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Course: Franchising Management

A Case Study of Dunkin' Donuts Lawsuit in 2016

ABSTRACT

This case study discusses Dunkin' Donuts Incident In 2016 whereby workers at many Dunkin' Donuts franchise locations in Chicago, Illinois filed lawsuits against Dunkin' Donuts.

They claimed that the franchisees were pocketing their wages since the areas were faking timecards. In so doing, they didn't have to pay the workers overtime. Additionally, reports hold that the locations were compelling the employees to pay back the Entity for cash shortages in the register, albeit there was no evidence to the allegations. Consequently, some wages of the employees were deducted to cater for the deficiencies. The ethical dilemma of concern not only involves the franchisees and the employees but the Dunkin' Donuts Company. The franchise should reimburse the wages and overtime pay that it deprived its employees.

Key Words: Dunkin' Donuts, lawsuit, workers at Dunkin' Donuts, wages, Attorneys,

Plaintiffs, Defendants, Claims

Background of the Case Study and important discussion questions

➤ Case location

➤ Results of the case and its standing

Dunkin' Donuts was founded in 1950 by Bill Rosenberg. Dunkin' Brands in Chicago is its mother and it is the most prominent brand of baked goods and coffee chain in the world. It serves over 3 million people daily.

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INTRODUCTION

Employees of Dunkin' Donuts franchise with several locations in Chicago sued it with wage

theft by making them pays for shortages in cash register and manipulating time cards in the areas so that workers do not claim their overtime pay. Christina Padilla and Jessica Zamudio contended in a lawsuit filed on 4th May 2016 that Sirajuddin Virani, the franchise owner, and Faisal Merchant, director of operations, did not pay the workers for their overtime work and that their wages were stolen to compensate for shortages in the cash register.

The critical issue in the case is whether Dunkin' Donuts Franchisee should reimburse the workers' wages and overtime pay. A probe conducted by the U.S labor Department found violations of the Fair Labour Standards Act by the department's press release. Report by Manasquan-Belmar Patch hold that the management of QSR will have to compensate an amount of almost \$ 200,000 to 64 workers for minimum wage and overtime violations.

Overtime Violations

Although Dunkin' Donuts employees executed management duties, they did not get an

assured weekly salary warranting them to overtime pay. The Patch reports that they instead, they received fewer wages when they worked fewer than 60 hours a week

Tip Violations

The management is said to have used tips to cover up for shortages in cash register which is unlawful.

The management was called up to update its employee handbook so that rules on overtime are stipulated so that it can no longer take tips from workers.

Lawsuit: Chicago Area Dunkin' Donuts franchise systematically stole Worker's Wages

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REWORD
DESCRIBE

The plaintiffs in the case are Christina Padilla and Jessica Zamudio. The principal petitioner, Christina Padilla, 23, was the shift supervisor at Dunkin' Donuts at 229 Jackson St. before quitting on August 2016. She said that she was forced to cut workers' pay checks to reimburse losses in the cash register and reduce the recorded time they worked so that they get payments of the set shifts, even is if they worked overtime. The plaintiff claimed that she once lost \$160 due to shortages in cash register.

Dilemma

After a news conference held outside the Jackson Street Store, where followers chanted "dunk doughnuts, not wages" Christina expressed her discomfort with the changes and the decisions made. Speaking to cluster TV, she further said, "The owners seem to rely on revolving doors of workers." Padilla said that their work would be better only if workers got paid in the right manner and with respect.

Defendants

The case filed before the federal court names as defendants Sirajuddin Virani, the owner of sixteen Dunkin' Donuts franchises where the alleged wage theft occurred and Faisal Merchant, the one In Charge of payroll calculations and processes for Sirajuddin Virani operations.

Virani, 62, reached via the phone, denied the wage theft allegations and said that his business adheres to the set rules and regulations. He said that he operated the business for over 30 years and had never come across complaints of that nature.

Faisal Merchant, who Virani said was In Charge of Operations, could not be reached.

Locations where the wage theft is alleged to have occurred

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The lawsuit identifies places where the two petitioners worked. Padilla worked in one area in downtown Chicago for more than three years while Jessica worked at one location for over six months.

Three locations identified where the two ladies worked are where the wage theft is alleged to have occurred. The first location is 600 S. Wabash Ave., run by Moonstone Foods while the second is 229 W. Jackson St., operated by Ruby Foods and lastly 62 E. Jackson, manned by Standard Foods. All. They all belong to Sirajuddin Virani.

Attorneys in the Lawsuit

I am Ho with Community Activism Law Alliance is one of the plaintiffs' attorneys. He gives a rough number of 100 people could join in the lawsuit, regarding the number of workers at Virans franchise locations for ten years.

Ho said that their primary agenda is not only the theft of wages but also transforming how Dunkin' Corporation treats its employees. The corporate mother, Dunkin' brands was not named as a defendant in the lawsuit.

Carolyn Morales, an organizer with Arise Chicago, said wage theft is one of the critical issues the organization focuses. Arise is a grass root group in Chicago that CALA works with to give free legal help to highly vulnerable individuals.

Results of the case and its standing

2008 Report from the Center for Urban Economic Development

The case ended. The 2008 report studies 1,140 low earning workers in Chicago and suburban Cook County. It found that almost half of the workers faced one wage-related violation in the

previous week. The average loss by workers on a weekly basis was \$50 of a total of \$ 322 which was a reflection of 16% of their salaries. This transmitted to \$7.3 million when applied to the whole population of low-wage employees.

EXERCISE

Analysis of the claims in the lawsuit

The case against the Dunkin' Donuts franchisee claims violations of State overtime and least wage requirements by the law. Supervisors are accused of changing the clock-in and clock-out time records to manipulate workers so that they do not request for overtime bonuses. The head of operations is said to make deductions on the earnings of workers to cater for shortages in cash register and never obtaining the consent of the employees as required by the law. Virani is accused of not taking any action because he was aware of what was happening.

The teaching notes

NEXT SECTION

Theft of wages by small businesses and national chains has in the recent years drawn the attention of law enforcers on the local and state capacities. Recent research shows that women are more culpable of wage theft than men and blacks on the other hand fall victims of their salaries being stolen when compared to the whites. This case study has highlighted critical ethical dilemmas faced by vulnerable employees at the workplace. It has brought to light those individuals who have been violated in the course of their duty with wage theft and being denied bonuses on their overtime work. The law stipulates very well on wages and overtime pay of employees. Individuals who fall culprits in breaking the set policies will always face punitive measures, and it will never be easy on their side.

Conclusion

This case study presents workers dilemma in one of Dunkin' Donuts franchise. They have fallen victims of wage theft. Their salaries have systematically been deducted in the past

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decade to cater for shortages in cash register. Key management has been sued for committing the crimes. In conclusion, the Dunkin' Donuts Case in 2016 does not affect the franchisees and employee but also the entire brand is put in an ethical dilemma.

Discussion Questions

1. What was the cause of cash shortages in the register?
2. How many workers have been affected by the alleged wage theft?
3. How much did the franchise steal from the workers as alleged in the lawsuit?
4. What measures can the supervisors take to cover up the blame placed on them in protecting the brand of the Organization?
5. Is the entire corporate brand of Dunkin' Donuts Brands liable in the lawsuit?
6. If appointed the Public Relations Officer of Dunkin Donuts franchise what strategies would you employ to rebuild the tarnished name of the Company?
7. What is the stand of the law on wage theft and overtime pay?

Handwritten notes
TEACHING
NOTES

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