



Employment Contracts

What they are

An employment contract is simply an agreement by an employee to work under certain terms and conditions in return for the remuneration and benefits the employer will provide them for carrying out that job. As with any contract, this agreement could be express (stated – whether written or verbal) or simply implied (such as the employee's automatic expectation that the workplace will be safe).

All employees have an employment contract with their employer from day one, whether it is in writing or not. It is, however, advisable for an employer to cement this agreement as quickly as possible (ideally before employment begins) into a written statement of 'terms and conditions of employment', for the following reasons:

- for any employee who has been employed for one month or more, their employer is under a legal duty to issue a written statement of the main employment terms within two months of the employee starting work
- it reduces any misunderstanding – both parties are clear about exactly what is expected which avoids uncertainty or dispute at a later date
- it is good management which underpins a professional and respectful relationship between employer and employee and minimises ambiguity at what is normally a stressful time for the employee.

Both employee and employer are bound to the employment contract until it ends or until the terms are changed.

What they contain

Employers can set out an employee's written statement in one or more documents, the minimum those documents must contain are:

Principal statement of terms and conditions

- The legal name of the employer company, also include the trading name, if different
- the legal name of the employee
- the date the current employment began
- an earlier date upon which employment with a previous employer began which is treated as "continuous" with the current employment
- the employee's pay, (which will, of course, be no less than the national minimum wage), how it is calculated and the intervals at which it will be paid.
- the employee's hours of work (within the restrictions of the working time regulations)
- entitlement to holidays, including public holidays and holiday pay, in a manner to allow them to be precisely calculated, with details of any mandatory holidays required to be taken by all employees

- job title and brief description of the work (or details of where this will be supplied)
- details of who (name or job title) the employee will be managed by, who they can talk to if they have any dispute with that person, and who they should discuss a work-related grievance with
- the address of the employee's place of work and any conditions that apply if they are expected to work elsewhere.

The following details can be provided with the Principal Statement, or in instalments in separate documents, for example a Staff Handbook. Ideally, where they are provided separately, they should still be referred to with the Principal Statement, stating clearly that they are separate and where the employee can go to see them.

- Sickness, injury and sick pay – terms and conditions relating to sickness or injury including any conditions the employee is required to meet if they are to receive sick pay. Best practice would also provide details of what would happen in the case of long term sickness or a poor sickness record
- pensions – any terms relating to pensions and pension schemes including whether the employment is covered by a pensions contracting-out certificate
- notice periods – the length of notice required from both employee and employer to terminate the contract
- where the employment is not expected to be permanent, the length it is intended to last, or if it is a fixed-term contract, the date it is to end
- collective agreements – details of any collective agreements with trade unions that directly affect the terms and conditions of employment
- dismissal, disciplinary and grievance procedure, including
 - any disciplinary rules that the employer has
 - any disciplinary or dismissal procedures that the employer has
 - any further steps that follow an application to resolve a grievance or if the employee is dissatisfied with a disciplinary or dismissal decision.

Other non-mandatory terms and benefits can also be included in the written contract. These include overtime arrangements, private health care, enhanced sick pay, childcare arrangements or vouchers, retirement, holiday booking arrangements etc.

In addition, the written terms and conditions can draw the employee's attention to particular policies and procedures which they are expected to know and adhere to including, for example, Health & Safety Policy and Equal opportunities Policy.

Lastly, it is good practice to include certain implied terms with the written contract, including such items as a duty of mutual trust and confidence, and a duty to work safely and considerately.



Offer letters

Where an offer letter sets out some of the main terms and conditions of employment, this will also form part of the employee's contract. In fact, any details from the principal statement which have already been included in the offer letter do not have to be supplied separately in the Terms and Conditions.

In this case, it is advisable that each document (the offer letter and the Terms and Conditions of employment) refers to the other, clearly stating that they form the employee's contract of employment *between them*.

Finding out more

Business link offer a download tool *Create a written statement of employment*, which if completed correctly will provide employers with a document covering all the employment terms and conditions employers legally have to give their employee.

Further information is available www.businesslink.gov.uk , www.direct.gov.uk, and www.berr.gov.uk.