

A guide for Franchisors

AUGUST 2025





**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

Ministry of Business, Innovation and Employment (MBIE) **Hīkina Whakatutuki – Lifting to make successful**

MBIE develops and delivers policy, services, advice and regulation to support economic growth and the prosperity and wellbeing of New Zealanders.

More information

Information, examples and answers to your questions about the topics covered here can be found on our website: www.employment.govt.nz

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ISBN: 978-1-991143-33-4 (online)

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

Understand ethical and sustainable work practices

Today's consumers, employees, procurers and investors expect certain ethical standards. They increasingly want organisations to treat workers fairly, ethically and sustainably – not just their own employees 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.

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 employment standards.

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

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



ETHICAL AND SUSTAINABLE WORK PRACTICES

Go to www.employment.govt.nz and search 'ethical work 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 fined, penalised or ordered to pay compensation for exploiting or mistreating their workers are almost always identified in publicly available information. They may also be restricted from supporting visa applications and put on the employer stand-down list for a specified period.

CASE STUDY

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 the same, 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

Pre-contract preparation (including due diligence)

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

As part of your due diligence, ask the potential franchisee if they've ever been involved in any of the following (either personally or through an organisation):

- › a Labour Inspectorate investigation or audit
- › a case with the Employment Relations Authority or Employment Court
- › if relevant, any decisions by the District Licensing Committee (DLC) or Alcohol Regulatory and Licensing Authority (ARLA) about following employment law. This could be relevant if the franchisee (or a person with authority within the franchisee organisation) has previously applied for an alcohol licence.

If they answer 'yes', ask them for more information about what happened and, if applicable, how any breaches were resolved.

To verify their response, even if it's 'no', check the:

Employment stand-down list and immigration stand-down list

To see if they (either personally or through an organisation) have been stood down from being able to support visa applications because they breached employment or immigration law.



Go to www.employment.govt.nz or www.immigration.govt.nz and search 'stand-down list'

Employment Relations Authority database and Employment Court database

To see if they (either personally or through an organisation) have breached employment law, even if they are not on the employment stand down list (this could be because it was an old breach, or it did not result in them being placed on the list).



Go to www.era.govt.nz/determinations and www.employmentcourt.govt.nz/judgments/decisions

ARLA database

If relevant (keeping in mind that not all ARLA decisions are about compliance with employment law).



Go to forms.justice.govt.nz/search/ARLA

The DLC database on the local council's website

If relevant (keeping in mind that not all DLC decisions are about compliance with employment law and the search may be limited if you don't know where a decision was made).

Ask the potential franchisee, if they've ever been a director, chief executive, senior manager, shareholder, trustee or partner of an organisation, and whether they have ever breached employment law either personally or through an organisation.



Go to companies-register.companiesoffice.govt.nz and register.charities.govt.nz/CharitiesRegister/Search

If the outcome of your due diligence is unsatisfactory, consider if you want to continue progressing the application.

- › 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.

CASE STUDY

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 owned and managed has been stood down for breaching employment standards.

He is glad he did. He finds that the company Joe owned a year 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.

Make sure the potential franchisee understands their employer obligations

Ask the potential franchisee what they think they must do to follow employment law. They should understand what it means to be an employer and what the law requires them to do.

You can encourage — or require as a condition of joining the franchise — potential franchisees to complete our free online employer learning modules either before they sign the contract or afterwards.



EMPLOYER LEARNING MODULES

Go to www.employment.govt.nz and search 'online learning'

Provide the potential franchisee with templates of different types of legal employment agreements — permanent, fixed-term and casual — that they must use to employ their employees. You could require this as a condition of joining the franchise or provide the templates after you bring the franchisee on. Make it clear which parts of the agreement franchisees can change and which parts they have to stick with.



EMPLOYMENT AGREEMENT BUILDER

Go to eab.business.govt.nz

Make sure potential franchisees agree to your code of conduct

Make sure your potential franchisee:

- › understands the intent of the code and how it works in practice
- › is willing to sign the code
- › will display the code 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.

If the policy or code includes expectations around employee behaviour, franchisees may need to consult with their employees before they implement it.



CODE OF CONDUCT

Go to www.employment.govt.nz and search 'code of conduct'. Click on the page titled Franchisor's approach to ethical and sustainable work practices.

Contract confirmation and documentation

Once you know you want someone as a franchisee, include requirements in the contract that make it a priority for them to treat their employees well.

Make sure the contract outlines what employment legislation they must comply with and where to find more information.

Include the following requirements for the franchisee:

- › that they promptly inform you if they are:
 - investigated for, or found to have committed, a breach of employment legislation
 - scheduled to attend an Employment Relations Authority investigation meeting or Employment Court hearing
- › that they commit to the franchise code of conduct by signing the document and ensuring their employees have access to it
- › that they will ensure all their employees are told about their employment rights, for example, by displaying an 'Employee rights' poster or encouraging them to complete our free online employee learning modules.

Make sure the contract allows you to:

- › do spot-checks and audits of workplace practices, including for compliance with employment standards
- › regularly survey the franchisee's employees.

Document how you will support the franchisee to meet their legal obligations. Consider how you can help them if they have difficulties, for example, could you negotiate reduced fees for them to get legal advice?

CASE STUDY

Hamish decides to take Alipate on as a franchisee. Hamish's contract with Alipate states how Alipate needs to treat his employees, suppliers and other franchisees. Hamish's 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 do not allow discrimination in the workplace.

Monitor during the life of the contract

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

1. Regularly check for compliance with employment standards

Include checks for compliance with employment standards as part of regular franchisee reviews.

Checks should be done annually and could be as simple as requiring the franchisee to complete a self-assessment. They can use our employer self-assessment checklist.



EMPLOYER SELF-ASSESSMENT GUIDE AND CHECKLIST

Go to www.employment.govt.nz and search 'self assessment guide' and 'self assessment checklist'

Alternatively, you could provide your own checklist for the franchisee to use. If you're providing your own, make sure it covers the key messages in the Employment New Zealand self-assessment checklist. This includes specific legal requirements and references to more information.

Franchisees should be able to back up what they say with proper evidence. You could check this yourself or get an independent auditor to check their self-assessment.

2. Ensure franchisees tell employees about code of conduct

Franchisees should make sure their employees know about the franchise code of conduct. They should:

- › display it where everyone in the workplace can see it
- › include it in recruitment documents.

3. Use employee-voice tools

You can use an employee-voice tool to confirm that the code of conduct is being followed by collecting information about the workplace anonymously from franchisee employees. Each franchisee needs to have enough employees for the individual responses to be anonymous.

There are free survey tools available like Survey Monkey, or you could do a paper-based survey, as long as the employees can submit their responses anonymously if they want to.

As well as questions about employment standards, you can ask open-ended questions about what employees think could be better at work, and how closely their experiences reflect an ethical and sustainable workplace. You could ask:

- › how valued do you feel at work?
- › are you treated fairly?
- › would you recommend this as a place to work?
- › how long do you want to stay working here?
- › how well do you understand the organisation's values?
- › how important is health and safety in your workplace?
- › how much training is available to you for current and future roles?
- › how much does your workplace value diversity and inclusion?

4. Make sure franchisees tell employees about their employment rights and responsibilities

Franchisees should tell their new and existing employees about their employment rights and responsibilities and make sure they understand these.

They could provide an information sheet that explains employee rights and what to do if these are not met (and have this information translated so employees get it in their first language if possible).

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



KNOWING YOUR EMPLOYMENT RIGHTS QUICK GUIDE AND TRANSLATIONS

Go to www.employment.govt.nz and search 'employment quick guide'

MINIMUM EMPLOYMENT RIGHTS

Go to www.employment.govt.nz and search 'minimum rights'

EMPLOYMENT LEARNING MODULES

Go to www.employment.govt.nz and search 'online learning'

5. Promote good practice and lessons learned

You can make employment a feature topic or a regular section of a franchise newsletter or updates. For example, you could:

- › explain any employment law changes, including what they mean in practice for franchisees
- › include a regular update on health and safety
- › acknowledge franchisees who have managed a particular aspect of employment well
- › celebrate diversity and promote inclusion by recognising things like cultural celebrations and employee achievements.

If an issue arises with one franchisee, share as much as you can (remembering confidentiality) about what happened and how it was resolved with other franchisees so everyone can learn from it. Encourage franchisees to also discuss issues with each other when they arise.



EMPLOYMENT LEARNING MODULES

Go to www.employment.govt.nz and search 'learning module'

6. Ensure issues are reported

If they are investigated for, or are found to have committed, a breach of employment-related law — for example, employment standards, health and safety or immigration requirements.

Franchisees will need to feel there is open and trusting communication to be transparent about this.

7. Offer a way to report problems confidentially

Often employees do not raise employment issues because they are concerned about confidentiality and remaining anonymous.

You can encourage employees to raise any issues by making a confidential point of contact available for them to get in touch with if they have problems at work.

Make sure there is a proper process to effectively deal with issues if they arise.

In some industries there are many vulnerable workers, for example, where there are higher proportions of migrant, young or mature employees. They may not be confident to speak up if they believe they are not receiving their entitlements. In industries with higher proportions of vulnerable workers, it is particularly important that employees have tools that empower them to raise any concerns.

Consider providing a less formal and anonymous reporting system for vulnerable employees to report issues at work. You could do this by:

- › appointing 1 person, who the employees choose, as their representative to raise issues with you confidentially (if the industry is not unionised)
- › having a system where employees can raise potential issues with you, which you then anonymously pass on to the relevant franchisee and give them the opportunity to fix any problems.

This will reduce legal risk for the franchisee as well as the risk of bad publicity for the whole franchise.

CASE STUDY

Hamish sets up a confidential phone number and email address that employees, including franchisees' employees, can use to report a problem. He also ensures franchisees display this phone number and email address in their workplaces.

When Ravi is concerned that his manager is underpaying him, he emails the confidential email address to report his concern.

Learn more and use our free resources

Select the topic you want to learn about to go to the webpage.

To learn about...	...search for
Managing risk	Managing risks franchisors
Example of a basic employment policy	Franchise employment policy
Employment standards – a guide	Employment standards guide
Employment standards – a checklist	Employment standards checklist
Employee or employer rights and responsibilities	Online learning
Employees' minimum rights	Employee minimum rights
Meanings of terms	Glossary



Te Kāwanatanga o Aotearoa
New Zealand Government