



World Franchise Council Joint Declaration of Brisbane, Australia  
October 10, 2015

## **Workers in franchise outlets are not employees of the franchisor**

**Liability for payment of staff entitlements belongs to the franchisee.**

Franchising is a highly successful form of small business that delivers economic benefits to families and communities worldwide.

As at 2015, among the World Franchise Council's (WFC) 44 member nations, the average contribution of franchising to each member nation's Gross Domestic Product (GDP) is just over 4%.

Among just 20 WFC member nations, the total economic contribution of franchising totals USD\$1.6 trillion – the equivalent of 2.6% of global GDP – and has created 2.2 million businesses sustaining more than 19 million jobs.

For all its success, franchising is occasionally misunderstood. Where different businesses operate under the same brand in a franchise relationship, consumers (and sometimes regulators) do not distinguish between the role of the franchisee in delivering frontline customer services, and the franchisor who has developed and licensed the business system to the franchisee.

Franchisees are independent business operators who are granted the rights to use the franchisor's business system. This is clearly not an employer/employee relationship.

In turn, staff who work in franchised businesses are not employees of the franchisor. They are employed by the franchisee, and the franchisee bears all responsibility to those workers in regards to correct rates of pay and other employee entitlements and compliance with all national labour and taxation regulations. These employment responsibilities cannot be assumed by the franchisor, and any potential legislation to require such would strike at the heart of the franchise model.

Entrepreneurs are attracted to franchising as an opportunity to operate their own business with the guidance and support of an experienced mentor – the franchisor. Any suggestion that the

employees of franchisees should be considered as employees of the franchisor fails to recognise the separate legal status of the franchisee and franchisor entities.

The World Franchise Council does not support the proposition that workers employed by franchisees should be considered to be employees of the franchisor, or that the franchisor should be liable for the wages or salaries of franchisees' staff.

Workplace obligations must always rest solely with the employer. As with any business, the franchisee as an employer is responsible for the employment of staff and for managing workplace compliance obligations of their staff in accordance with their relevant national laws.

The World Franchise Council declares that it is totally inappropriate and unreasonable to extend employer liability to third parties such as franchisors, suppliers, landlords or financiers.

## About the World Franchise Council

The World Franchise Council is an international entity that unites the franchise associations of 44 countries. The World Franchise Council supports the development and protection of franchising and promotes a collective understanding of best practices in fair and ethical franchising worldwide.