

Employment contracts: Employee guide

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In this guide on **employment contracts** I cover negotiation, notice periods, bonus terms, benefits and restrictive covenants.

Employment contracts and reading the small print

The small print in **employment contracts** can often be overlooked. If you are not happy in a job and then receive a job offer you might be very keen to sign up to the new **employment contract**. You would though be foolish to sign the contract without properly understanding all the terms. So often employers only read the detail when they are about to leave the organisation. However, the time to read the small print is before you sign.

Negotiation

When you have read the **employment contract** you may feel that not all the points which you negotiated on are covered off. It is important that the terms that have been agreed are reflected in the contract. There could be terms that are sneaked in which you did not discuss, and you need to be sure that such clauses are acceptable to you.

You may be worried about negotiating with your prospective employer because it could have a detrimental affect on the relationship. In fact if you do raise reasonable points your boss-to-be is likely to be impressed with for picking up on matters and negotiating rather than simply accepting.



Notice

The length of the **notice** will often depend on the seniority of the role. For more junior employees a notice period of four weeks could be appropriate. For more senior employees a notice period of three months may be common. Board members, for example, might have notice periods of six or even twelve months.

The employer is obliged to provide minimum statutory notice, based on service, regardless of what the employment contract states.

Do make sure that the notice period that you have to give is the same as the notice that the employer has to provide. Sometimes employers require employees to provide more notice than them.

When negotiating any notice period remember that a long notice period will provide you with greater protection if your employment is terminated. Depending on the wording of the **employment contract**, you could be made to work your notice, be placed on garden leave for the notice period or paid in lieu of your notice (with your employment ending immediately). In all scenarios a longer notice period will provide greater financial security. The downside is that you could have to wait a longer time to start with a new employer. This could suit the employer, particularly if you are heading off to a competitor.

Bonus terms

While most [bonuses](#) tend to be discretionary, it is better for the bonus to be mentioned in the **employment contract**. There will usually be discretionary wording in the contract stating, for example, that a bonus in one year does not guarantee a bonus in a future year and that the bonus will depend on a number of factors. These factors could be individual performance, section performance and the overall performance of the organisation.

Often a clause states that you will only be eligible to be considered for a bonus if neither you nor your employer has served notice on payment date for the bonus. This means that you would lose any opportunity for a bonus if you resign before receiving the bonus payment.

If you agree a bonus which is more formulaic, based on sales or revenue, make sure that the bonus arrangements are clearly reflected in the contract. Likewise, there should be provision for any guaranteed bonus.

Benefits

Typical benefits could include medical cover, life insurance, permanent health insurance and pension contributions. There are an increasing range of benefits that employers offer. Do check that what has been offered is mentioned in the **employment contract**.



Restrictive covenants

Whether [restrictive covenants](#) are included in your **employment contract** will usually depend on your seniority and access to confidential information and client connections.

A restriction could prohibit you for a specific period from joining a competitor or setting up in competition. Other restrictions could preclude you for a specific period from soliciting or dealing

with clients or poaching staff.

The restriction will only be enforceable if it goes no further than necessary to protect the legitimate interests of the business.

The time to consider the restriction (including the likelihood of it being enforceable) is before signing the **employment contract**. It may be appropriate to negotiate on restrictions.

This guide is intended for guidance only and should not be relied upon for specific advice.

If you need advice on **employment contracts** or have queries relating to other employment law issues please do not hesitate to [contact](#) me on [0203 797 1264](tel:02037971264).