

**Ethical and
sustainable
work practices**

A guide for Franchisors

April 2022

This guide helps you as a franchisor understand ethical and sustainable work practices from a labour and human rights perspective. Find out what those rights are and why they are important for you.

**EMPLOYMENT
NEW ZEALAND**





Understand ethical and sustainable work practices

Today's consumers, employees, procurers and investors expect certain ethical standards. They increasingly want businesses to treat workers fairly, ethically and sustainably – not just their own workers but also the workers in the organisations they engage with.

New Zealanders are becoming more aware of exploitation and mistreatment of workers, especially of migrants, and do not want to engage with businesses that exploit their workers. When deciding where to shop, consumers consider how businesses treat their workers.

A 2021 Colmar Brunton survey found New Zealanders want fairer businesses.

- › 59% of respondents wanted their future employer to be socially and environmentally responsible.
- › 73% would stop buying from a company that was irresponsible or unethical.

What ethical and sustainable means

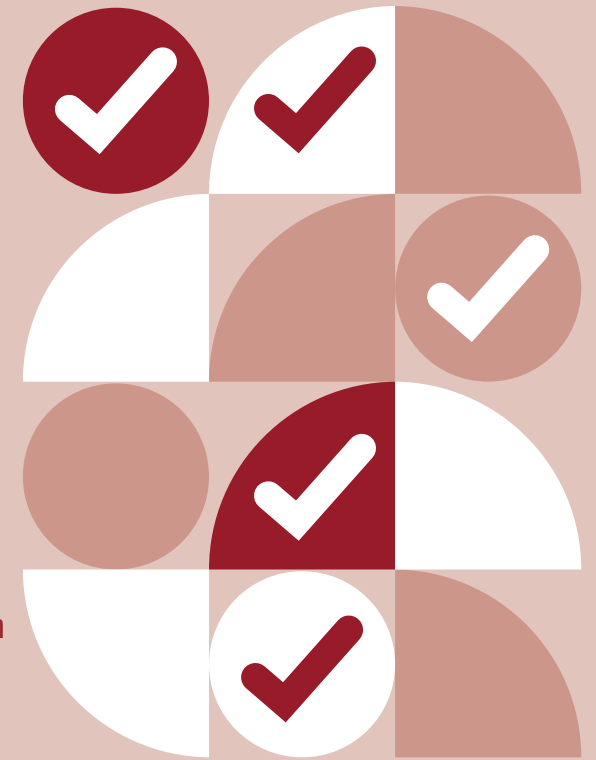
Having ethical work practices means treating your workers legally, fairly and with dignity. It includes providing safe working conditions and meeting or exceeding all minimum employment standards.

Sustainability means working in a way that meets the needs of your business or industry now and in the long term.

Exploitation, child labour, forced labour, human trafficking and slavery are the opposite of ethical and sustainable work practices.

🔗 Ethical and sustainable work practices

or go to www.employment.govt.nz and search for 'ethical and sustainable practices'



Why good work practices matter

Behaving ethically and sustainably is the right thing to do.

Good work practices help create a level playing field where those who meet employment obligations cannot be undercut by those who cut corners using unfair work practices. Good work practices can have a positive impact on customer goodwill, loyalty and demand for your goods and services. They can also help to attract and retain good workers. On the other hand, employment practices that are not legal, ethical or sustainable can hurt your reputation and brand. This could reduce your company's revenue, profit, financial viability and market value.

Businesses that have been penalised for exploiting or mistreating their workers are identified in publicly available information. The law fines and penalises these businesses, and prevents them from supporting visa applications from overseas workers for a specific period.



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Understand who a franchisor is

You are a franchisor if you or your business allows another business to sell goods or provide services using your brand and business systems. You allow this under a franchise licensing agreement in return for payment or royalties.

In most cases, you are a franchisee if someone has given you the right to sell their products or services using their brand and their business systems. You do this under a franchise licensing agreement, in return for payments or royalties.

Business systems include intellectual property, operating manuals, processes and policies.



Hamish runs a café franchise. He has licensed several franchisees to use his brand, café design and operating systems. This means the franchisees open cafés that look and feel just like his, and pay him for the right to do so.

How your franchisees behave is important

If you are a franchisor, you want your franchisees to follow the law, otherwise things can look bad for you and others in your franchise. Since franchisees use your brand, the public sees you and your franchisees as part of a big organisation. Anything that one franchisee does reflects on the whole franchise's reputation.

Having ethical and sustainable work practices is important for the success of your franchise.





Manage risk if you are a franchisor

The best way to ensure franchisees' work practices are ethical and sustainable and impact your brand positively is to work with them from the start. You will need to identify and reduce risks continually.

Focus on three stages.

1. What to do before you sign a contract with the franchisee
2. What to write in the franchisee contract
3. How to monitor during the life of the contract

What to do before you sign a contract with a franchisee

Set yourself and your franchise up for success by taking on the right franchisees.

Check if future franchisees have followed employment rules in the past

- › Have they been investigated for breaching employment standards?
- › Have they been in a position of authority in a company that has breached employment standards?
- › Do they have a record of breaching employment standards?
- › If the answer is 'yes' to any of these questions find out what issues were identified and how they were fixed.

⌚ Employers who have recently been penalised for breaching employment standards

or go to www.employment.govt.nz and search for 'stand-down'

⌚ Employment Law Database

– for breaches identified by the Employment Relations Authority

or go to www.employment.govt.nz and search for 'employment law database'

⌚ Judgments Database

– for judgment decisions by diverse courts

or go to www.employment.govt.nz and search for 'judgments'



Hamish is interviewing for franchisees so he can grow his café franchise. He is keen on working with Joe. Joe has an impressive CV and is enthusiastic and polite.

As part of his routine checks, Hamish looks up the published stand-down list on Employment New Zealand's website. He wants to see if the company Joe managed has been stood down for breaching employment standards.

He is glad he did. He finds that the company Joe owned a few years ago was stood down for breaching the Employment Relations Act 2000. Hamish makes a note to phone Joe to find out what happened and how he fixed the problem.





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Ensure future franchisees understand their employment obligations

- › Ask them what they think they must do to follow employment law.
- › Require them to complete training, such as our free online employment modules.

🔗 Employer Learning Modules

or go to www.employment.govt.nz and search for 'learning modules'

Ensure franchisees agree to a standard of ethical and sustainable behaviour

- › Ensure they sign a work practice policy or code of conduct.
- › Ensure they display it in their workplace.

You will need to create the policy or code, which outlines how employers and employees should behave and treat others, and how employees can speak up if they have concerns. It should also cover business ethics and expected workplace standards.

🔗 Franchise work practice policy or code of conduct – an example you can build on

or go to www.employment.govt.nz and search for 'franchise work policy'

What to write in the franchisee contract

Once you know you want someone as a franchisee, write several things in the contract so that they make it a priority to treat workers well.

- › What laws they must comply with – for example, list important employment legislation.
- › What you do – for example, carry out spot checks and audits, and how often you survey franchisee workers and customers.
- › What franchisees do – for example, agree to the code of conduct, make employment information available to employees (such as the code of conduct and employment entitlements), and tell you if they breach employment-related legislation or are being investigated by the Labour Inspectorate or Immigration New Zealand.

Document how you will support franchisees. For example, how will you support them to meet their legal requirements so they do not accidentally miss something? How will you help them if they have difficulty? Will you negotiate reduced fees for franchisees to get legal advice from a law firm?



Hamish decides to take Alipate on as his franchisee. His contract with him states how he should treat his employees, suppliers and other franchisees. His expectations include the following.

- › Pay employees at least the living wage, and pay them appropriately for their skills and experience.
- › Be transparent, fair and honest.
- › Offer equal opportunities to all employees and suppliers, and do not allow discrimination in the workplace.





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How to monitor during the life of the contract

Keep in touch with franchisees regularly to make sure they are doing what they should.

1. Ask franchisees how they think they have met their employment obligations

For example, they could fill out our self-assessment checklist.

🕒 **Employment standards employer self-assessment checklist** [PDF, 581KB]

or go to www.employment.govt.nz and search for 'employment standards checklist'

2. Ensure franchisees make the work practice policy or code of conduct available to staff

Franchisees should display it prominently in the workplace and include it in recruitment documents.

3. Survey franchisees' workers

Ask franchisees' workers if they feel valued and motivated at work, think their employer takes treatment of workers seriously, and so on. These surveys, which can be online or printed, are sometimes called 'employee voice tools'.

4. Make sure that franchisees tell their workers of their employment rights and obligations

Franchisees could give workers printed information. Or they could tell them about our online courses or quick guides, which are available in many languages.

🕒 **Know your employment rights quick guide** [PDF, 2.6MB]

🕒 **Minimum rights of employees – other language translations**

or go to www.employment.govt.nz and search for 'minimum rights'

5. Make sure franchisees and their workers keep learning about employment rights

Workers should be able to learn about their rights and responsibilities, not just when they join, but also when they are promoted or when legislation changes. They should also have a chance to refresh their learning throughout their employment. We offer free online courses for employees.

🕒 **Employment learning modules**

or go to www.employment.govt.nz and search for 'learning module'

6. Discuss good practices and lessons learned

In newsletters or meetings, you could talk about things other franchisees have done well or problems that they have solved. Make sure the discussion respects privacy.

7. Make sure franchisees tell you if they have breached employment standards

Make it a requirement of the contract for franchisees to tell you if they have breached employment standards, or health and safety or immigration requirements, even if they are still being investigated.

8. Offer a way to report problems confidentially

Workers often do not report problems because they fear it will affect their jobs, and do not know how to do so confidentially and anonymously. Make it easy for them by making sure you have a way to deal with problems effectively, and making sure workers know that.

Having a safe and confidential way to solve problems is especially important if workers are vulnerable or unsure of their rights. Such workers include young, migrant, and older workers, and those who are in lower-paid and lower-skilled roles.

Give the public and other businesses a safe and confidential way to report problems too, and take their complaints or concerns seriously.

🕒 **Learn about resolving problems**

or go to www.employment.govt.nz and search for 'resolving problems'



Hamish's office has a confidential phone number and email address that employees, including franchisees' employees, can use to report a problem. He also ensures franchisees display the phone number of an employee assistance programme in their workplaces.

When Ravi is concerned that his manager is not treating him fairly, he emails Hamish's office to report his concern.



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Learn more and use our free resources

Select the topic you want to learn about to go to the webpage.
If you're reading a printed version of the brochure, go to
www.employment.govt.nz and search for key words.

To learn about.search for	What you'll get
Managing risk	Managing risks franchisors	A web page
Employment policy for franchisors	Franchise employment policy	PDF, 105KB
Employment standards – a guide	Employment standards guide	PDF, 2.3MB
Employment standards – a checklist	Employment standards checklist	PDF, 2.3MB
Employee or employer rights and responsibilities	Learning modules	Learning modules
Employees' minimum rights	Employee minimum rights	PDF, 1–2MB
Meanings of terms	Glossary	A web page



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