franchises are owned by people of color, compared with 17% of independent businesses generally. In addition, franchising offers the opportunity for business ownership that would not otherwise be available, especially to women, people of color, and veterans.[2] Franchises business also perform better and provide better pay and benefits than their non-franchised counterparts. On average, franchises report sales 1.8 times as large and provide 2.3 times as many jobs as non-franchise businesses. Sales and jobs in franchised businesses exceed non-franchised businesses across all demographic cuts, including gender and race. For example, Black-owned franchise firms generate 2.2 times as much in sales compared to Black-owned non-franchise businesses, on average.

Despite how it is often characterized, franchising is not an industry. Franchising is a business growth model used *within* nearly every industry. More than 300 different sectors are represented in franchising, and franchise companies offer a huge range of products and services from lodging to fitness, home services to health care, plumbing, pest control, restaurants, security, and lawn care.

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[1] Franchiseeconomy.com (2021).

[2] The Value of Franchising. Oxford Economics (2021)

Further, despite popular misconceptions, franchising consists of far more than merely the "fast food" industry. In fact, 63% of companies that franchise are not in the food services at all, and 83% are not in fast food.[3] As you can see in the graphic below, there are far more local (50% of all franchised brands) and regional brands (34% of all franchised brands) whose names you might not recognize than the fast food giants that garner the most attention.

There are two principal explanations given for the popularity of franchising as a method of distribution. One is that it "was developed in response to the massive amounts of capital required to establish and operate a national or international network of uniform product or service vendors, as demanded by an increasingly mobile consuming public."[4] The other is that franchising is usually undertaken in situations where the franchisee is physically removed from the franchisor, giving autonomy to the franchisee to run their own day-to-day business operations. These two motivations are consistent with a business model in which the licensing and protection of the trademark rests with the franchisor, and the capital investment and direct management of day-to-day operations of each franchise unit are the responsibility of the franchisee who owns, and receives the net profits from, its individually owned franchise unit.

It is typical in franchising that a franchisor will license, among other things, the use of its name, its products or services, and its operational processes and systems to its franchisees. The turnkey nature of operating a franchised business is why I and so many of my fellow franchisees purchased a franchise. Franchisees look to the franchisor to protect the trade names, trademarks and service marks (collectively the "Marks") and brand by establishing and enforcing standards on all franchisees in a system. Such standards are essential for protection of franchisees' equity in their businesses and consumers of the brand. These standards allow franchisors to maintain the uniformity and quality of product and service offerings and, in doing so, to protect their Marks, the goodwill associated with those Marks, and most importantly, consumer confidence in the Marks and brand. Because a core principle of franchising is the collective use by franchisees and franchisors of Marks that represent the source and quality of their goods and services to the consuming public, action taken to control the uniformity and quality of product and service offerings under those Marks is not merely an essential element of franchising, it is an explicit requirement of federal trademark law under the Lanham Act.

Overcoming challenges of COVID-19

At the age of 18, I moved to Indiana to attend Purdue University. After graduating in 1995 with a degree in Accounting, I got married and moved to Indianapolis and have been in this area ever since. I began my franchising journey in 1998 when I opened my first FASTSIGNS location here in Indianapolis, and today, I am a proud owner of 8 locations across 6 states. Like many, I found franchising a pathway to build a new life that I could pass down to our children.

The COVID-19 pandemic battered small businesses in historic ways. From March 2020-August 2020, within the first six months of the COVID-19 outbreak, an estimated 32,700 franchised businesses had closed; 21,834 were temporarily closed, while 10,875 were permanently closed.

Being part of a franchise system helped me navigate the pandemic immensely. In franchising we say, "you go into business for yourself, but not by yourself." In a time of great need, other

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[3] FRANdata research. (2021).

[4] Kevin M. Shelley & Susan H. Morton, "Control" in Franchising and the Common Law, 19 Fran. L. J. 119, 121 (1999-2000)

franchisees of our brands would stay connected regularly to share best practices and brainstorm ideas on how to best approach government assisted programs like the Economic Injury Disaster Loans (EIDL) and the Paycheck Protection Program (PPP) loans. In addition to franchisee communications, we had significant support from our franchisors. The FASTSIGNS brand hosted weekly calls to assist with operations, inform us about government assisted programs, and other resources available to help us navigate the crisis.

While we are on a path to recovery from the devastating effects of the pandemic, we still have a long way to go.

The state of the franchise business economic recovery

While the pandemic affected nearly all small businesses, the Small Business Administration (SBA) noted industry and demographic differences in the impact of the pandemic on business owners. Among demographic categories, there were larger declines for Asian and Black business owners. The total number of people who were self-employed and working declined by 20.2 percent between April 2019 and April 2020. The Hispanic group experienced a higher decline, at 26.0 percent. The highest declines were experienced by the Asian and Black groups, with a decline of 37.1 percent for the Asian group and 37.6 percent for the Black group. Meanwhile, leisure and hospitality had the largest decrease in employment, at 48 percent, and had the third largest small business share, at 61 percent.[5]

Franchise business owners have been grateful to policymakers for the federal response. Congress provided $525 billion in emergency funds extended through the Paycheck Protection Program and $194 billion through the Economic Injury Disaster Loan program, which helped keep our businesses afloat.

Coming out of the pandemic, franchising experienced an explosion of growth in 2021, followed by period of moderation in 2022 that will continue through 2023. Economic headwinds such as high inflation, labor shortages, and supply chain issues brought on by the pandemic continue to challenge franchised businesses. .

However, the economic uncertainty initiated by the COVID-19 pandemic has highlighted the many benefits of the franchise business model. For example, according to the IFA/FRANdata 2022 Franchisee Inflation Survey, 50% of franchisees said they were better able to navigate inflationary pressures and other pandemic-era business challenges thanks to the support of their franchising network.

In 2023 and beyond, the economy will rely on franchised businesses to steer the ongoing economic recovery, boost consumer confidence, and improve sentiment among small business owners. Because of its unique business model, franchising can serve as an economic catalyst in states and communities. For example, as the labor market slows in 2023, leading to a potential increase in job losses and unemployment rates, franchising can offer retrenched workers at all levels an alternative avenue to re-enter the workforce. Additionally, franchising gives many people a chance to own and operate a successful business that adds jobs across the economic spectrum. Franchises also offer a supportive environment where first-time business owners can benefit from established systems, branding, and insights from more experienced franchisees.

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[5] Daniel Wilmoth, The Effects of the COVID-19 Pandemic on Small Businesses. U.S. Small Business Administration (2021).

In 2022, an estimated 790,492 franchised businesses delivered products and services to customers in the United States. The year-over-year growth rate from 2021 to 2022 was approximately 2%, which is faster than most historical growth rates. The growth in units in 2022 was supported by increased consumer spending, a rebounding labor market, and healthy financial institutions. However, labor shortages and high inflation beginning in the second half of 2022 impacted the continued growth in franchised units. Inflation drastically increased the cost of opening new business units in 2022. When coupled with high interest costs, the cost of investing in a franchising unit increased by almost 30% in certain instances. Because lenders have now adopted a cautious stance in which they vet each borrower in more detail than ever before, the time to underwrite a new loan has increased. Considering the tight monetary and fiscal environment, FRANdata projects that growth of franchised establishments will slow to 1.9% in 2023 to reach the total of 805,436 franchised units.

The personal services industry boasts some of the fastest growing categories, including health and fitness centers, beauty-related studios like My Salon Suites, and home health care. According to the latest “Occupational Outlook Handbook” published by BLS, the personal care and service occupation is expected to grow 14% over the next few years, with approximately 762,600 openings per year. This growth exceeds the average for all occupations, and employment statistics imply a large demand for this industry. According to FRANdata’s New Concept Reports published last year, more personal services brands have emerged, with an increased distribution seen across all new concepts from the first quarter to the fourth quarter. Alongside QSRs, the personal services industry also has more projected units for 2023 than any other industry.

In 2023, FRANdata forecasts that personal services will continue to lead franchising expansion, experiencing the highest growth both in the number of establishments and outputs. These establishments are predicted to increase by 2.5% to 120,302 locations, while outputs are expected to grow by 6.7% to $42.1 billion. This industry grows as consumers’ personal service needs increase, and there is an increased demand for home healthcare, fitness centers, and beauty services. Notably, this industry will become more competitive compared with other industries as more new players enter the market. On the other hand, while the consumer confidence index did not decline at the end of 2022, people are likely to be more cautious about what they need to buy in 2023, which may impact growth.

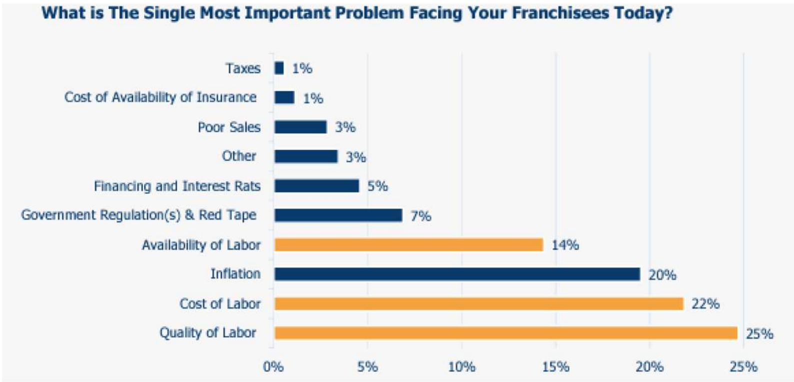
In addition, the personal services sector will deliver about 577,450 jobs to the franchising market. As this industry is highly reliant on skilled labor, the ability of personal service owners to retain their current employees becomes even more important during labor shortages.

Despite all of these economic headwinds, and provided Congress does no harm to the franchise business model, franchise businesses in all sectors will surely accelerate the post-COVID economic recovery. While the number of unemployed individuals peaked at nearly 30 million workers early in the pandemic, such workforce dislocation forced many individuals to try entrepreneurial ventures, including starting new franchise businesses, which has contributed to the economic growth cited above. This outsized growth should be expected because franchising has helped fuel recovery following past economic downturns. After the financial crisis from 2009-2012, employment in the franchise sector grew 7.4%, versus 1.8% growth in total U.S. employment.[6]

[6] FRANdata research (2021).

Staffing challenges

As a small business owner still recovering from the pandemic, my main focus right now is rebuilding our team and navigating policy uncertainties that may have real-world, bottom-line impacts on our balance sheet.



According to the U.S. Bureau of Labor Statistics (BLS), the unemployment rate edged down to 3.5%, one of the lowest in history. Demand for labor far exceeded the supply, resulting in a wage growth of 9.0% in 2022. The wage growth tapered down in the fourth quarter of 2022 to 6.4%. ADP Research projects wage growth in 2023 of approximately 3%, which is higher than pre-pandemic norms. Quality and cost of workforce remains the biggest challenge for almost all franchised businesses. According to the IFA/FRANdata 2023 labor survey of franchisors and franchise portfolio companies, 81% of franchised brands experienced constrained growth due to labor challenges, a continuation from 2022. Nearly identical to last year, 87% of franchisees have had difficulty filling in positions for unskilled labor, skilled labor, or both (88% in 2022).

In 2023, the franchise labor market is even more competitive than it was in 2022. According to the IFA/FRANdata 2023 labor study, 85% of the franchisors surveyed reported an increase in store-level wages in the past six months, and 43% of franchised businesses reported benefit increases. Almost 60% of the franchisors surveyed anticipate an increase in labor wages in the next six months. FRANdata expects that the rebalancing of the labor market will likely take some time, and franchisees will continue to face labor related challenges at least in the first half of 2023.

While my workforce age ranges from teenagers to those over 60, 25% of my workforce is over the age of 50. Our businesses have experienced retired workers returning to the workforce given the current climate of the labor market. In many cases, we have found older employees to be good mentors for the younger team members. However, hiring additional sales employees and technicians remains to be our biggest staffing challenge.

Now the biggest threats facing franchise small businesses like mine during the economic recovery are legislative and regulatory action. There is no more significant and avoidable threat to small business job creators than the PRO Act.

Policies hindering the growth of the economy

The PRO Act is perhaps the most anti-small business bill ever introduced in Congress. There must be a better way to advance worker rights in an even-handed way. Instead, on the backend of a global pandemic that had a disproportionately negative impact on Main Street businesses, business owners are once again facing this bill. It is incredibly disheartening to small business owners that this legislation has been reintroduced in both the U.S. House of Representatives and the U.S. Senate.

The PRO Act puts the very existence of franchise businesses in jeopardy. It cobbles together more than 50 imbalanced amendments to the National Labor Relations Act which are designed to tip the scales against small businesses. The enormous risk associated with the PRO Act will serve only to corporatize the franchise model, encouraging brands to grow through company-owned outlets, while shying away from offering franchise ownership opportunities to new entrepreneurs. Franchising empowers new entrepreneurs to operate under a national brand while remaining small businesses that contribute to their local communities and the wider economy.

Accordingly, faced with the PRO Act's new liability regime, franchise companies are much less likely to partner with local entrepreneurs, which means small business ownership opportunities will dry up on Main Street.

In addition to the adverse consequences of the PRO Act, this month, the National Labor Relations Board (NLRB) is planning to issue a final rule on a joint employer standard that would reverse its course back to the harmful 2015 version. The NLRB's proposal largely reestablishes the broad Obama-era standard of joint employment, under which one company may be deemed the joint employer of a second company's employees not only where it directly or immediately exercises control over the second company's workforce, but where the first company's putative control is indirect, or even simply reserved but not ever actually exercised. This puts franchisors at risk of being sued for things they never did and had no power to stop. Moreover, it risks wiping away the equity that I have spent my life and career building in my businesses and ultimately makes me a middle manager of my brand. The joint employer standard created by the NLRB in 2015 led to a nearly doubling of litigation against franchise businesses, cost franchising $33 billion per year, and preventing the creation of 376,000 new jobs in the four ensuing years. Small businesses will not survive a similar consequence in the current labor market.

The NLRB's proposed changes to the joint employer rule will take away the equity and independence of franchise small business owners and would put their success and livelihoods, including mine, in jeopardy. Franchisors will naturally move to hire numerous attorneys to oversee employment issues and claims across its network of independently owned franchised businesses over which the franchisor has no control. Ultimately, the additional costs to the franchisor would translate into additional costs to independent owners like me, and that would make the franchise business model untenable.

In fact, forthcoming research from Oxford Economics based on a July 2023 survey of franchisees show that franchise owners are bracing for more harm from the new NLRB joint employer rule as it injects uncertainty in the franchisor-franchisee relationship and threatens standards enforcement across franchise systems. Overall, 43% of franchisee respondents expected a change in the franchisor/franchisee relationship as a consequence of the NLRB's joint employer rule, although there is uncertainty among franchisees regarding the responses from franchisors. Approximately 20% of respondents expected franchisors to increase control over their operations while another 20% expected franchisors to distance and reduce operations and compliance support.

Approximately 40% of franchisees did not know what to expect, and the remaining 20% expected no change. This uncertainty about franchisor responses to the new joint employer rule brings with it significant concern among franchisees, with 74% of franchisees expressed a high level of concern at the prospect of increased franchisor control, and 55% a high level of concern with reduced franchisor support.

The Oxford Economics report is also expected to identify increased costs for franchisees as a result of responses by franchisors to mitigate risk under the new joint employer rule. These include the heightened risk of litigation (i.e., 70% of franchisees expected increased litigation) and increases in legal and advisory fees, as well as higher insurance and operations costs. Meanwhile, the new rule may reduce the attractiveness to being a franchisee with respect to operating an independent business and lead to fewer franchises (i.e,, 66% of franchisee respondents expected the new standard to raise barriers to entry into franchising).

Further compounding the strain on the franchise business model by legislative and regulatory interference is Julie Su's nomination to serve as the Secretary of Labor. On May 8, I penned an op-ed in the *Phoenix Business Journal* noting that if confirmed, Julie Su will turn the American dream into the American nightmare. During her time as Deputy Secretary of Labor, Su was a key figure in supporting California's FAST Act, a law that would undercut franchise owners by giving unaccountable government appointees the authority to dictate business decisions on issues like wages and working conditions. According to a survey of economists done by the Employment Policies Institute, 93% of economists expect the FAST Act to drive up operating costs, and 73% say it would cause franchises to close restaurants in California.

In response to this threat, over one million Californians mobilized and signed a petition to have a referendum on the legislation, which will be set for 2024. Despite this pushback, Su remained an outspoken supporter of the FAST Act, even going so far as to say, "The Department of Labor stands with you. The Biden-Harris Administration stands with you," in a full-throated endorsement of the legislation. Right now, workers and business owners are faced with a shaky and uncertain economic environment as we recover from Covid. We need stable leadership that prioritizes recovering the jobs and wages lost to Covid and inflation, not one with a record of waging war on job creators.

Without a doubt, these seismic shifts in employment policy and governance would hurt small businesses and provide fewer opportunities, particularly for women, minorities, and other underrepresented communities. Growing a business through the corporate model does not provide ownership or wealth building opportunities for small business owners and entrepreneurs. We need policy and regulatory changes that will drive wealth creation and new business ownership opportunities for the most underserved communities, not hinder it.

Policies promoting franchise growth

In contrast, your legislation such as the *Protections for Socially Good Activities Act*, would promote healthy practices within our systems that would assist with employee retention. This bill encourages franchise brands to share information, policies, trainings, and best practices with franchise owners on COVID-19 safety measures and employee education, among other socially good activities. tap into their potential to be an economic power engine and further assist the workforce issue.

In addition, the bipartisan, bicameral *Freedom to Invest in Tomorrow's Workforce Act* would expand qualified expenses under 529 savings plans to include postsecondary training and credentialing, such as licenses and professional certifications; it would provide valuable tax-advantaged resources to more workers pursuing career growth, mid-career changes or alternative career pathways. A barrier to entry in the beauty and salon industry is the cost of cosmetology school and the amount of student loan debt that aggregates. For example, stylists in New York pay an average of about $14,000 for tuition and supplies plus living expenses to put themselves through the 1,000-hour cosmetology curriculum. The longer the program requires, the higher the cost of the school and the higher the federal student debt load. The *Freedom to Invest in Tomorrow's Workforce Act* would increase access to cosmetology school and ensure that the pipeline of service providers to the beauty and salon industry remains strong.

Conclusion

Franchise businesses contribute significantly to our nation's economy, creating a diverse range of employment opportunities from entry-level positions to management roles. By offering these opportunities, franchises help address unemployment and underemployment, ensuring that individuals across our nation have access to stable, fulfilling work.

Moreover, franchise businesses often provide comprehensive education and support for their employees, fostering the development of a skilled workforce. These workforce development programs not only benefit individual businesses but also contribute to the overall strength of our nation's workforce, making it more competitive on the global stage.

Franchise businesses also offer unparalleled opportunities for people of color, women, and veteran entrepreneurs, promoting a more inclusive and diverse business landscape. This diversity strengthens our workforce and helps create a more equitable and prosperous society.

It is also important to acknowledge the role franchise businesses play in community engagement. Most franchises invest in their communities by engaging in charitable activities and supporting local organizations. This not only creates an environment where people can thrive but also contributes to a more robust workforce.

In conclusion, franchise businesses possess the unique ability to address the workforce challenges faced by our nation. It is vital that Congress considers policies that support and encourage the growth of franchise businesses while carefully assessing the potential implications of legislation like the PRO Act.

Ranking Member Braun, thank you again for holding this hearing and for the invitation to speak on behalf of small business owners everywhere. I look forward to answering any questions you may have.

U.S. Senate, Special Committee on Aging

Statement for Field Hearing on "Economic Challenges and Opportunities for Older Americans"

Valerie A. Jones

August 22, 2023

Thank you, Senator Braun, for hosting us today. It's great to see you again after meeting you last spring when I was in DC for Goodwill on the Hill.

I'm here to share the story of how I returned to the workforce as a senior citizen and the challenges and victories I've experienced.

As a member of the "baby boomer" generation, I've had many careers in my lifetime. After college graduation, I worked for the Internal Revenue Service in Georgia. I married and moved to Indianapolis where I taught English and Reading and adult education for Indianapolis Public Schools (IPS). As many women of my generation did (and many women are still forced to do), I left the workforce when my children were born. Following a divorce, I moved back to Georgia to care for my ailing mother and my disabled daughter. After my mother passed, I returned to work for several years as a bank branch manager.

In 1994, I left the workforce when I became disabled. I also was caring for my disabled adult daughter. I remained unemployed, trying to live off Social Security Disability Insurance until 2017 when I learned about the Senior Community Service Employment Program (SCSEP) at my local Goodwill.

SCSEP saved my life. I felt I had been discarded and wondered who would take a chance and give me, an older person, a job? But the free program got me into paid training that ended up with me being hired as the assistant to the philanthropist at St. Vincent De Paul. With the help of SCSEP and my employment coach, I became reenergized. I overcame my fear of technology, learned new computer skills, and regained the dignity that comes with work.

As an older worker in 2023, my struggles and experiences are not unique to what many Americans have to endure. I've had to budget my expenses; deal with inflation; navigate complex social service programs; and care for aging parents while also raising children. Now that I'm the aging parent, I'm also adapting as my own disabilities worsen. I'm currently unable to drive and becoming more reliant on others for day-to-day support. In today's world, seniors also have to have a heightened sense of awareness of issues related to security (cybersecurity, physical safety, identity theft, etc.).

We older adults still have a lot to give, but we need flexible training opportunities to develop new skills or credentials and refresh some older skills. Older workers bring a lot of potential and value to employers as we are hard-working, loyal, and dependable. We have a lifetime of wisdom and experiences that we can share with employers and teammates. I take pride in serving as a mentor to colleagues at work, and youth in my community. We may need to learn some new skills, but that's why programs like the Senior Community Service Employment Program are crucial for older adults. At a time when many industries are facing workforce shortages, we can help fill employment gaps in the labor market.

Thank you for the opportunity to share a little about my experiences. When I enrolled in the SCSEP program, I was hopeful that it would lead to a new career path at the age of 66. I never imagined that it would also result in this chance to appear before all of you.

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