



Human Resources for Small Business

An occasional series

No: 5

Employment Agreements

Employment Agreements are a valuable tool in small business. They allow for the clear statement of mutual expectations in the employment relationship. Their exact nature and their legal status tends to vary from one state to another and which award (if any) applies in a particular case. If an award applies, the employee cannot receive less than what they are entitled to under the award.

Nexus recommends that for every employment relationship you have an employment agreement or, at the very least, a detailed offer of employment. That is, no matter if we are talking about a receptionist or whether we are talking about a senior manager, it is advisable to have an employment agreement. Such an agreement should be drawn up and be signed at the commencement of the employment relationship.

The employment agreement can cover off a number of issues, including:

- What award, if any, applies.
- The level of remuneration and the hours worked.
- Travel and entertainment expenses.
- Whether the position is permanent, casual, or part-time.
- Reference to the position description that applies.
- The probationary period and what is expected from both parties during the probationary period.
- What the pay arrangements are.
- Annual leave, maternity leave, parental leave, jury leave, sick leave, and other leave.
- Conflict of interest provisions.
- Various policies and procedures that apply in the workplace, for example, Health and Safety, Equal Opportunity and Harassment Prevention, and IT and other electronic equipment usage, and what are the consequences for a breach of those policies.
- Performance review.
- How the employment relationship may be terminated and what factors may lead to termination.
- Redundancy.

Every employee should be inducted into the business, and the employment agreement can form part of that induction. The policies and procedures referred to in the employment agreement should form a particular focus of the induction: policies must be clearly enunciated, training must be provided, and the policies must be consistently enforced. For example, consider a case reported by the NSW Department of Industrial Relations: An employee who was dismissed for breaching the non-smoking policy won her job back because, although the company had a non-smoking policy, the consequences of breaching was not known nor was the policy adhered to.

Nexus has assisted many SMEs in the establishment of their employment agreements and the policies and procedures that typically apply in the workplace.