

# Hot Topic



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**E**mployment Law: Just mentioning these two words can make business owners shiver with fear.

They see unfair dismissal claims, discrimination claims, Employment Tribunals, red tape and regulations spewing out of Westminster or Brussels, lawyers with huge charge-out rates, and employees demonstrating ever-increasing awareness of rights and an ever-more litigious attitude.

No surprise then, if many franchisors might respond: 'Employment Law. Don't want it. Don't need it.' Indeed, one consideration in the decision to franchise a business format is often a desire to avoid employment law red tape altogether.

But wait. A franchisor will succeed only if the franchisees also succeed. And for both franchisees and franchisor, employment law can hit where it hurts the most – in the bottom line. If employment regulations cause a franchisee's failure, the franchisor can suffer too.

A recent example illustrates the point. An otherwise successful franchisee recently became insolvent as a result of losing an Employment Tribunal case; the franchisee thought they were in the right (perhaps morally they were) and represented themselves. They are now out of business, and the franchisor has still to find a new franchisee for the territory.

Franchising is all about reproducing a successful business format. Increasingly, both franchisors and franchisees are complaining that it's not much of a 'business format' if it doesn't give the franchisee the tools to manage employees. Many franchisees will be running a business for the first time, and lack the knowledge or experience to be aware of the employment minefield.

If the business format they purchase can't help, they take one of two courses. One is to conclude that they can't afford specialist legal advice and therefore guess how to



## A law unto themselves

**One topic that many franchisors are simply too scared to broach is that of Employment Law.**

**Dan Chapman of Leathes Prior says this need not be the case**

proceed – a kind of business Russian roulette. Or they call the franchisor and start badgering for help. If the franchisor lacks HR training, specialist knowledge or legal representation, the outcome could be worse, since when it all goes pear-shaped, the franchisee will look to the franchisor for recompense. Even worse, they might try and argue that the franchisor is legally liable.

Maybe that explains why good franchisors are increasingly accepting that their business formats may, if the franchisees

will be employing, have to incorporate mechanics for handling employment law. A highly cost-effective solution is to subscribe to a specialist HR or employment law service. These services are designed to assist all employers in dealing with the perils of employment law and HR practice.

The best of these can be tailored to the specific requirements of a franchisor and its business. They will include bespoke contractual documents for the franchisees; permit franchisees

access to a branded secure website of their own; and provide helpline advice by telephone/email.

When backed by specialist employment lawyers who also have an understanding of franchising, there is a real benefit to the franchisor, since the franchisees appreciate the fact that the franchisor has made such a comprehensive service, and one that understands their needs, available to them.

The fact that the franchisees pay for it on a subscription basis means that the cost is nominal and everyone is happy – the franchisor has provided a valuable support service for its franchisees and no longer gets concerned by requests for advice on HR issues, the franchisee has an answer to all his HR and employment problems, and the risk of employee claims against franchisees who might cause significant damage to the franchisor's brand are kept to a minimum. ■

### FRANCHISOR CASE STUDY

In November 2005, leading small business tax and accountancy franchisors TaxAssist Accountants signed an agreement to provide Employmentor™ to all of its shop front franchisees.

TaxAssist believed that it would not only help its franchisees deal with the entire range of employment law issues that they may encounter as employers, but it will save them considerable time and money, thus allowing them to concentrate more effectively on making their business successful.

Karl Sandall, chief executive of TaxAssist Accountants, says: 'Employmentor™ is ideal for us. It enables us to supply all of our franchisees with a straightforward, easy-to-use employment law package. This increases the support to our network and allows the franchisees to run their business and staff more smoothly than ever before.'