



## UNIT-3 Employment Contracts

### Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ Discuss the most important elements and employment contract must contain
- ✓ Understand the key information the employer must provide the employee with
- ✓ Prepare contracts of employment for different types of employees

## Unit 3

### Employment Contracts

Every employee is bound by a contract with their employer. A contract is a written agreement that specifies an employee's employment conditions, rights, responsibilities, and duties.

These are referred to as the contract's "terms."

Employees and employers must follow the terms of a contract until it expires (for example, when an employer or employee gives notice or when an employee is fired) or the terms are changed (usually by agreement between the employee and employer).

#### Accepting a Contract

When someone accepts a job offer, they enter into an agreement with their employer. It is not necessary to have a written employment contract.

#### Conditions of the Contract

The legal components of a contract are referred to as "terms." Which parts of a contract are legally binding should be made clear by the employer.

The following are examples of contract terms:

- verbally agreed
- in an employee handbook or on a company notice board
- in an offer letter from the employer
- required by law (for example, an employer must pay employees at least the National Minimum Wage)
- in collective agreements - negotiated agreements between employers and trade unions or staff associations

#### Implied Terms

If there isn't a clear agreement between you and your employer on a specific issue, it might be covered by an implied term, such as:

- a legal requirement, such as the right to 5.6 weeks of paid vacation;
- employees not stealing from their employer;
- your employer providing a safe and secure working environment;
- something that is required to do the job, such as a valid driver's licence;
- something that has been done on a regular basis in a company for a long time, such as paying a Christmas bonus

### Collective Agreements

Employee representatives (from trade unions or staff associations) may have an agreement with an employer that allows them to negotiate terms and conditions such as pay and working hours. This is referred to as a collective bargaining agreement.

The following could be included in the agreement's terms:

- How will negotiations be conducted?
- Who will represent employees?
- Which employees will be covered by the agreement?
- What terms and conditions will be included in the agreement?

### Written Statement of Employment Particulars

When employees and workers begin work, the employer must provide them with a document outlining the main terms of employment. A 'written statement of employment particulars' is what this is called. It is not a contract of employment.

The following are the components of the written statement:

- The main document (also referred to as a "principal statement")
- A more extensive written statement

The principal statement must be provided on the first day of employment, and the wider written statement must be provided within two months of the start of employment.

Any changes to the written statement must be communicated to employees or workers. They must do so within one month of the change taking effect.

Special rules apply to documents that agencies must provide to agency employees.

### The Principal Statement

The principal statement must include at least:

- The employer's name
- The employee's or worker's name, job title or a description of work, and start date
- How much and how often an employee or worker will be paid
- The employee's or worker's hours and days of work, and whether or not they will vary (also if employees or workers will have to work Sundays, nights or overtime)
- Where an employee or worker will be working and whether they will have to relocate
- If an employee or worker works in multiple locations, where these will be and what the employer's address is
- How long a job is expected to last (and what the end date is if it's a fixed-term contract)

- How long a probation period is and what it entails
- Any other benefits (such as childcare vouchers and lunch)
- Any mandatory training, whether or not the employer pays for it

If a previous job counts toward a period of continuous employment, it must also include the start date of that job for employees.

### **Working in a Foreign Country**

If an employee or worker is required to work outside the United Kingdom for more than a month, the main statement must also include the following:

- How long they'll be away from home;
- What currency they'll be paid in;
- What extra pay or benefits they'll receive;
- And the terms of their return to the UK

Other information that the employer must provide on the first day

The employer must also provide the employee or worker with the following information on the first day of employment:

- Sick pay and procedures
- Other paid leave (maternity and paternity leave, for example)
- Notice periods

The employer has the option of including this information in the main statement or providing it separately. If they provide it in a separate document, the employee or worker must have reasonable access to it, such as through the company's intranet.

### **The Wider Written Statement**

Within two months of starting work, employers must provide employees and workers with a more detailed written statement. This must include information on the following:

- Pensions and pension schemes
- Collective bargaining agreements
- Any other right to employer-provided non-compulsory training
- Disciplinary and grievance procedures

### **Issues with a Written Statement**

If an employee or worker is having difficulty receiving their written statement, they should:

1. Try to work out a solution with their boss informally.

2. If this does not work, file a complaint with their employer (employers can also get advice about handling grievances).
3. As a last resort, take a case to an employment tribunal.

The tribunal will determine what employment information should have been included in the statement.

### **Compensation**

If an employee or worker wins a case on another issue (for example, unauthorised deductions from their pay stub), the tribunal may award compensation if their written statement was also defective.

Compensation can be up to four weeks' pay, though the amount a tribunal can award for a week's pay is limited.

### **Contract Types and Responsibilities of the Employer**

The tax and employment responsibilities you have as an employer will be determined by the type of contract you give your employees and their employment status.

The following are examples of contract types:

- Full-time and part-time contracts
- Fixed-term contracts
- Agency employees
- Freelancers, consultants, and contractors

### **Contracts for Full-Time and Part-Time Work**

As an employer, you must provide the following benefits to your employees:

- A written statement of employment or contract
- A payslip showing all deductions, such as National Insurance contributions (NICs)
- The statutory minimum length of rest breaks
- Statutory Sick Pay (SSP)
- Pay and Leave for Maternity, Paternity, and Adoption

You should also:

- Pay employees at least the minimum wage
- Have employer's liability insurance
- Provide a safe and secure working environment
- Register with HM Revenue and Customs to deal with payroll, tax, and NICs
- Consider flexible working requests
- Avoid discrimination in the workplace

- Make reasonable adjustments to your business practises

### **Fixed-Term Contracts**

Fixed-term contracts:

- Last for a specific amount of time
- Are predetermined
- End when a specific task is completed
- End when a specific event occurs

Fixed-term employees must be treated equally to full-time permanent employees.

### **Agency Staff**

You can hire temporary workers through agencies as an employer. This translates to:

- You pay the agency, including the employee's National Insurance contributions (NICs) and Statutory Sick Pay (SSP)
- It's the agency's responsibility to ensure workers get their rights under working time regulations
- Agency workers get the same pay, working time, rest periods, and night shifts as permanent employees after 12 weeks of continuous employment in the same role.
- you must provide the agency with information about the relevant terms and conditions in your business so that they can ensure the worker gets equal treatment after 12 weeks in the same job
- you must allow agency workers to use any shared facilities (for example a staff canteen or childcare) and give them information about job vacancies from the first day they work there
- you are still responsible for their health and safety

### **Contractors, Consultants, and Freelancers**

Hiring a freelancer, consultant, or contractor entails the following:

- They are self-employed or employees of other businesses
- They are often responsible for their own taxes and National Insurance contributions (NICs)
- They may not have the same rights as employees, such as the right to a minimum wage
- you are still responsible for their health and safety

### Zero-Hours Contracts

Casual contracts are also known as zero-hours contracts. The majority of zero-hours contracts are for 'piece work' or 'on call' work, such as interpreters.

#### This Translates to:

- They are available to work whenever you require them
- You are not obligated to give them work
- They are not obligated to do work when requested

Workers who work zero hours have the same rights to statutory annual leave and the National Minimum Wage as regular employees.

The employer is powerless to prevent a zero-hours employee from finding work elsewhere. They can ignore a clause in their contract that prohibits them from:

- Looking for a job
- Accepting a job offer from another company

Employees on zero-hours contracts are still subject to the employer's health and safety policies.

### Further Reading:

- ✓ *Employee Engagement: A Practical Introduction - HR Fundamentals (Paperback)*  
Emma Bridger, 2018
- ✓ *Contracts of Employment: Law, Practice & Precedents*  
Michael Duggan, 2010