OXFORD ECONOMICS

JANUARY 2026

THE VALUE OF FRANCHISING

A REPORT FOR THE INTERNATIONAL FRANCHISE ASSOCIATION FOUNDATION

INTERNATIONAL FRANCHISE ASSOCIATION

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To discuss the report further please contact:
Alice Gambarin: agambarin@oxfordeconomics.com

Oxford Economics
5 Hanover Sq, 8th Floor • New York, NY 10004 • Tel: +1 (646) 786-1879

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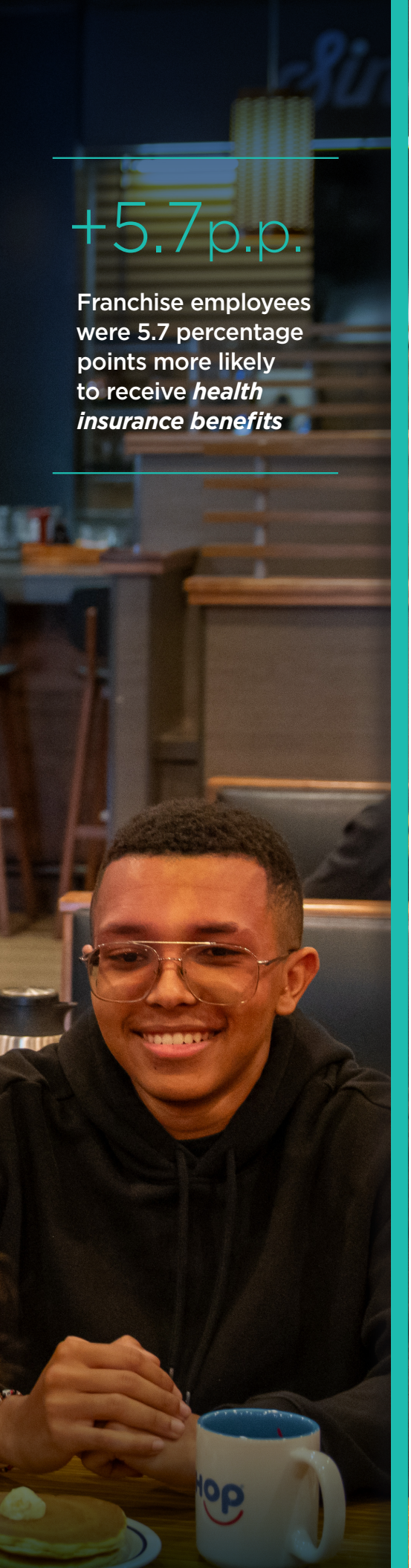
EXECUTIVE SUMMARY

Franchising represents one of the most dynamic and widely used business growth strategies in the modern era. It enables entrepreneurs (i.e., franchisees) to own and operate their own businesses under a license to use the brand and guidance of an established company (the franchisor). While many people associate franchising with national fast-food chains, they represent only about a quarter of all franchised establishments in the U.S. The remaining three-quarters encompass a wide range of industries, including business services, residential services, lodging, personal services, retail, and more.

This study, commissioned by the International Franchise Association Foundation, describes the role franchising plays in the U.S. economy. The report features three workstreams: 1) a survey of more than 2,900 franchisees, representing over 13,000 U.S. franchised establishments; 2) a literature review of major empirical evidence around franchising; and 3) an econometric analysis comparing franchises with non-franchise employers. Overall, this 2025 study assesses the value of the franchise business model to workers, entrepreneurs, and local communities, building upon the 2021 Oxford Economics Value of Franchising Report in the post-COVID-19 era.

In particular, this study finds that:

- Pay progression, job retention, and part-time to full-time transitions are better among workers at franchised businesses compared with non-franchised businesses, with franchisees also offering benefits at greater rates than, and pay on par with, comparable non-franchise businesses.
- Franchising offers a path to entrepreneurship to a diverse group of Americans, and the businesses these franchisees build tend to have higher sales and more employees than non-franchised ventures.
- Franchised businesses are locally owned, which keeps resources in the local community through supply chains and charitable giving.



+5.7p.p.

Franchise employees were 5.7 percentage points more likely to receive *health insurance benefits*

Our econometric analysis suggests that franchises drive stronger employee retention and faster career growth than non-franchised businesses. We find that **retention rates at franchised businesses were significantly better than those of similarly situated non-franchised businesses**. In the second month after initial employment, non-franchise employees were 16% more likely to leave than their franchise counterparts (conditional on still being employed at the start of the month); this figure rose to 34% in the sixth month and 49% in the 12th month.

Workers at franchised businesses also switched from part-time to full-time faster than their counterparts at non-franchised businesses, on average. In the second month after initial employment, part-time franchise employees were 20% more likely to switch to full-time employment than are non-franchise employees, all else equal. The effect size remained the same in the sixth and 12th months, although a larger margin of error as time goes on means that the six- and 12-month effects in this case were not statistically significant.

The data also show that **wages grow faster for franchise employees than for non-franchise employees**. Additionally, we found no difference in wage rates between franchise and non-franchise employees overall, after controlling for observable characteristics available in the dataset. In other words, franchises offer pay on par with comparable non-franchise small businesses.

And job quality extends beyond salary. Econometric analysis of data provided by leading HR and payroll company Paychex shows that working at a franchised business was associated with 3–7 percentage points higher likelihood of receiving key benefits compared with working at a non-franchised business, after controlling for the characteristics mentioned above. The effects were strongest for sick leave and health insurance, with **franchise employees 6.5 percentage points more likely to receive sick leave pay and 5.7 percentage points more likely to receive health insurance benefits**. These effects were even larger for full-time employees.

The benefits of being a franchise owner are substantial, particularly for those new to entrepreneurship. In our survey, we asked franchisees to describe the areas where franchisor support was received and proved most useful. The most important areas identified included access to a network (65% of franchisees found it very important), franchisee training (64%), and technology platforms (64%). For first-time business owners and women, access to an established network was perceived as very important by a larger share of respondents (67% and

69%, respectively), stressing how franchising can meaningfully help overcome barriers to business ownership for these groups.

1.4x

Franchises reported sales 1.4 times as large as non-franchised businesses.

Similarly, the 2023 Annual Business Survey found that franchised businesses were more likely to have a minority owner than non-franchised businesses, and those businesses tended to be larger than non-franchised business. On average, **franchises reported sales 1.4 times as large as non-franchised businesses**, and Black or African American franchise firms earned 2.3 times as much in sales compared with Black-owned non-franchised businesses.

For the majority of respondents (64%), their franchise was the first business they owned, suggesting that franchising serves as a reliable entry point into entrepreneurship for many prospective business owners. Additionally, **30% of respondents said they would not own a business if they were not franchisees.** Those respondents were more likely to be single-unit owners, women, and first-time owners. Extrapolating the percentage of enterprises that would not exist **without franchising, the U.S. would have an estimated 80,000 fewer businesses, 215,500 fewer local franchise establishments, and 4.0 million fewer jobs.**

Most franchisees operate as small business owners who live and work in the communities they serve. In our survey, most franchisees own/operate businesses in the town or region where they live (85%). In this way, the franchise model supports local employment and helps circulate wealth and economic growth within the community. Franchise supply chains also support the local economy: on average, franchisees purchased 40% of their inputs from local suppliers. Approximately **83% of franchisees surveyed gave to local charities** during the previous year. By aggregating those responses, we found that, during the last financial year, **U.S. franchisees donated an estimated $2.3 billion to charity, raised $2.6 billion, and sponsored 34 million hours of volunteer activity**.

In conclusion, this study finds that franchised businesses offer stronger employee retention, faster career growth, and greater benefit enrollment than similarly situated non-franchised businesses. We also show that franchising offers a path to entrepreneurship to all Americans, but particularly to first-time owners and women. Lastly, we highlight how franchisees are embedded in their communities through their local supply chains and charitable giving.

30%

30% of respondents said they would not own a business if they were not franchisees.

SECTION 1: INTRODUCTION

In the U.S. economy, franchising is among the most dynamic and widely adopted business growth strategies. It enables entrepreneurs to launch and operate their own businesses while operating under the brand, systems, and guidance of an established company. The benefits of being a franchise owner are substantial, particularly for those new to entrepreneurship. The primary advantage is a license to use a well-established brand name, which helps build customer trust from day one. Franchisees also receive comprehensive training and ongoing support, covering everything from operations and marketing to customer service. At the same time, the franchisees have the autonomy to create their own employee culture and build relationships with the community in the markets in which they operate.

In the U.S., franchising is a powerhouse of economic opportunity, contributing $550 billion to national gross domestic product (GDP) and employing nearly 8.8 million people in 2024. To give a sense of scale, this is equivalent to 5.5% of the total U.S. employment[1] and equivalent in size to the Philadelphia metropolitan area in GDP terms.

This study, commissioned by the International Franchise Association Foundation, describes the role that franchising plays in the U.S. economy. It assesses the value of the franchise business model to workers, entrepreneurs, and local communities, and provides an update to the 2021 Oxford Economics report "The Value of Franchising."

The report's main data source was a survey of over 2,900 franchise owner respondents between June and July 2025 (hereafter referred to as the "survey"). These respondents collectively represented over 13,000 U.S. franchised establishments. The survey explored the benefits offered at franchised businesses, paths towards franchising, key areas where the franchise business model provided support to business owners, and the degree of local procurement and charitable giving.

The remainder of this report is structured as follows:

- Section 2 sets out the magnitude and recent growth of franchising in the U.S.
- Section 3 assesses the wage and benefit offer of franchised businesses.
- Section 4 presents the different paths that lead to franchising and how it offers opportunities to a diverse group of entrepreneurs.
- Section 5 considers the role of franchises in their local economies and communities.
- Section 6 includes the conclusion.

1 BEA, ***National Income and Product Accounts***, Table 6.4D.

SECTION 2:
USES OF FRANCHISING

2.1 WHY BRANDS FRANCHISE

From its earliest origins in the United States, the franchise model has sought to enable brands' growth by empowering local business owners. The first known commercial franchise agreement—signed in 1731 between Benjamin Franklin and Thomas Whitmarsh for a printing shop in North Carolina—reflected the enduring logic of the model: an established brand entrusting local operators who understood the communities they served. That dynamic continues today. Franchising allows national and regional brands to expand while remaining rooted in local markets through owner-operators whose livelihoods depend on the success of their individual establishments.

The economic rationale for franchising is well established. Central to this is ensuring that the incentives between the franchisor and the operator of each establishment are aligned. Franchisees act as both investors and CEOs, giving them a direct financial stake in the performance of their locations. This helps address the classic principal–agent problem—identified in the franchising literature[2]—by motivating local operators to maintain quality, drive revenue, and uphold the brand's reputation. No salaried corporate manager has the same incentive structure as an owner whose income and wealth depend on the success of the business.

Franchising is also a proven strategy for helping brands operate effectively across diverse geographies. As firms expand farther from headquarters, they encounter increasingly varied market conditions, labor environments, and regulatory contexts. Research by Lafontaine and Shaw shows that franchisors are significantly more likely to franchise units that are geographically distant or located in unfamiliar markets, where local knowledge becomes especially valuable and monitoring is more complex.[3] Bradach's influential "double chain" model further demonstrates that franchise systems intentionally combine franchised and company-owned units to balance uniformity with adaptability.[4] Company-owned stores help maintain systemwide standards, while franchisees contribute localized experimentation, innovation, and responsiveness to community preferences—capabilities difficult to replicate through centralized management alone.

Taken together, this evidence underscores that franchising is not only a vehicle for growth but also a mechanism for localization. By partnering with local entrepreneurs, brands are able to maintain consistency in quality while tailoring operations to the distinct needs of their markets. This blend of national scale and local ownership has helped the franchise model remain an engine of growth for nearly 300 years.

Even critics of franchising acknowledge its benefits. For example, David Weil, former Wage and Hour Administrator at the U.S. Department of Labor, has written that "franchising provides a mechanism for a lead company to create a model of business organization that can be replicated by others but controlled by a lead company. It creates a mutually advantageous means of sharing the gains of a brand, as well as an ingenious mechanism to push out the difficult task of providing the good or service to other entities with a greater incentive to control costs while still selling the product of the lead company… [I]t has provided a powerful means to tap the capital and entrepreneurial drive of new business owners who seek opportunities to expand an established product or service."[5]

2 Rubin, P. H. (1978). ***The Theory of the Firm and the Structure of the Franchise Contract***, *Journal of Law and Economics*, 21(1), 223–233.

3 Lafontaine, F. & Shaw, K. (2005). ***Targeting managerial control: Evidence from franchising***. *RAND Journal of Economics*, 36(1), 131–150.

4 Bradach, J. L. (1997). ***Using the plural form in the management of restaurant chains***. *Administrative Science Quarterly*, 42(2), 276–303.

5 David Weil, *The Fissured Workplace* (Harvard University Press, 2014), pg 25 and 122.

Weil's central thesis is that today's labor markets are characterized by a "fissured workplace" in which employers shed non-core employees in order to reduce wages, mixing franchising with other practices, such as contracting (and subcontracting) non-core tasks. But as this and other studies show, it is inaccurate to say that franchising per se lowers salaries. In particular, as shown in Section 3, analysis of Paychex data shows that there are no significant differences between wage rates at franchised and non-franchised establishments.

2.2 FRANCHISING IN THE U.S.

Franchising has transformed how we purchase products and services today. Hundreds of distinct industries use franchising today, and because of that, it is nearly impossible to drive down any major street in the world and not pass by some business that is part of a franchise network.

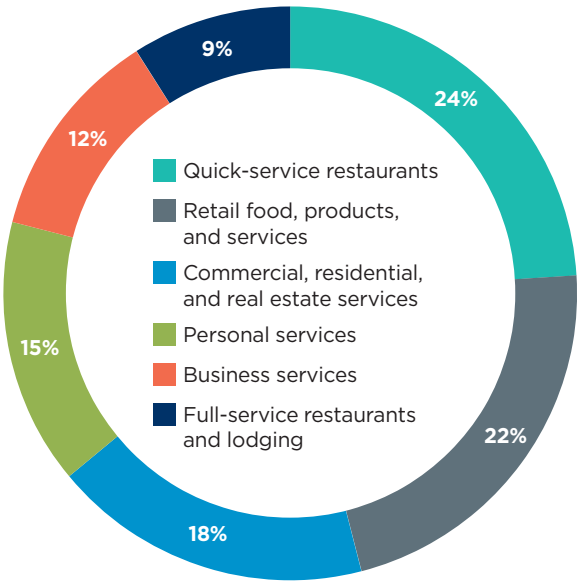
Franchising enables the delivery of all types of business-to-business (B2B) and business-to-consumer (B2C) products and services in a way that allows consumers to trust in the consistent quality of the franchisor's brand. Franchising is even being used today by social enterprises to bring fresh water, healthcare, education, electricity, and countless other products and services internationally to people living in underdeveloped parts of the world.

In the U.S., franchising is a significant driver of economic and community growth. With over 830,000 franchise establishments in 2024, franchises provide jobs for almost 8.8 million people across the country, generating over $550 billion in GDP. Franchises are far more diverse than they are perceived to be. While many people associate franchising with national fast-food chains, these represent only about a quarter of all franchise establishments (Fig. 1). The remaining three-quarters are made up of a wide range of industries, including business services, residential services, lodging, personal services, retail, and more (see Fig. 2 for a list of franchise brands in other industries).

Similarly, iconic national brands represent just 15% of all franchise brands, while more than half (52%) are local brands. Nearly half of all franchise brands (47%) are relatively small, operating 25 locations or fewer. This highlights how franchising is a business model embraced by both emerging companies and well-established brands at every stage of growth.

FRANdata estimates that franchise employment has grown by 7.3% between 2021 and 2024. This was higher than the average growth rate of 6.7% across similar sectors of the economy during the same period.[6] In sectors like retail, business services, commercial and residential services, and personal services, franchise employment grew at a faster rate than the overall industry during

Fig. 1: Franchise establishments by industry, 2024

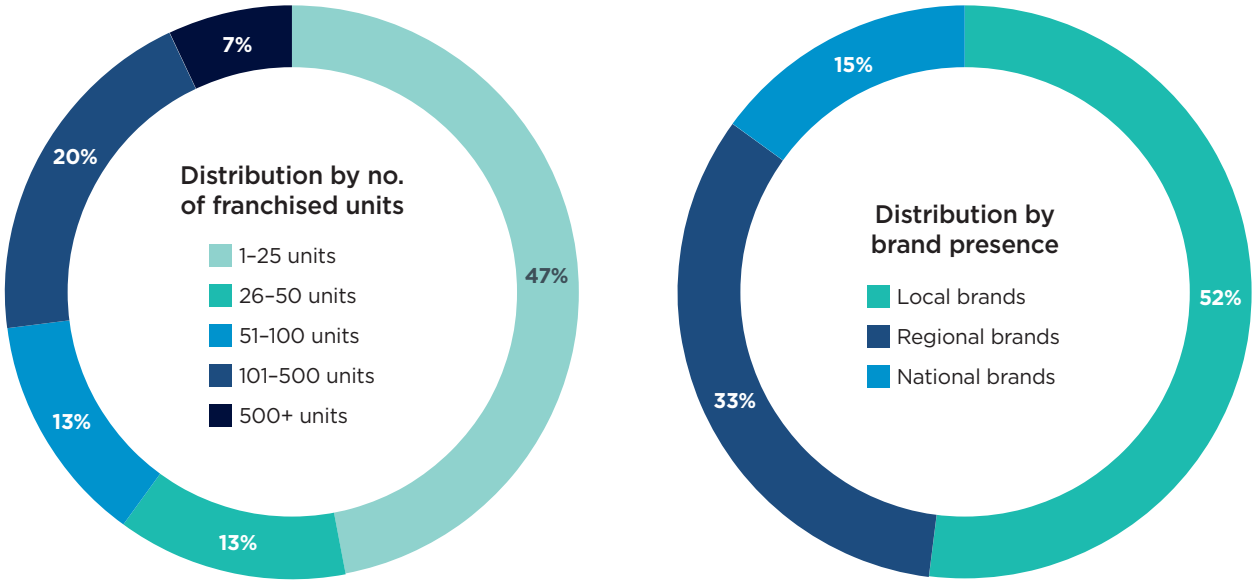


Source: FRANdata

6 Since franchises are clustered in a subset of industries, this analysis compares employment growth in a similar set of industries during the period 2021–2024. Total US employment growth during the same period was 8.7%.

Fig. 2: Brands commonly not recognized as franchises

Fig. 3: Franchise brand distribution by number of units and brand presence



Source: FRANdata

2021–2024. Looking ahead, franchise GDP is expected to continue to grow during 2025, at a pace of 5% year-on-year. This is faster than the Congressional Budget Office's projections for the U.S. economy, which is expected to grow at 1.4% in 2025.[7]

7 FRANdata, ***Franchising Economic Outlook***, February 2025. Congressional Budget Office, ***CBO's Current View of the Economy From 2025 to 2028***, September 2025.

SECTION 3:
FRANCHISEES AS EMPLOYERS

In this chapter, we show that franchised businesses offer superior pay progression, job retention, and part-time to full-time transitions as compared with non-franchised businesses, with franchisees also offering benefits at greater rates than, and pay on par with, comparable non-franchised businesses. First, we present a literature review that summarizes major academic findings on franchises as employers (Section 3.1), followed by econometric analysis of data from Paychex comparing pay and benefits at franchises with those at non-franchised businesses (Section 3.2).

In order to determine whether franchises are good employers, they have to be compared with other types of businesses—a control group. In the literature, both local non-franchised businesses and company-owned establishments have served as control groups for franchises. For example, Cappelli and Hamori (2008)[8] used non-franchised businesses as a control group, while Kruger (1991)[9] compared franchise and company-owned establishments. We think that locally owned businesses are a more appropriate control group for studying pay and benefits because they are comparable in size, location, and market conditions to franchises. Hence, we have adopted this approach in our analysis.

3.1 THE LITERATURE

The study by Cappelli and Hamori (2008) poses an important question: are franchisees good employers, and, more importantly, what defines a good employer? By examining three indicators of job quality—wage level, pension benefits, and health insurance—they found that **franchisees tended to provide better jobs and employed more sophisticated employee management systems** than non-franchised businesses of similar size operating in the same industry.

Using nationally representative data from the National Employer Survey, the paper found that franchised businesses provided pay and benefits that were on par with non-franchised businesses, after controlling for industry, size, and age of the organization. Moreover, the direction of the coefficients (i.e., a positive or negative sign) suggested that franchisees offered higher pay and better benefits. The results also indicated that franchisees provided better training than non-franchised businesses as they were more likely to have formal training policies, train a larger share of their non-managerial employees, and offer more training hours per worker. Another key finding by the paper was that labor costs per employee were higher at franchised businesses. The authors concluded that **franchisees invest more in their employees** than similar non-franchised businesses.

Krueger (1991) used a different control group: company-owned establishments. He found that non-managerial wages at company-owned fast-food establishments were marginally higher than at franchises, by 1.7%. According to the author, although these coefficients were precisely estimated, they would be considered trivial by most economic standards.

Focusing on employment violations, a 2022 review commissioned by the Employment Policies Institute examined wageclaim data for California-based limitedservice restaurants (LSRs) and found that LSRs accounted for just 1.6% of all wage claims—2.3% after researchers manually corrected NAICS coding—against their 3.2% share of statewide employment.[10] Standardizing for headcount, the study found that only about 1.0–1.4 wage claims per 1,000 LSR employees, "among the lowest across all sectors."

8 Peter Cappelli and Monika Hamori, "***Are Franchises Bad Employers?***" *Industrial and Labor Relations Review*, 61(2) (2008).

9 Alan B. Krueger, "***Ownership, Agency, and Wages: An Examination of Franchising in the Fast Food***," *The Quarterly Journal of Economics*, 106(1) (1991): 75–101.

10 Employment Policies Institute, ***Not So FAST: Analyzing Labor Law Compliance at California Fast Food Restaurants***, August 2022.

3.2 THE DATA

3.2.1 A fresh look at franchise wages using Paychex

In the 2021 Value of Franchising report, we undertook a wage comparison analysis between franchises and non-franchises using a regression framework applied to Homebase data. This study refreshes and expands that analysis, using data provided by Paychex, a leading human capital management (HCM) company used by approximately 800,000 companies, including many franchises.

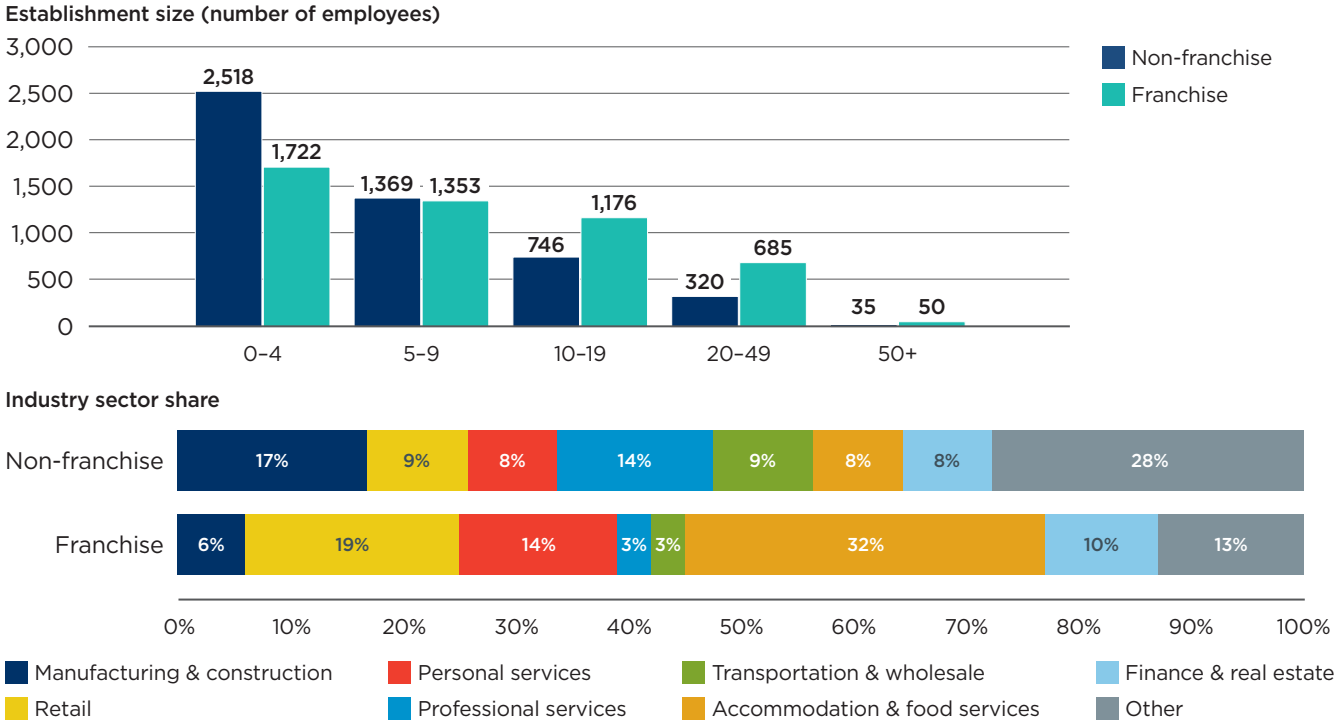
We obtained anonymized individual-level data from a random sample of about 10,000 employers, of which about half operated as a franchise and the other half was non-franchised. The sample provided a complete roster of workers at these given firms. The vast majority of the establishments in the sample had 20 or fewer employees and spanned across most sectors of the U.S. economy, from restaurants to manufacturing. The sample ran from August 2023 to July 2025, and it included a flag for franchised employers.

Using econometric analysis (see Appendix for additional details), we built models to explain variations in wage rates, using franchise, full-/part-time, and hourly/salaried statuses, tenure in the job, and firm size as major drivers, and controlling for industry and county. Overall, we found that among full-time, hourly workers at small businesses, there was no difference in wage rates between franchise and non-franchise employees overall, showing that franchises offered pay on par with comparable non-franchise firms.

However, our model suggests that, among these workers, wages tend to grow faster for franchise employees than for non-franchise employees by a small but statistically significant amount. Moreover, our econometric analysis reveals that franchises drive stronger employee retention and faster career growth.

We found that retention rates of franchise firms (i.e., the likelihood of a worker remaining with the employer in any given month) were

Fig. 4: Distribution of Paychex sample by establishment size, industry, and franchise status



significantly better than those of similarly situated non-franchised businesses. In the second month after initial employment, non-franchise employees were 16% more likely to leave than their franchise counterparts, conditional on still being employed at the start of the month, rising to 34% in the sixth month and 49% in the 12th month.

Workers at franchised establishments also switched from part-time to full-time faster than their counterparts at non-franchised businesses, on average. In the second month after initial employment, part-time franchise employees were 20% more likely to switch to full-time employment than non-franchise employees, all else equal. The effect size remained the same in the sixth and 12th months, however, the larger margin of error as time goes on meant that the six- and 12-month effects in this case were not statistically significant.

3.2.2 Non-wage compensation

Job quality extends beyond salary. Benefits play a crucial role in shaping workers' decisions to apply for, accept, or keep a position. Econometric analysis of Paychex data shows that working at a franchised business was associated with 3–7 percentage points higher likelihood of receiving key benefits compared with working at a non-franchised business, after controlling for the characteristics mentioned above.

The effects were strongest for sick leave and health insurance; franchise employees were 6.52 percentage points more likely to receive sick leave pay and 5.66 percentage points more likely to enjoy health insurance provision. These effects were even larger for full-time employees.

Workplace satisfaction and wellbeing in franchising

In a study that benchmarks satisfaction and engagement in the franchise sector across North America, Franchise Business Review (FBR) found that overall satisfaction among franchise employees was extremely high, at 83%. Additionally, 82% of survey participants found their work rewarding and satisfying, and three out of four employees would recommend their company to a friend—clear indicators of high workplace satisfaction.

In that same FBR survey, wellbeing among franchise employees was found to be generally high, at 80%, with just 3% of employees reporting poor wellbeing. The primary drivers of poor wellbeing among those employees were non-work-related anxiety and financial stress. This finding for franchise employees is even more positive against the backdrop of declining wellbeing levels in the workplace, as shown in a recent PwC study. The study found that one in 10 workers was actively considering leaving the workforce, with mental health the key reason cited.[11,12]

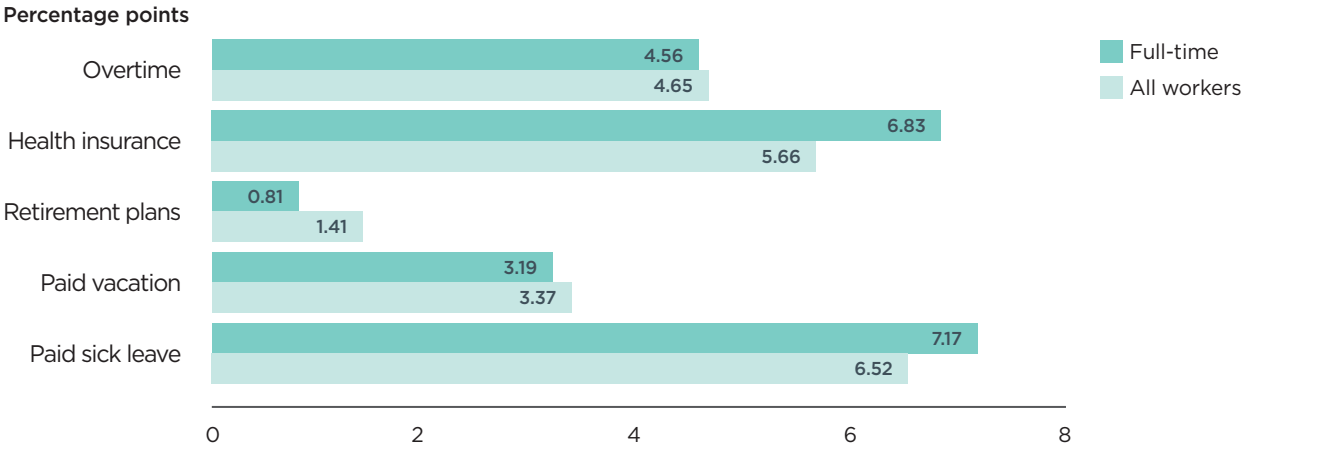
11 Franchise Business Review, ***2025 Franchising at WORK Report***, August 2025.

12 PwC, ***Business deeply concerned about economic inactivity but wary of recruiting the inactive***, March 2025.

These results were largely consistent with findings from our survey of franchisees, which found that more than 58% of franchise workers were offered health insurance (a higher share compared with coverage rates at small establishments reported in the 2024 National Compensation Survey (NCS), which put this share at 55%).[13] Similarly, around three-quarters of franchise workers (73%) were offered vacation, holiday, and sick leave, compared with 70%–73% for the average small establishment.

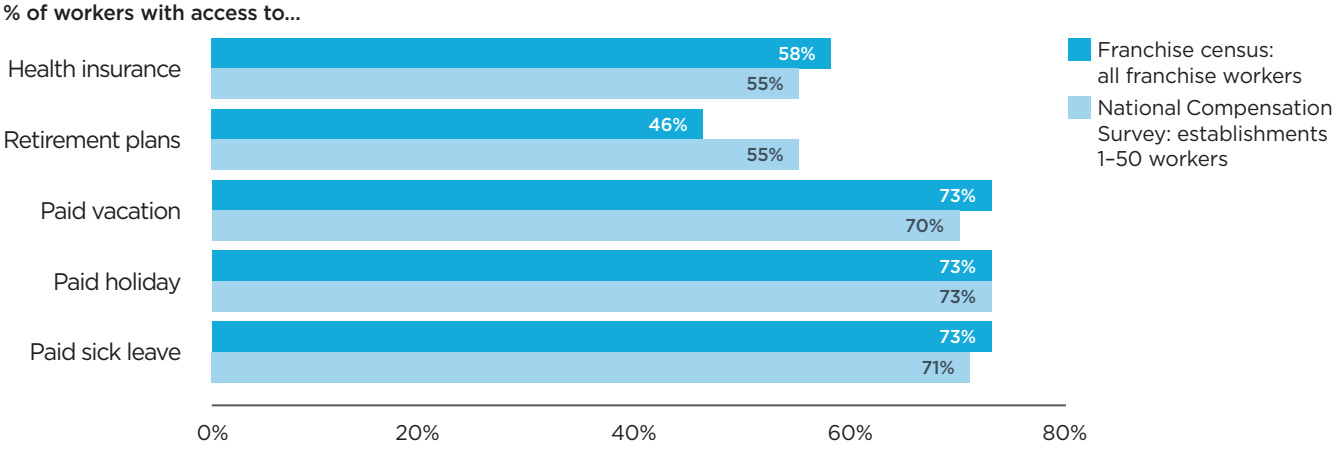
Among other benefits, an estimated 62% of franchise workers received bonuses and other performance incentives, 28% received tuition assistance, and 23% received private or public transportation-related benefits.

Fig. 5: Average marginal effects of being employed at a franchise on probability of coverage, by benefit type



Source: Oxford Economics, Paychex

Fig. 6: Proportion of workers with access to benefits, franchise vs. non-franchise (small establishments)[14]



Source: Oxford Economics' franchisee survey, NCS, Oxford Economics

13 The NCS does not include a franchise indicator, hence, the comparisons presented here are made with all small establishments (rather than just non-franchised businesses).

14 The analysis of the benefits data required a multi-step weighting process. We first estimated firm-level weights to match the survey sample with the franchise population distribution from the 2023 Annual Business Survey, as described in the Appendix. We then used these weights to determine the weighted employment of each respondent. Lastly, we used each respondent's answer to the benefit question to assess the overall share of workers that is assumed to be covered, accounting for each respondent's part-time/full-time workforce composition.

SECTION 4: FRANCHISEES AS ENTREPRENEURS

One often overlooked aspect of franchising is its role in enabling entrepreneurship and access to business ownership. Certainly, franchisees have an entrepreneurial outlook. "From the individual franchisee's perspective, a franchise is a new venture and therefore [he or she] can be considered an entrepreneur," said a thought leader within the entrepreneurship field when interviewed by Ketchen et al.[15] "They do almost all functions as other entrepreneurs except that they do not need to come up with the business idea," said another.

15 David J. Ketchen, Jr., Jeremy C. Short, James G. Combs, "***Is Franchising Entrepreneurship? Yes, No, and Maybe So***," *Entrepreneurship Theory and Practice*, 35(3) (2011): 583–93.

The U.S. Small Business Administration offers loans for development of both franchised and non-franchised businesses and administers a Franchise Directory specifically to support lending to franchisees, reinforcing the view that franchisees are also entrepreneurs and small business owners.

This section examines the motivation behind the decision to become a franchisee, highlights socio-demographic characteristics associated with a higher likelihood of becoming a franchisee, and evaluates franchise growth and survival. The second part of the section offers insights into the empirical findings on franchising as a path to entrepreneurship.

4.1 THE LITERATURE

4.1.1 Why franchisees franchise

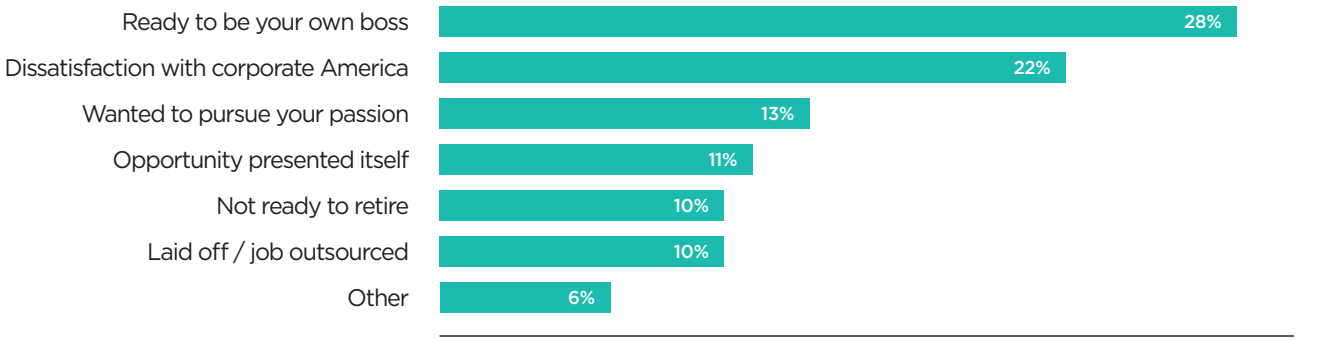
Numerous factors influence the decision to pursue franchising, ranging from the chance to run a business under an established brand with company support to the ability to enjoy economies of scale. Exploring these diverse motivations provides valuable insights into the entrepreneurial mindset of franchisees.

Ghantous and Christodoulides (2020) provide a comprehensive overview of the benefits that **strong brands** offer to franchisees.[16] These include economic benefits (such as attracting customers, reducing procurement, marketing, brand building, and management costs, and increasing the resale value of franchised outlets), managerial benefits (since franchises often provide specialized managerial capabilities that many independent entrepreneurs may lack), brand awareness and image (which signals the network's quality), and relationship benefits (which reduce perceived risk and facilitate relationships with other stakeholders).

Bronson and Morgan (1998) show that **economies of scale** contribute to the greater efficiency of franchisees compared with non-franchised businesses, suggesting this as a key motivating factor for franchisors and franchisees.[17] Franchisees benefit from having more buying power and scale/scope economy over non-franchised businesses.

According to a study by Guidant Financial, franchisees are driven by a variety of factors.[18] Among those surveyed, 28% reported that their primary motivation was the desire to be their

Fig. 7: Franchisees' main motivation to go into business



Source: Guidant Financial

16 Nabil Ghantous and George Christodoulides, "***Franchising brand benefits: An integrative perspective***," *Industrial Marketing Management*, 91 (2020): 442–54.

17 James W. Bronson and Cyril P. Morgan, "***The role of scale in franchise success: Evidence from the travel industry***," *Journal of Small Business Management*, 26(4) (1998): 33–42.

18 Guidant Financial, "***2024 Small Business Franchise Trends***," 2024.

own boss, while 22% cited dissatisfaction with the corporate world as their main reason to go into business. Additionally, 13% of respondents indicated that pursuing a passion was their key motivation. These varied reasons underscore the unique aspirations fueling franchise ownership in today's market.

4.1.2 A diverse group of entrepreneurs

Franchising provides much-needed support to new and small business owners, who often face challenges like insufficient business networks for peer support, investment, and business opportunities, and the absence of the full range of essential skills needed to operate, service, and grow a business.

Evidence suggests **minority entrepreneurs** often face even greater obstacles to business ownership.[19] Against this backdrop, franchising plays an important role in supporting entrepreneurship for some of these underrepresented groups. Rast et al. (2020) demonstrate that, in the small business ownership realm, franchisees of color and female owners are represented at a disproportionately higher rate, thanks to the assistance the franchised business format affords.[20] The 2023 Annual Business Survey also found that franchise establishments were more likely to have a minority owner than non-franchises.[21] About 19% of non-franchised businesses were estimated to be owned by people of color, whereas around 26% of franchises were owned by people of color.

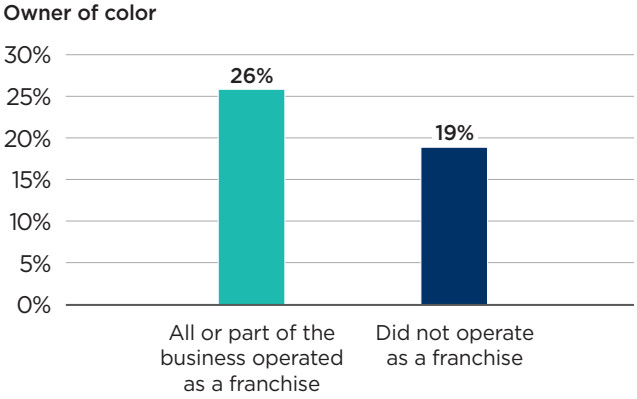
In conclusion, public policy has an important role to play in encouraging higher rates of entrepreneurship among women, non-white, and other underrepresented groups. Supporting the franchised business model could be a helpful tool to achieve this outcome.

4.1.3 Survival and growth

Until the 1990s, the overarching belief was that franchises had a much higher likelihood of success than non-franchised businesses.[22] However, a 1995 *Journal of Small Business Management* study comparing survival rates of U.S. franchised and non-franchised businesses found that non-franchised businesses actually had higher survival rates.[23] This finding led to a wave of research on the subject.

In theory, it is far from clear whether franchised or non-franchised businesses should have a survival advantage. On the one hand, starting a business as a franchise should be less risky than launching an independent business, because franchisees benefit from their franchisor's brand name awareness and know-how, and may realize cost savings from more efficient supply chains and bulk purchasing.

Fig. 8: Distribution of businesses owner's race, franchise vs. non-franchised businesses



Source: 2023 Annual Business Survey

19 The Hamilton Project, "***Minority and women entrepreneurs: Building capital, networks, and skills***," March 2015.

20 Rebecca Rast, Aaron Gleiberman, and Juliana White, "***The Hidden Power of Franchising Curriculum: Delivering Value to Underrepresented Groups***," *Journal of Entrepreneurship Education*, 23(2) (2020).

21 Census Bureau, ***2023 Annual Business Survey***.

22 Dianne H. B. Welsh; David E. Desplaces; Amy E. Davis, "***A Comparison of Retail Franchises, Independent Businesses, and Purchased Existing Independent Business Startups: Lessons From the Kauffman Firm Survey***," *Journal of Marketing Channels*, 18(1) (2011): 3–18.

23 Timothy Bates, "***Analysis of survival rates among franchise and industry small business startups***," *Journal of Small Business Management*, 33(2) (1995): 26–36.

Franchised businesses, however, often face legislative and regulatory scrutiny because of their perceived structure as a "big business" operation. This mislabelling and subsequent treatment leads to restrictions with a disparate impact on franchised businesses, which may inhibit their ability to pivot in response to changing consumer preferences and market conditions in the way their non-franchised counterparts can.

The coexistence of both types of businesses in the marketplace suggests that neither form of business ownership clearly dominates the other. Theory suggests that entrepreneurs will choose to franchise rather than establish an independently owned business when they forecast that a franchised venture will give them higher expected utility (in the shape of both likelihood of success and survival) than other opportunities, including developing a non-franchised business.

In a 2018 article, Lafontaine et al. examined survival and growth prospects of franchised and non-franchised businesses.[24] They found that franchised businesses on average exhibited slightly higher survival rates than non-franchised businesses, although the effect appeared to be short lived (one to two years). This is, however, still very relevant, considering that a third of new businesses are estimated to fail within their first two years.[25] In addition, the authors found that franchised businesses grew faster than non-franchised businesses in the first two years, but no difference was detected beyond that point.

The survival advantage is attributed to franchisors' screening process (non-franchised businesses are only screened when financed via outside sources, such as a bank loan) and the benefits arising from the brand and business know-how provided by franchisors and other franchisees in the system. Therefore, the franchise model can help businesses get past the first few years—the period when they are most likely to fail. Contingent on having survived that period, the authors found that non-franchises were as likely to survive.

When it comes to growth, the existing research generally finds that franchising has a positive financial impact.[26] Among the research comparing franchisee- and company-owned establishments, Ackermann (2024) found that franchising a restaurant increased its revenues by 7% and produced a consumer utility gain.[27] Similarly, Litz and Stewart (1998) found that participation in a trade-name franchise had a positive impact on small retailers' performance.[28] As noted in these articles, the most prevalent theory for why a franchised unit should outperform a company-owned establishment relates to the principal-agent theory. A second theory argues that a local franchisee is more likely to know important information about its market and therefore be better able to customize a store to fit its client base.

4.2 THE DATA

While all paths into franchising are different, our survey found that 17% of respondents were employed at the same or another franchise brand before starting their franchised business. These owners experienced the business model as employees and chose to start their own venture within the same or another brand, and/or were invited to become franchisees by their franchisors.

24 Francine Lafontaine, Marek Zapletal, Xu Zhang, "***Brighter prospects? Assessing the franchise advantage***," *Journal of Economics and Management Strategy*, 28 (2019): 175–97.

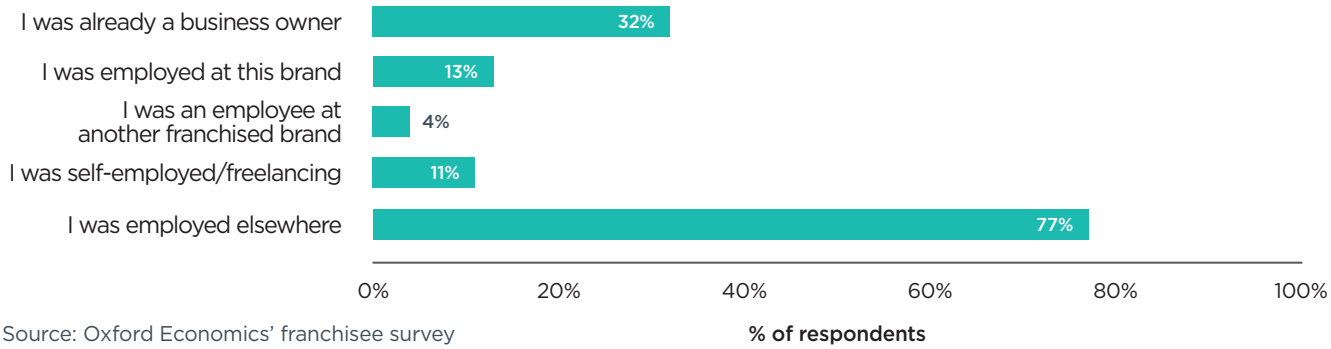
25 Bureau of Labor Statistics. Table 7. ***Survival of private sector establishments by opening year***.

26 Nan Hua and Michael C. Dalbor, "***Evidence of franchising on outperformance in the restaurant industry***," *International Journal of Contemporary Hospitality Management*, 25(5) (2013): 723–39.

27 Jeff Ackermann, "***The effects of franchising on stores, competitors, and consumers***," *International Journal of Industrial Organization*, Volume 93, 2024.

28 Reginald A. Litz and Alice C. Stewart, "***Franchising for sustainable advantage? Comparing the performance of independent retailers and trade-name franchisees***," *Journal of Business Venturing*, 13(2) (1998): 131–50.

Fig. 9: Franchisees' status before owning a franchise



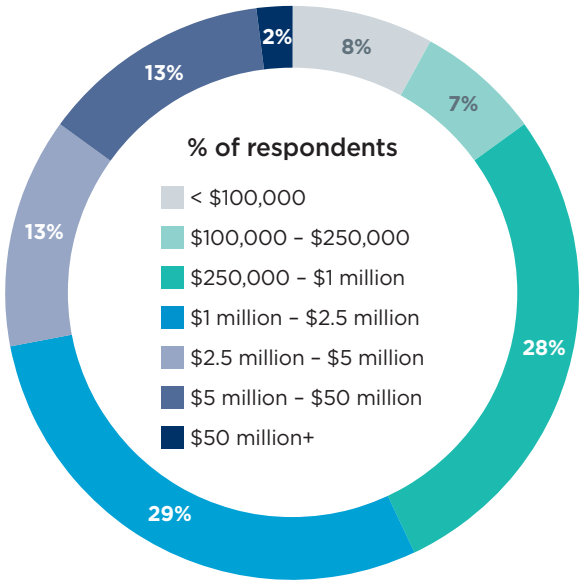
Source: Oxford Economics' franchisee survey

Another path to franchising is through **family ties**. Around 12% of our survey respondents had a family member who owned a franchise before entering franchising. So, while a franchised business is typically not passed from generation to generation, this finding shows there is a degree of persistence in the ownership of a franchised business across generations.

Franchising offers a path into entrepreneurship for **operators of every size and scale**. As demonstrated by our survey of franchisees, respondents ranged from single-unit owners (64% of our sample) to large multi-unit owners (1% of our sample owning 50+ establishments). Additionally, they represented a wide range of annual revenue figures, with 43% of respondents earning less than $1 million in annual turnover, 41% earning between $1 million and $5 million, and 15% earning $5 million or more, highlighting once more that **most franchisees are indeed small business owners**. While establishment size varied, 94% of the establishments surveyed employed fewer than 50 workers.

Our sample, and the franchise population more generally, was also geographically spread across the country, from Texas (where 10% of our survey sample as well as 10% of all U.S. franchise establishments were located) to North Dakota and Wyoming (one respondent from each), suggesting the model is adaptable to the range of urban, suburban, and rural settings that characterize America.

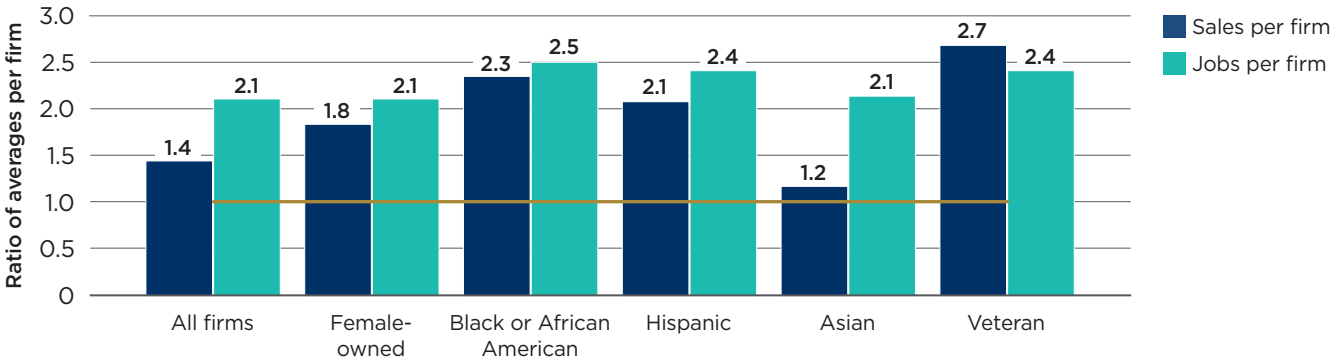
Fig. 10: Share of franchises by revenue



Source: Oxford Economics, Franchise Census

> The materials available to train our employees, market our business, manage our website, and communicate with others in our industry for learning or expertise have been invaluable.
>
> Oxford Economics' franchisee survey respondent

Fig. 11: Ratio of average sales per firm and jobs per firm, franchise vs. non-franchised businesses

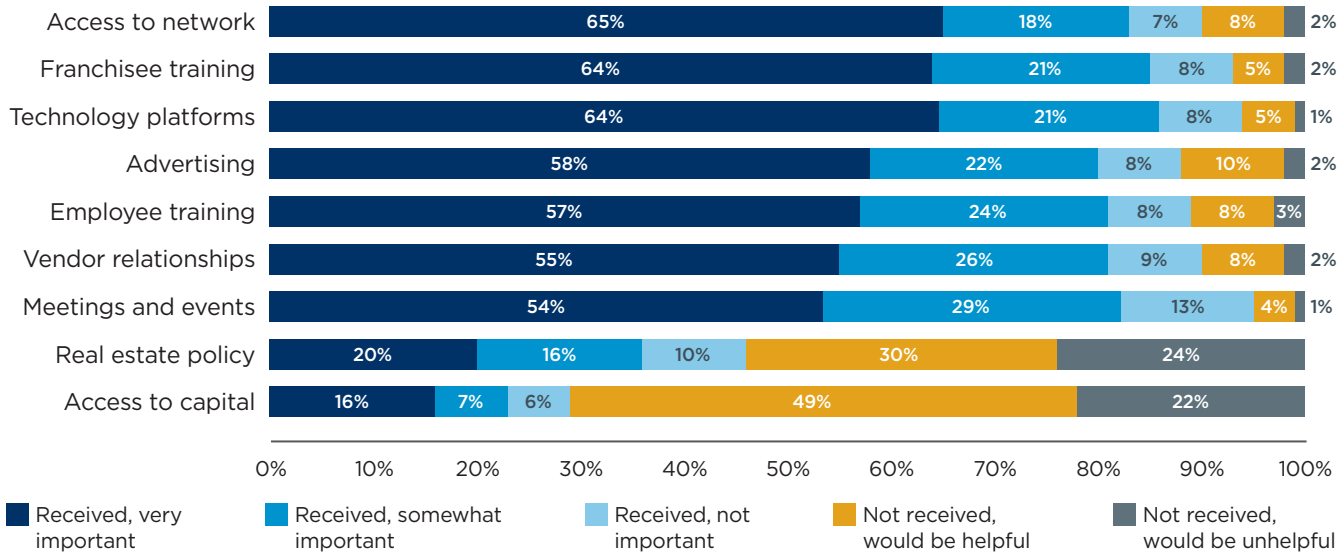


Source: 2023 Annual Business Survey

The **businesses these franchisees built tended to have higher sales and more employees than non-franchised businesses**, according to the Annual Business Survey.[29] We found that, on average, franchised businesses reported sales 1.4 times as large as non-franchised businesses, and employment 2.1 times as large as non-franchised businesses. Sales and jobs in franchised businesses exceeded non-franchised businesses across all demographic cuts. For example, Black- or African American-owned franchised businesses earned 2.3 times as much in sales compared with Black-owned non-franchised businesses, on average. Similarly, veteran-owned franchised businesses reported average sales 2.7 times as large as veteran-owned non-franchised businesses.

This is because the **benefits of being a franchise owner are substantial**, particularly for those new to entrepreneurship. The primary advantage is access to a well-established brand name, which helps build customer trust. Franchisees also receive

Fig. 12: Areas of franchisor support



Source: Oxford Economics' franchisee survey

29 Census Bureau, ***2023 Annual Business Survey***.

comprehensive training and ongoing support, covering everything from operations and marketing to customer service, as well as a network of other franchisees experiencing similar challenges and achievements.

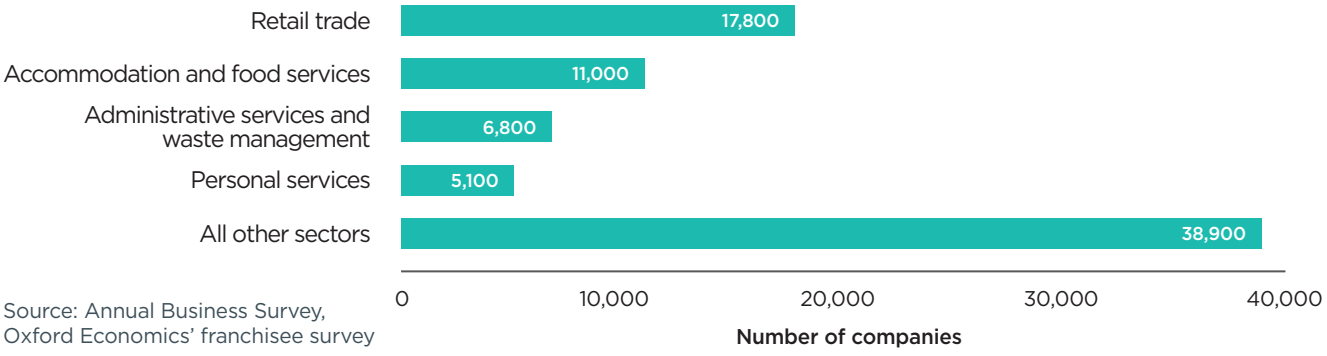
In our survey, the most important areas of support received from franchisors included access to a network, franchisee training (e.g., sales and marketing), and technology platforms (e.g., applications to help collect and analyze data). For first-time business owners and women, access to network was perceived as very important by a larger share of respondents (67% and 69%, respectively), further stressing how franchising can meaningfully help overcome barriers to business ownership for these groups.

For the majority of respondents (64%), the franchised business was the first they owned, showing that franchising represents a path into entrepreneurship for many prospective business owners. Interestingly, **30% of respondents said they would not own a business if they were not franchisees**. Those respondents were more likely to be single-unit owners (the average survey respondent owned 4.4 establishments, while respondents who would not own a business without franchising owned 2.7 establishments on average). Women (36%) and first-time owners (38%) were also more likely to state that the franchise opportunity was critical to their ability to launch a small business.

Extrapolating the percentage of enterprises that would not exist without franchising, the U.S. would have an estimated 80,000 fewer businesses, 215,500 fewer local franchise establishments, and 4.0 million fewer jobs. Of these 80,000 businesses, an estimated 17,800 would be in retail, 11,000 in hotels and restaurants, and 6,800 in administrative services.

> “I would not have taken the leap to be a business owner without the franchise. The franchise enables you to ramp up quickly with the support they give that just isn't realistic if you are on your own.”
>
> Oxford Economics' franchisee survey respondent

Fig. 13: Number of firms that may not exist without franchising, by industry



Source: Annual Business Survey, Oxford Economics' franchisee survey

SECTION 5:
FRANCHISEES AS NEIGHBORS

Franchisees play an important role in supporting and strengthening local communities. Most franchisees operate as small business owners who live and work in the communities they serve. In our survey, most franchisees (85%) owned and operated establishment(s) in the town or region where they lived. They support their local economy by hiring residents, purchasing from local supply chains, and generously giving back to their communities through monetary and in-kind donations and volunteering.

5.1 THE LITERATURE

The nature of the franchisor-franchisee relationship leaves income and resources with the agents in the local communities where these businesses operate. Kaufmann and Lafontaine (1994) examined the economic rent earned by McDonald's franchisees.[30]

The paper offers compelling evidence that the franchise model is intentionally structured to generate income for franchisees, thereby distributing wealth to local economies rather than concentrating all profits in the headquarters' locale. The authors found that McDonald's franchise system was designed to leave profits with franchisees, rather than extracting the maximum possible surplus. This approach not only incentivized franchisees, but it also aligned their interests with the franchisor's objectives. The model helps McDonald's franchise system to remain successful and profitable.

5.2 THE DATA

The ties between franchising and local communities extend beyond simple revenue sharing. Because franchisees usually operate in communities to which they belong, they possess deep local knowledge that franchisors often lack, and their embeddedness makes them more responsive to community needs. As we show in this section, franchisees resemble small non-franchised businesses—rather than large corporations—when it comes to community investment and giving.

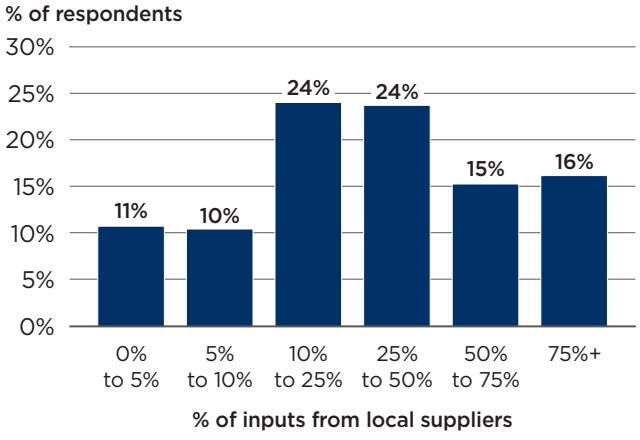
Franchisees recruit and hire local residents, helping circulate wealth within the community. Hiring local workers and investing in their training not only builds skills, but it also generates productivity gains and stimulates further growth as employees spend their wages in nearby shops, restaurants, and entertainment venues.

Franchise supply chains also support the local economy. In our survey, over half of franchisees (53%) purchased at least 25% of required goods locally. On average, franchisees purchased 40% of their inputs from local suppliers.

Contributing to community organizations further reinforces the fact that franchisees are local businesses, giving back to the places where they live and work. Some 83% of franchisees we surveyed gave to local charities over the previous year.

> "I believe that franchise businesses play an outsized role in their local communities, from supply chains to charitable giving, compared to other businesses."
>
> Oxford Economics' franchisee survey respondent

Fig. 14: Share of respondents by proportion of local supply chain



Source: Oxford Economics' franchisee survey

30 Patrick J. Kaufmann and Francine Lafontaine, "Costs of Control: ***The Source of Economic Rents for McDonald's Franchisees***," *The Journal of Law & Economics*, 37(2) (1994): 417-53.

Franchisees who owned/operated businesses in the town or region in which they lived were slightly more likely to give to local charities (84%).

> Being a franchisee has been very rewarding; I've had the opportunity to work with some great people over the years and been able to give back to the community.
>
> Oxford Economics' franchisee survey respondent

By aggregating up those responses, we found that, over the last financial year, U.S. franchisees **donated an estimated $2.3 billion to charity**, raised $2.6 billion, and sponsored 34 million hours of volunteer activity. According to our survey, franchised businesses donated an average of over $12,000 per year and raised another $14,000 in the most recent financial year. In addition, they sponsored an average of 190 hours of staff volunteering in that same period to improve and strengthen their communities.

Last but not least, just like any other business, franchisees support public services through the payment of local taxes, including property taxes, which help fund schools, fire departments, and other essential infrastructure.

SECTION 6: CONCLUSION

Franchises are a powerhouse of economic opportunity. **In 2024, franchise establishments generated $550 billion in national gross domestic product (GDP) and created nearly 8.8 million jobs.** This was equivalent to 5.5% of the total U.S. employment and equivalent in size to the Philadelphia metropolitan area in GDP terms. Franchises operate in every U.S. state and across almost all sectors of the economy, from food services and hospitality to business services, healthcare, and education.

Beyond their economic contribution, we found that franchises offered better pay progression, job retention, and part-time to full-time transitions, relative to comparable non-franchised businesses. Franchises were also more likely to offer benefits than non-franchised businesses and provide pay that is on par with those same businesses.

In addition, some 30% of franchise owners reported that they would not own a business if the franchise model had not been available. This share was even larger among women and first-time business owners. Applied across all franchise firms, this would translate to the loss of approximately 80,000 businesses in the absence of franchising.

Franchises also play a vital role in supporting and strengthening local communities. Some 85% of franchisees operated as small business owners, living and working in the communities they serve. They supported their local economies by actively recruiting and hiring residents, purchasing from local supply chains, and generously giving back to the local community through monetary and in-kind donations and volunteering.

Given their significance to the U.S. economy, maintaining a fair and supportive environment for franchises is essential to the business model's success.

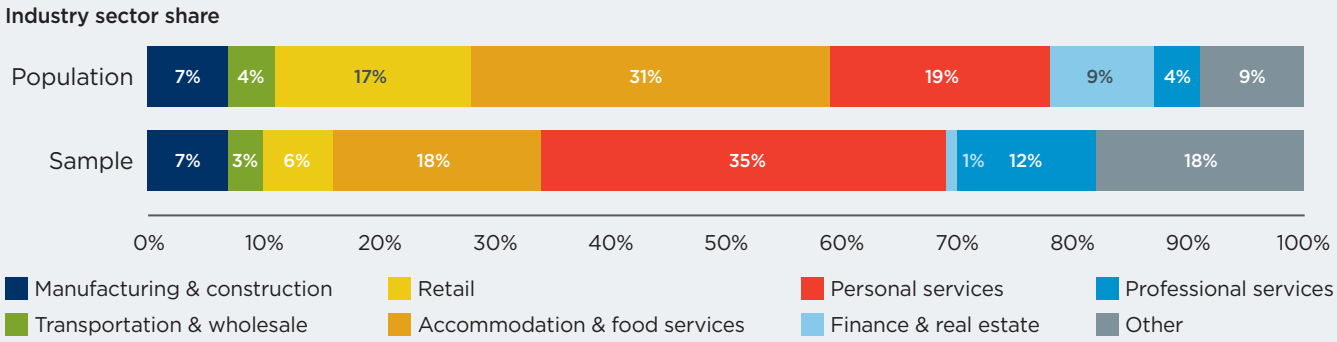
METHODOLOGICAL APPENDIX

FRANCHISEE SURVEY

In June and July 2025, we asked a sample of U.S.-based franchisees to complete a survey about their businesses and their experience with franchising. The sample included 2,929 respondents, and it represented a unique source of data about the sector, updating the 2021 iteration of the survey. The survey, fielded and administered by Oxford Economics through the survey platform Survey Monkey, polled respondents from all major industry sectors. The list of survey questions is available ***here***.

As the data were collated, specific sectors were targeted to enhance response rates across the industry spectrum. Along several dimensions, our sample matched existing evidence well, suggesting a rather representative response base. The questionnaire was designed and approved by the Oxford Economics' survey team, which ensured the questions were posed as objectively as possible. We benchmarked our sample to the 2023 Annual Business Survey, so the weighted responses exactly matched firm counts by industry from that survey. Our responses underrepresented retail and hotels & restaurants, and overrepresented personal and professional services. In general, however, our sample covered all the major industries where franchising was present.

Fig. 15: Industry breakdown, sample vs. population



Source: Oxford Economics

PAYCHEX ANALYSIS

This appendix details data sources, weighting, and econometric methods used to estimate wage, benefit, retention, and pay progression differences between franchise and non-franchise employees.

Summary statistics

Our analysis draws on payroll records from Paychex, covering August 2023 through July 2025. The dataset includes 1,185,656 worker-months for 109,550 employees at 4,985 franchise employers, and 811,229 worker-months for 57,391 employees at 4,987 non-franchise employers. The dataset covers firms with up to 250 employees; almost all franchise firms were franchisees rather than franchisors, but six franchisors were dropped from the sample before analysis to ensure that conclusions apply clearly to franchisees alone. Some 2,183 observations with tenure exceeding 50 years were removed as likely data errors.

Compared with independent firms, franchise employees were more often part-time (39% vs. 24%), less frequently salaried (25% vs. 39%), had shorter observed tenure (4.6 years vs. 6.5 years), and worked in slightly larger firms on average (21.7 employees vs. 19.2 employees). Their average hourly wage was lower ($21.36 vs. $30.57). Franchise firms also differed substantially in size and industry mix; these differences are addressed in the regression models presented below.

Since Paychex's client base is not a probability-weighted sample of U.S. employers, its industry composition diverges from the national economy, particularly when split by franchise status. Accordingly, the models use reweighted data so that inference reflects the U.S. population rather than Paychex's customer base.

Weighting

To ensure our findings reflect the U.S. economy rather than Paychex's client base, we reweighted observations so that employment shares by industry × franchise status matched those reported in the 2023 Annual Business Survey (ABS). Specifically, we used the ABS franchise-operation question (variable OPFRAN, with responses "All or part of the business operated as a franchise" and "Did not operate as a franchise") to obtain employment totals by NAICS industry and franchise status. Observations were scaled so that observations within each industry × franchise cell sum to the corresponding ABS employment total. No trimming was applied. These weights were used as frequency weights in all the models described below.

Wages

Because franchise and non-franchise firms differ systematically in characteristics such as size and industry, we estimated wage differences within an econometric model that controls for these factors. Results are reported for two estimation samples:

- All data (employment-weighted): The full sample with observation-level employment weights; and
- Balanced data (employment-weighted): A balanced panel requiring exactly 24 monthly observations per employee within the study horizon. This reduced composition changes over time but introduced a trade-off: smaller sample size and potential selection toward stable employment spells in exchange for cleaner comparisons.

Wage model and results

We used a linear fixed-effects model with interactions that allowed the franchise effect to vary by firm size, part-time status, pay type, and tenure. Specifically, we regressed the logarithm of the hourly wage on:

- Indicators for franchise status, part-time (PT) status, and salaried status;
- Continuous controls for tenure (in years) and log firm size; and
- Interaction terms between franchise status and each of these variables.

Since the dependent variable is the logarithm of the hourly wage, coefficients were interpreted as semi-elasticities; for small magnitudes, a coefficient of 0.01 corresponds to roughly a 1 percent wage rate difference, holding other factors constant.

Formally, for employee i in county c, industry n, and month t:

$$\begin{aligned}\log(Wage_{it}) = {} & \beta_0 + \beta_F Franchise_{it} + \beta_P PT_{it} + \beta_S Salaried_{it} + \beta_T Tenure_{it} \\ & + \beta_Z \log(Size_{it}) + \underbrace{\{\theta_P(Franchise_{it} \times PT_{it})\}}_{\text{\{part-time interaction\}}} \\ & + \underbrace{\{\theta_S(Franchise_{it} \times Salaried_{it})\}}_{\text{\{salaried interaction\}}} + \underbrace{\{\theta_T(Franchise_{it} \times Tenure_{it})\}}_{\text{\{tenure interaction\}}} \\ & + \underbrace{\{\theta_Z(Franchise_{it} \times \log(Size_{it}))\}}_{\text{\{size interaction\}}} + \alpha_n + \gamma_c + \delta_t + \in_{it}\end{aligned}$$

where α_n, γ_c, and δ_t are absorbed fixed effects for industry (NAICS), county (FIPS), and calendar month, respectively. These removed additive differences by industry and location, and accounted for time-specific common shocks such as inflation, so coefficients were identified from within-industry, within-county, and within-month variation. The franchise wage differential for an employee with profile (*PT*, *Salaried*, *Tenure*, log(*Size*)) was therefore:

$$\text{Franchise effect} = \beta_F + \theta_P PT + \theta_S Salaried + \theta_T Tenure + \theta_Z \log(Size)$$

Fig. 16 reports the results from the full interaction specification with employment weights (our primary model), for both the full dataset and the balanced subset. Estimation used high-dimensional fixed-effects OLS, using within transformation. Employment weights aligned estimates with worker population composition. Standard errors were cluster-robust at the employer level to account for heteroskedasticity and within-firm correlation. We reported two-sided *t*-statistics and conventional markers for statistical significance ($p < 0.10$ ".", $p < 0.05$ "*", $p < 0.01$ "**", $p < 0.001$ "***"). Both overall R^2 and within R^2 are shown, with the latter reflecting explanatory power after removing fixed effects.

We found no statistically significant baseline wage difference between franchise and non-franchise employment. However, non-franchise wages increased more rapidly with firm size, while franchise wages rose slightly faster with tenure, a difference that was small but statistically significant.

Fig. 16: Wage model results

	ALL DATA	BALANCED DATA
Franchise	-0.023 (0.033) [t=-0.70]	0.039 (0.039) [t=1.00]
Part-time	-0.076*** (0.009) [t=-8.44]	-0.066*** (0.014) [t=-4.71]
Salaried	0.308*** (0.013) [t=23.69]	0.308*** (0.015) [t=20.53]
Tenure (years)	0.010*** (0.001) [t=10.00]	0.010*** (0.001) [t=10.00]
log (Size)	0.048*** (0.008) [t=6.00]	0.080*** (0.009) [t=8.89]
Franchise × log (Size)	-0.032** (0.012) [t=-2.67]	-0.051*** (0.014) [t=-3.64]
Franchise × Part-time	-0.007 (0.012) [t=-0.58]	-0.014 (0.018) [t=-0.78]
Franchise × Salaried	-0.021 (0.021) [t=-0.95]	-0.009 (0.024) [t=-0.37]
Franchise × Tenure (years)	0.003* (0.001) [t=3.00]	0.002 (0.002) [t=1.00]
FIPS	×	×
NAICS	×	×
Month_factor	×	×
Observations	1999068	1079304
S.E. type	by: EmployerID	by: EmployerID
R^2	0.333	0.295
R^2 Within	0.145	0.123

Benefits model and results

We estimated five binary outcomes indicating whether employees receive the following paid benefits: Overtime, Sick Pay, Vacation, Retirement, and Health Insurance, with results reported for two samples:

- All workers; and
- Full-time (FT) only.

In the "All workers" models, part-time status was included as a regressor; in the FT-only models, this was omitted by design. Both specifications used the entire available dataset, consistent with our preferred wage regression specification. Each outcome was modelled separately using a fixed-effects logistic regression, which controlled for time-invariant differences across industries and regions, as well as common time shocks. We monitored information criteria to compare different specifications. Because industry, region, and month fixed effects were absorbed, identification of the franchise effect came from within—(NAICS × FIPS × Month) variation, comparing franchise and non-franchise workers in the same sector, county, and month after conditioning on wage, tenure, and part-time and salaried status. Explanatory variables lacking variation after absorbing fixed effects were omitted automatically; effects were therefore identified only where variation remains, net of fixed effects.

We applied two layers of weights during estimation:

- Employment weights to align the sample with population structure (as in the wage analysis); and
- Class-balanced weights to mitigate outcome imbalance in binary classification.

The latter scaled observations so that positive and negative classes contribute equally in expectation, then multiplies by employment weights. This improves numerical stability and reduces bias toward the majority class while preserving population relevance.

Logistic coefficients were reported with heteroskedasticity-robust (HC1) standard errors but were not directly interpretable as probability changes. To aid interpretation, we have reported average marginal effects (AMEs): derivatives (for continuous variables) or discrete 0-to-1 changes (for binaries) computed observation-by-observation

Fig. 17: Benefits model results

All workers	OVERTIME		PAID SICK LEAVE		VACATION		RETIREMENT		HEALTH INSURANCE	
	Coefficent	AME	Coefficent	AME	Coefficent	AME	Coefficent	AME	Coefficent	AME
Franchise	0.391 *** (0.012) 32.447	0.047	0.496*** (0.024) 20.80	0.065	0.248*** (0.014) 18.310	0.034	0.083 *** (0.009) 9.125	0.014	0.373 *** (0.011) 34.272	0.056
Salaried	-3.516 *** (0.021) 168.423	0.462	2.599 *** (0.033) 78.479	0.342	2.850 *** (0.019) 152.491	0.402	-0.292 *** (0.010) -28.578	-0.050	-0.036 ** (0.012) -2.873	-0.005
Part-time	-2.958 *** (0.016) 183.904	0.372	1.164 *** (0.023) 50.956	0.145	1.735 *** (0.014) 123.034	0.233	0.864 *** (0.012) 74.337	0.151	1.985 *** (0.019) 106.419	0.309
Wage	-0.012 *** (0.000) -25.215	-0.001	-0.009 *** (0.001) -13.924	-0.001	-0.004 *** (0.001) -6.830	-0.001	0.022 *** (0.000) 73.734	0.004	0.012 *** (0.000) 38.428	0.002
Tenure (years)	0.005 *** (0.001) 6.841	0.001	0.0011 *** (0.001) 10.729	0.002	0.036 *** (0.001) 46.964	0.005	0.051 *** (0.001) 81.694	0.008	0.030 *** (0.001) 48.776	0.005
Size	0.624 *** (0.007) 84.177	0.073	0.475 *** (0.013) 36.204	0.061	0.429 *** (0.008) 55.559	0.058	0.269 *** (0.006) 47.0167	0.045	0.753 *** (0.007) 113.184	0.114

Full-time workers	OVERTIME		PAID SICK LEAVE		VACATION		RETIREMENT		HEALTH INSURANCE	
	Coefficent	AME	Coefficent	AME	Coefficent	AME	Coefficent	AME	Coefficent	AME
Franchise	0.392 *** (0.013) 29.851	0.044	0.586 *** (0.029) 19.914	0.072	0.247 *** (0.015) 15.861	0.032	0.044 *** (0.010) 4.442	0.008	0.396 *** (0.011) 34.758	0.068
Salaried	-3.533 *** (0.022) 163.721	0.501	2.582 *** (0.034) 76.948	0.356	2.840 *** (0.020) 142.462	0.439	-0.316 *** (0.011) -30.025	-0.056	-0.039 ** (0.012) -3.091	-0.007
Wage	-0.012 *** (0.001) -23.615	-0.001	-0.012 *** (0.001) -15.984	-0.001	-0.006 *** (0.001) -8.019	-0.001	0.022 *** (0.000) 68.463	0.004	0.011 *** (0.000) 33.351	0.002
Tenure (years)	0.007 *** (0.001) 8.837	0.001	0.006 *** (0.001) 5.128	0.001	0.031 *** (0.001) 38.334	0.004	0.046 *** (0.001) 72.800	0.008	0.025 *** (0.001) 41.773	0.004
Size	0.645 *** (0.008) 82.838	0.073	0.449 *** (0.015) 29.566	0.054	0.456 *** (0.009) 53.163	0.059	0.333 *** (0.006) 54.630	0.058	0.769 *** (0.007) 112.194	0.133

and averaged using employment weights. AMEs answer the following question:

> *"On average in the population, how much does the probability of receiving a given benefit change when X moves by one unit (or from 0 to 1)?"*

For example, an AME of 0.06 for Franchise on Health Insurance indicates a 6 percentage-point higher probability of employer-provided health insurance for franchise workers, all else equal, within the same sector-region-month baseline.

These results suggest that franchise workers were more likely to receive all five types of paid benefit, all else equal. All coefficients on Franchise were positive and highly statistically significant.

Retention model and results

We have assessed differences in retention between franchise and non-franchise employment using survival analysis to model the time from first employment until job separation. The unit of analysis is an employment spell at a firm. Spells that begin in the first or last month of the panel were excluded to ensure observed entry and positive survival time. The estimation sample contained 24,658 spells, of which 17,109 ended in separation.

We estimated a Cox proportional hazards model, stratifying the baseline hazard by (NAICS × FIPS × calendar month). Covariates included franchise status, salaried status, part-time status, and the logarithms of wage rate and firm size.

Because the proportional hazards assumption failed in post-estimation tests, we allowed time-varying effects using a log-time transformation, $g(t) = \log(1 + t)$, where t counts months since the spell start. The hazard for spell i at month t is:

$$h_i(t) = h_{(0,\, s(i))}(t)\exp\Big(\beta_F Franchise_i + \gamma_F Franchise_i \log(1+t) + \beta_S Salaried + \beta_{PT} PT_i + \gamma_{PT} PT_i \log(1+t) + \beta_W \log(Wage_i) + \gamma_W \log(Wage_i)\log(1+t) + \beta_S \log(Size_i)\Big)$$

where the baseline hazard $h_{(0,\, s(i))}(t)$ is allowed to vary freely by stratum $s(i) \in$ {NAICS × FIPS × entry month}. For any regressor X, the time-varying hazard ratio (HR) is:

$$HR_{X(t)} = \exp(\beta_X + \gamma_X \log(1+t))$$

Because the outcome is the exit hazard, values $HR < 1$ indicate better retention (lower separation risk). The logtime specification was selected for reporting based on lower AIC/BIC relative to the lineartime alternative.[31]

Fig. 18: Retention model results

VARIABLE	coef	exp_coef	se_coef	robust_se	z	p_value	significance
Franchise	0.043	1.044	0.029	0.108	0.402	0.688	
tt(Franchise)	−0.172	0.842	0.026	0.092	−1.875	0.061	*
Salaried	-0.181	1.198	0.017	0.141	1.284	0.199	
Part-time	0.206	0.814	0.011	0.104	−1.993	0.046	**
tt(Part-time)	-0.053	1.054	0.009	0.078	0.669	0.503	
log(Wage)	0.059	1.061	0.019	0.163	0.361	0.718	
tt(log(Wage))	−0.221	0.801	0.015	0.135	−1.635	0.102	
log(Size)	0.16	1.173	0.01	0.062	2.582	0.009	***

31 AIC (Akaike Information Criterion) and BIC (Bayesian Information Criterion) are statistical metrics used to compare different models and select the best fit for data, with lower values indicating a better model.

Fig. 19: Relative increase in exit risk for non-franchise versus franchise employees

MONTHS SINCE START	FRANCHISE VS. NON-FRANCHISE HAZARD RATIO	NON-FRANCHISE VS. FRANCHISE: INCREASED LIKELIHOOD OF LEAVING	95% CI
1	0.927	7.90%	[−6.2%, +24.2%]
2	0.864	15.80%	[+0.6%, +33.1%]
6	0.747	34.00%	[+6.1%, +69.1%]
12	0.671	49.10%	[+7.1%, +107.3%]
21	0.613	63.10%	[+7.4%, +148.0%]

Fig. 18 shows the results of the Cox proportional hazards regression. At entry ($t = 0$), the franchise versus nonfranchise difference in the exit hazard was not statistically significant ($HR \approx 1.04$). The time interaction for Franchise was negative and marginally significant ($p \approx 0.06$), implying the franchise exit hazard declines relative to nonfranchise as tenure accrues.

A hazard ratio of 1.04 at entry means franchise workers have roughly the same exit risk as non-franchise workers initially, but the negative time interaction suggests retention improves for franchise workers over time. Fig. 19 employs the delta method to express this as the relative increase in exit risk for nonfranchise versus franchise employees:

$$\frac{1}{(HR_F(t))} - 1$$

Increasing positive values of this measure indicate progressively higher exit hazards for non-franchise employees, and thus improved retention for franchise employees.

Part-time to full-time progression model and results

We also used a survival analysis approach to examine how quickly part-time (PT) employees convert to full-time (FT) and whether conversion rates differ between franchise and non-franchise employers. The unit of analysis is a PT spell—a contiguous run of months where part-time status equals 1. A new spell begins after any gap greater than one month. We restricted our attention to "new starters" (employees with ≤ 1 month since hire at first appearance) and defined an event when part-time status switches from 1 to 0 in the next contiguous month.

Spells are right-censored at the first PT-to-FT transition or at the end of observation. After applying employment weights, ensuring positive wage and firm size at entry, and dropping strata with zero observations, the estimation sample contained 40,025 PT spells and 20,746 conversion events (from 59,150 new-starter spells before trimming).

Estimation used a Cox proportional hazards (PH) model with record-level employment weights and cluster-robust standard errors by employer. To absorb broad contextual differences in baseline risk, we stratified the baseline hazard by (NAICS × FIPS × entry month). This compares franchise and non-franchise workers within the same industry, county, and entry month, holding wage and firm size fixed at spell entry. Strata with zero events were dropped because they did not contribute to the partial likelihood. Formally, letting $h_i(t)$ denote the hazard of PT-to-FT conversion at month t of spell i:

$$h_i(t) = h_{(0,\, s(i))}(t) \exp\Big(\beta_F Franchise_i + \beta_{(F,\,t)} Franchise_i \cdot t + \beta_W \log(Wage_i) + \beta_{(W,\,t)} \log(Wage_i) \cdot t + \beta_S \log(Size_i)\Big)$$

With baseline hazard $h_{(0,\, s(i))}(t)$ allowed to differ freely by stratum $s(i) \in$ {NAICS × FIPS × entry month}. Thus, identification of the franchise effect came from differences within those strata, net of wage, firm size, and time since PT entry. The strata absorb broad industry/location/time confounders in the transition risk (e.g., seasonal demand or local FT conversion practices at entry). The time-varying franchise effect can be summarized as:

$$HR_F(t) = \exp(\beta_F + \beta_{(F,\,t)}\, t)$$

interpreted as the multiplicative difference in the instantaneous PT-to-FT conversion rate for franchise versus nonfranchise workers at month *t*.

We selected the time-varying form based on diagnostics and information criteria. Schoenfeld residual tests on a baseline proportional hazard fit (without time interactions) indicate departures from the proportional hazards' assumption for Franchise and log(*Wage*), motivating a time-varying specification. We considered $g(t) = t$ (linear time) and $g(t) = \log(1 + t)$ (logtime) interactions for Franchise and log(*Wage*); AIC/BIC favoured the lineartime model, which was our primary specification.

Fig. 20 reports estimates from our primary Cox model with linear time interactions.

In the lineartime model, the franchise hazard ratio at PT entry was approximately 1.20 and marginally significant (the coefficient is 0.182; $p \approx 0.063$), meaning franchise workers were roughly 20% more likely to convert from PT to FT at month 0 than otherwise similar nonfranchise workers in the same industry, county, and entry month. The time interaction for Franchise was essentially zero, implying that this differential remained roughly flat over the first two years of a part-time spell. Higher entry wages were associated with faster conversion ($HR \approx 1.65$ per one-unit increase in log wage; $p \approx 0.031$). For context, a 10% higher entry wage corresponded to 5% higher conversion hazard ($\exp(0.501 \times \log(1.10)) \approx 1.0498$).

Part-time franchise employees were around 20% more likely than comparable non-franchise workers to progress to full-time work in any given month. This effect was stable over time, but after longer employment spells, the error bars became wider, and the effect therefore became statistically insignificant.

Fig. 20: Part-time to full-time progression results[32]

VARIABLE	coef	exp_coef	se_coef	robust_se	z	p_value	significance
Franchise	0.182	1.2	0.019	0.098	1.86	0.063	*
tt(Franchise)	0	1	0.004	0.018	-0.019	0.985	
log(Wage)	0.501	1.65	0.014	0.232	2.159	0.031	**
tt(log(Wage))	-0.039	0.961	0.004	0.043	-0.925	0.355	
log(Size)	0.089	1.093	0.008	0.056	1.592	0.112	
Linear time transformation model							

Fig. 21: Time-varying hazard ratio

MONTHS SINCE START	FRANCHISE VS. NON-FRANCHISE HAZARD RATIO	FRANCHISE VS. NON-FRANCHISE LIKELIHOOD OF SWITCHING TO FULL-TIME	95% CI FOR %S
1	1.199514	0.2	[-1.0%, 45.3%]
2	1.199097	0.199	[0.9%, 42.6%]
6	1.197427	0.197	[1.2%, 41.7%]
12	1.194928	0.195	[-13.3%, 64.7%]
21	1.191189	0.191	[-36.2%, 122.2%]

32 We note that the salaried indicator is omitted. After filtering to new starters, constructing spells, and absorbing strata, there is insufficient within-stratum variation in salaried status to identify a stable effect (the regressor is effectively colinear).


PAPA JOHNS
adidas

OXFORD ECONOMICS

CONTACT

Global headquarters
Oxford Economics Ltd
60 St Aldates, Oxford,
OX1 1ST, UK
Tel: +44 (0)1865 268900

London
4 Millbank, London,
SWIP 3JA, UK
Tel: +44 (0)203 910 8000

Frankfurt
Marienstr. 15
60329 Frankfurt am Main
Germany
Tel: +49 69 96 758 658

New York
5 Hanover Square,
8th Floor, New York
NY 10004, USA
Tel: +1 (646) 786 1879

Singapore
6 Battery Road
#38-05
Singapore 049909
Tel: +65 6850 0110

Email:
mailbox@oxfordeconomics.com

Website:
www.oxfordeconomics.com

Further contact details:
www.oxfordeconomics.com/about-us/worldwide-offices

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