

The facts about written employment contracts

A usual employment contract is a written agreement between temporary employees or independent contractors that sets forth the services and pay arrangements of the employee. They are generally used when a relationship is something other than the traditional employer-employee relationship.

Why should an employer use a written employment contract?

Written employment contracts can: establish compensation and benefits; spell out duties and expectations; protect trade secrets and confidential information; and clarify the terms of termination. Other reasons include the desire for a binding arbitration agreement for all employment-related disputes. The contract should be specifically designed to meet the needs of the parties involved and cover all potential legal obligations.

What should be considered when writing the employment contract?

Employers must consider federal and state non-discrimination laws including: Title VII of the Civil Rights Act; the Americans with Disabilities Act; the Age Discrimination Employment Act; the Fair Labor Standards Act; and the Immigration Reform and Control Act. Many state laws go further than federal law and have some form of minimum wage law for job categories not covered by the Fair Labor Standards Act.

Many states impose a covenant of good faith and fair dealing on employers when contracting for employment. Colorado is one of the states that leads the way regarding covenants of good faith and fair dealing.

Written employment contracts should specifically include whatever provisions an employer needs.

What is included in an employment contract?

After a statement of the intent to enter into an employment contract, the first provision usually sets forth the length of the agreement. Then the agreement should list the employee's duties. The contract should specifically state that the employee will exclusively devote full attention to the employment duties as set forth in the contract. The next provision is a secrecy or confidentiality agreement. If included, it should prohibit the disclosure of any such confidential information while employed and for a time period after employment.

The contract must address compensation and benefits, and may do so individually or in a joint provision. The provisions can be simple and set forth an annual wage and state that the employee will be entitled to all benefits provided to similarly situated employees, or may provide a more detailed itemization of employee benefits regarding such items as pay, deductions, leave, and incidental compensation. It should also include the terms and procedures for the specific termination of the agreement.

Miscellaneous provisions include whether and how the agreement may be modified, the effect of the waiver of any provision on the remaining provisions and a statement of which state's law will be applicable in regards to the written employment contract.

For more information, contact CTSI at 303-861-0507.