

# FRANCHISE BUSINESSES: An Impediment to Decent Work in Canada?

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## BACKGROUND

Every year, \$96 billion is generated from the Canadian franchise industry, with approximately **1 out of every 10 working Canadians being directly or indirectly employed by franchise businesses**.<sup>1</sup> Within a franchise business model, franchisors are able to earn increased profits through the breakdown of employment relationships and creating increasingly **precarious work** conditions for franchisee employees.<sup>2</sup> The research conducted in this paper relates to Goal 8: Decent Work and Economic Growth of the UN Sustainable Development Goals (SDGs). This concept is important as widespread decent work deficits can lead to economic inefficiency, undermine social cohesion within countries, and produce significant adverse health effects through material and social deprivation.<sup>3,4</sup>

### WHAT IS A FRANCHISE?

Franchising refers to a business relationship whereby a franchisor (a company or individual who owns the franchise system), grants a license to a company or individual who contracts to use the franchise system (franchisee) certain rights contained in the franchise agreement.<sup>5</sup>

## OBJECTIVES

The purpose of this paper is to gain an in-depth understanding of the current franchise landscape in Canada and the ways in which franchisors violate and suppress decent work rights of employees working in Canadian franchise businesses.

### The questions this research paper seeks to answer are:

- 1 What is the current state of decent work and economic growth in Canada?
- 2 What is the link between the current state of decent work and the rise of franchise industry work in Canada?
- 3 What are the laws and legislations surrounding franchise and labour law in Canada?
- 4 What are the key issues impacting employees working in franchise businesses?
- 5 How are franchisors and franchisees responding to employee concerns and complaints surrounding decent work rights?

## METHODS

### LITERATURE REVIEW



First, a literature review was conducted to answer the first three research questions. Research in the review contain literature from academic journals, government policies and legislations, international organizations, and other publicly available documents.

### SCOPING ANALYSIS

Next, a scoping analysis was conducted to identify the key issues impacting employees working for franchise businesses. Research for the analysis were limited to articles published between 2000 to 2020 and consists of both published journal articles and grey literature.



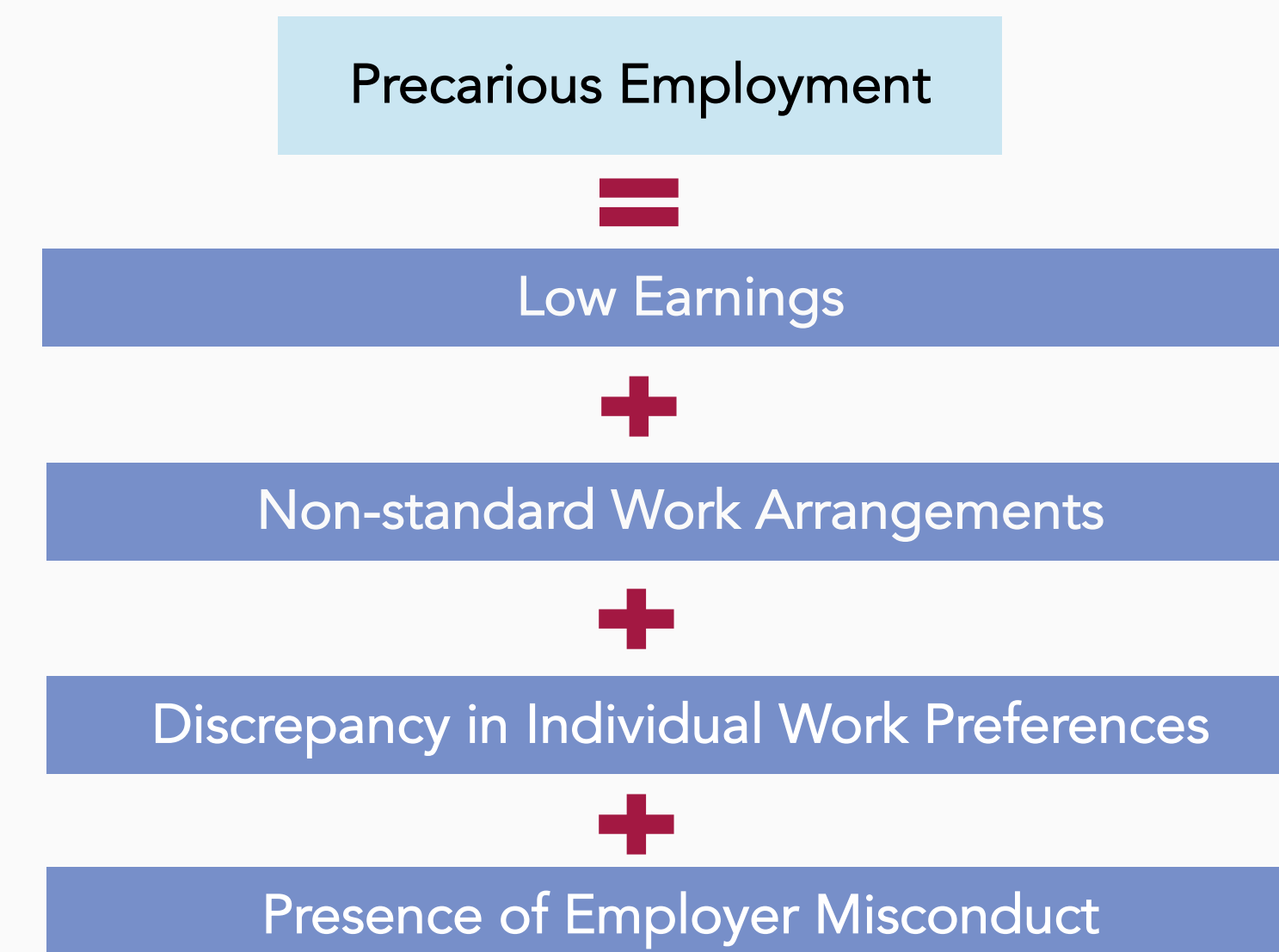
### CASE ANALYSIS



Lastly, the case study analysis was conducted to determine how companies are responding to employee complaints about decent work violations. The two most mentioned companies found in the scope analysis were used to inform this analysis. A two-step research approach consisting of a literature review and a policy analysis was used to find information pertaining to each individual company.

## RESULTS

### 1 Decent Work and Economic Growth in Canada



- Women, youth, seniors, workers without post-secondary education, recent immigrants, and visible minorities are more vulnerable to working precarious jobs<sup>6</sup>

### 2 Decent Work and Rise of the Franchise Industry

- Franchise business model is advantageous for franchisors as they can maintain control over product quality through minimizing costs associated with labour
- Fast-growing sectors such as retail and restaurants are areas where lower wage jobs are concentrated<sup>7</sup>

### 3 Franchise and Labour Law

- Franchise and labour law fall under provincial jurisdiction in Canada
- 6/13 provinces and territories have enacted their own provincial franchise disclosures and relationship statutes<sup>8</sup>
- Franchise agreements state that franchisees are independent contractors of its franchisor, however the relationship between franchisors and employees working for franchisees remains contested<sup>9</sup>

### 4 Key Issues Impacting Employees Working in Franchise Legislations

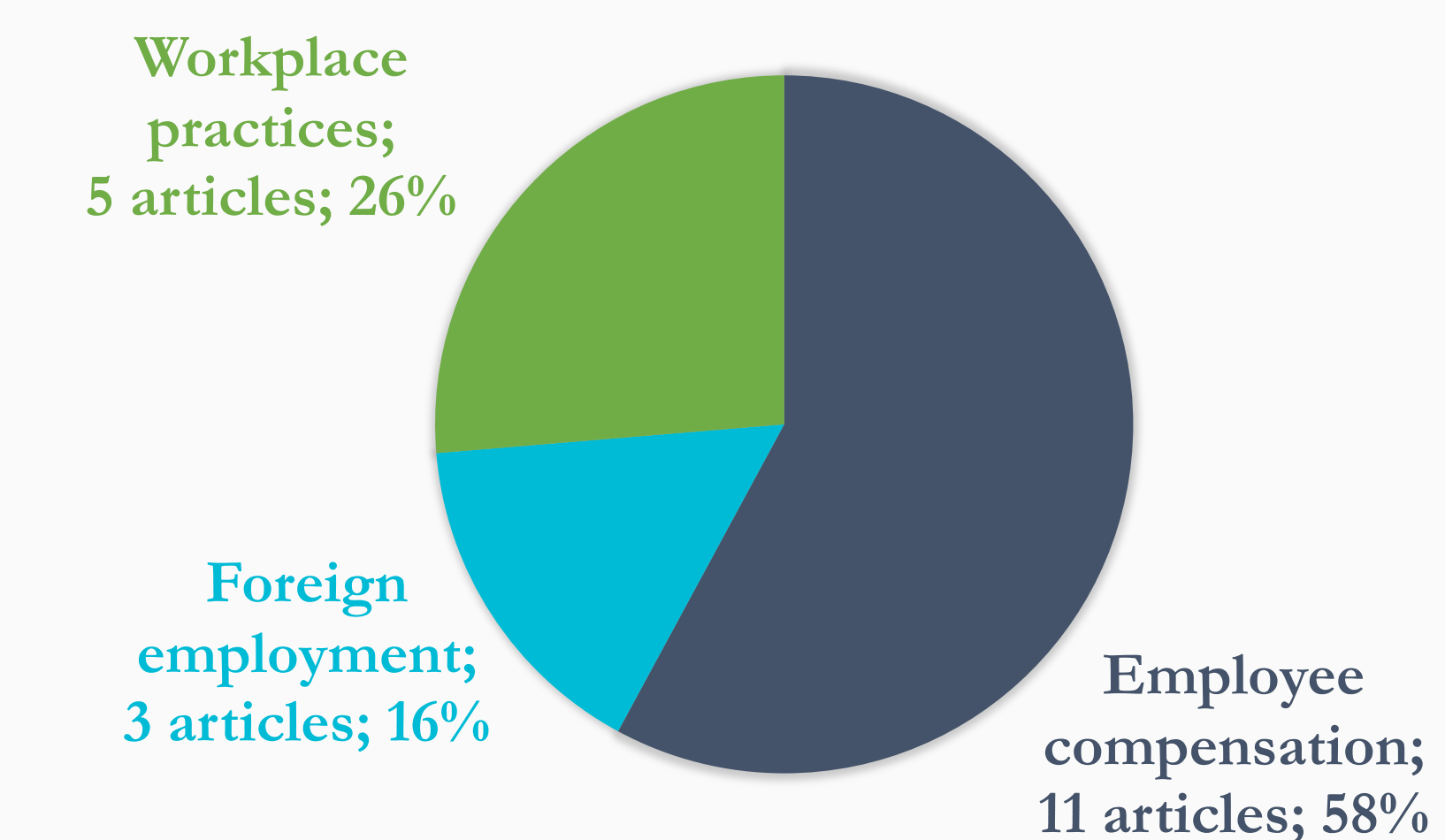
#### SCOPE ANALYSIS FINDINGS



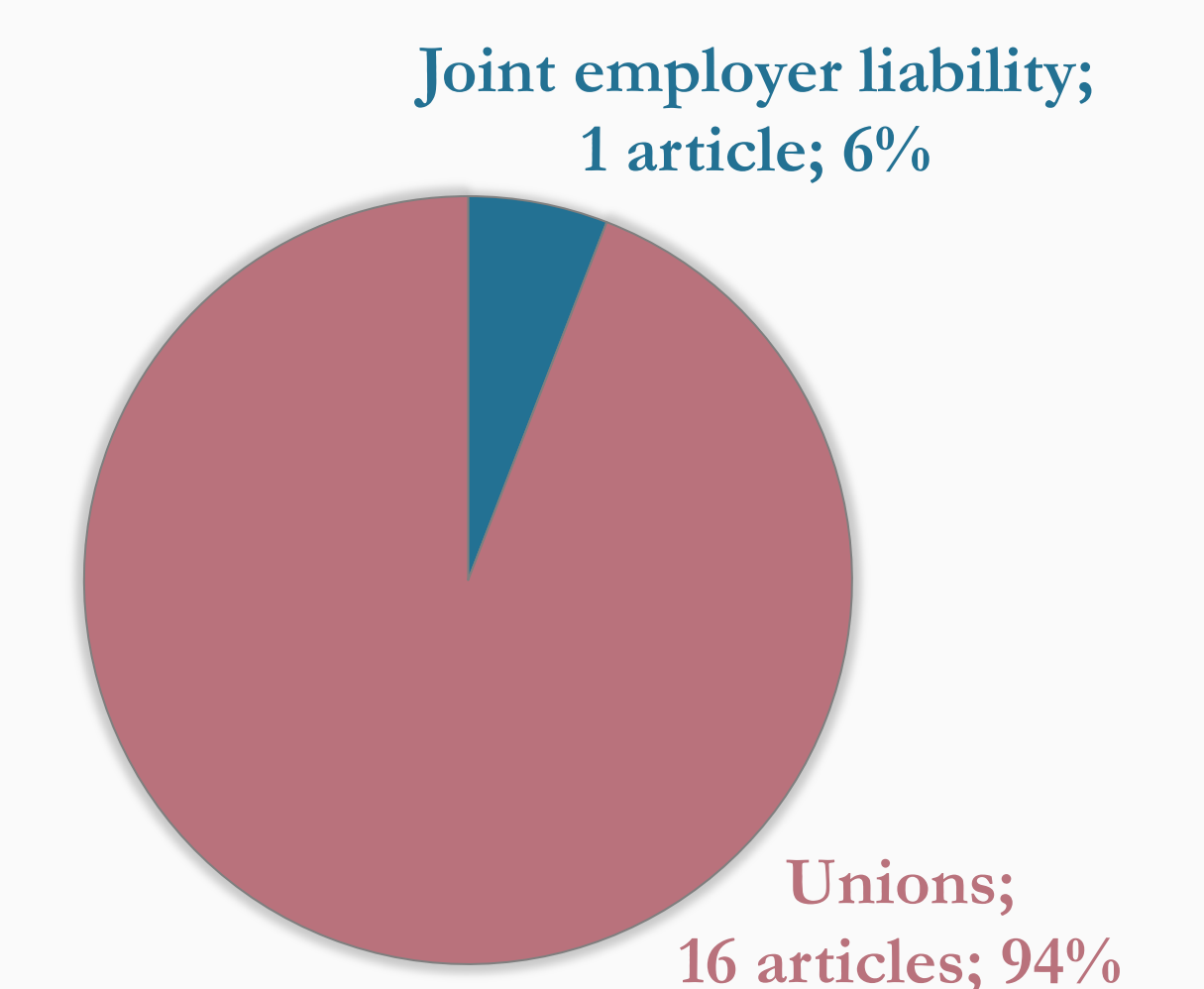
Results from the scoping review indicate that legislation plays a large role in determining how franchisee employees are treated by franchisors. More specifically, current legislation in Canada suggests that franchise and labour laws work in favour of franchisors and franchisees and against franchisee employees. It is noteworthy that articles discussing employee compensation and no-poach clauses are mentioned in the context of Tim Hortons.

### 5 Franchisor and Franchisee Responses to Decent Work Violations

#### TIM HORTONS CASE ANALYSIS FINDINGS



#### MCDONALD'S CASE ANALYSIS FINDINGS



Tim Hortons and McDonald's were selected for the case study analysis as they were the two most mentioned companies in the scope analysis. Policy findings indicate that both companies understand the important and essential role individual franchisees play in contributing to the franchisors overall success. That said, all information discussed within each company's employment policies pertains to employees working at company-owned restaurants and do not apply to employees working within its franchisees.

## CONCLUSION

Main findings indicate that efforts to promote and achieve decent work is inhibited by the franchise business model, precarious employment, and lack of clarity in the franchisor-franchisee relationship. Specifically, employee compensation, joint employer liability, and unions were common themes found across the literature review, scoping analysis, and case study analysis.

### KNOWLEDGE GAPS & FUTURE RESEARCH

1. **Labour and Franchise Law.** Additional research should be conducted to understand aspects of the law that work in favour of franchisors and franchisees and against employees.
2. **Employee Compensation.** Further research should be conducted on employee compensation issues and the impacts minimum wage increases and removal of paid sick days have on precarious workers.
3. **Foreign Employment.** Future research should investigate the relationship between franchise businesses and foreign employment (specifically in relation to the temporary foreign work program).

## REFERENCES

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- <sup>9</sup> Ibid