

# 7-Eleven's fix for franchisee abuse

**Employment**  
We need reforms to allow franchise head offices to take action against franchisees who rip off their employees.



Michael Smith

The underpaying of franchisee staff across the 7-Eleven network has been well-documented. It is a practice that is abhorrent and one that we are working to eradicate from our business.

We regret the compliance failures across our network and their impact on individual workers as well as the company's reputation. We accepted the consequences, which have been substantial, and we are reforming. What has become clear in dealing with this issue is the limited recourse available to a franchisor.

While 7-Eleven is getting its own house in order one of our goals is to be the exemplar of a solution that prevents any repetition in our business and that provides the basis for better prevention, detection, sanction and compliance regimes across industry.

The reality is underpaying workers is not confined to just one company or one industry. It is occurring across the Australian economy. The extent of workplace compliance failure is leading many participants to believe such practices are the norm, resulting in low complaint levels that mask the breadth of the problem.

7-Eleven believes significant regulatory reform is required to protect foreign students and Australian workers by deterring and preventing people from seeking to beat the system.

7-Eleven is calling for the two relevant industry codes that apply to our business to be amended so franchisors have the right to immediately terminate a franchise agreement in the case of serious non-compliance with Commonwealth workplace laws or fair work instruments. No such power exists in either code. The

termination bar is too high, takes too long to meet and does not strike the right balance between protecting the legitimate rights of franchisees while upholding workers' rights and the broader integrity of the sector. Termination provisions must be made consistent across both codes to eliminate the risk, delays and complexity of having two separate standards applying to the same industry.

7-Eleven also believes franchisors should be required to protect the wages of franchisee employees in certain circumstances and implement systems and processes that promote education and compliance with workplace laws. While the franchisee is the legal employer of their staff, franchisors cannot afford to ignore the fact it is their brand at risk. Franchisors should be required to provide information on likely wage costs to prospective

franchisees and ensure all new franchisee employees have information on their workplace rights, together with access to an appropriate whistleblower mechanism.

Increased penalties for employers who breach the Fair Work Act will also be important.

Further, 7-Eleven believes it is time for a mature debate on reforming international student visa rules. Current visa rules do not allow students to legally work sufficient hours to cover their tuition and living costs, and inadvertently help create a pool of vulnerable workers and provide the "supply" in the exploitation equation.

New regulations must be fair and reasonable for all operators – small and large. The regulatory burden should not be increased beyond what is necessary to ensure that our sector is upholding the law and meeting community expectations. 7-Eleven's advocacy for these reforms is founded in its own experience. Since August 2015, the company has voluntarily adopted a comprehensive strategy of remediation, reform and vigilance, with the full support of the shareholders and the board.

Over the past 10 months more than \$26 million has been paid to franchisee employees, representing 680 claims for wage remediation.

Under 7-Eleven's multi-million-dollar strategic reform program, franchisees' profit share has been increased and minimum profit guarantees have been established to ensure our model is among

the industry's most competitive.

Innovative technology is being implemented in stores with a biometric rostering, time and attendance system using fingerprint technology to verify time and attendance records of all employees. We are also centralising payroll processes to automatically calculate entitlements. Field-level investigation and compliance activity has been significantly increased. Our franchisees are in no doubt about what is expected. Where expectations are not met, we are taking the appropriate action, up to and including termination.

I'm confident no organisation in Australian corporate history has responded as swiftly, comprehensively and transparently as 7-Eleven in dealing with the activity uncovered in its network. I also believe our response and proposed regulatory reforms are a model that can lead to better workplace conditions for all.

*Michael Smith is chairman of 7-Eleven Stores*