

Written Employment Contracts



There is no law that will tell you when to ask a new employee to sign a written employment contract, nor are there any hard-and-fast rules. The only thing that can be said for certain is that employment contracts are not for everyone or for every situation. Therefore, you should carefully look at the specifics of your situation and weigh the advantages and disadvantages when making this decision.

A written employment contract is a document that you and your employee sign that sets forth the terms of your relationship with each other. In addition to clearly describing what the employee is going to do for you (the job) and what you are going to do for the employee (the salary), the contract can – if you want it to – address a myriad of other issues, including:

- the duration of the job (for example: one year, two years or indefinitely)
- the specifics of the employee's responsibilities
- the specifics of the benefits (for example, health insurance, vacation leave, disability leave)
- grounds for termination
- limitations on the employee's ability to compete with your business once the employee leaves
- protection of your trade secrets and client lists
- your ownership of the employee's work product (for example, if the employee writes books for you or invents gadgets for you), and
- a method for resolving any disputes between you.

ADVANTAGES

Employment contracts can be very beneficial in circumstances where you want control over the employee's ability to leave your business. If the employee is a high-level manager or executive, or if the employee is especially valuable to your business (for example, the secretary who is the organizational backbone of your office), then a contract can protect you from the sudden, unexpected loss of the employee. It can lock the employee into a specific term (for example, two years), or it can require the employee to give you enough notice to find and train a suitable replacement (for example, 90 days' notice instead of two weeks).

Employment contracts can also be beneficial when the employee will be learning

confidential and sensitive information about your business. You can insert into the contract confidentiality clauses that prevent the employee from disclosing the information or using it for her own gain.

Similarly, a contract can protect you by preventing an employee from competing against you once they leave.

Sometimes, you can use an employment contract as a way to entice a highly-skilled individual to come work for you instead of the competition. By promising the individual job security and beneficial terms in an employment contract, you can "sweeten the deal," so to speak.