Are Terms of HR Manuals Contractually Binding?



Poor employee maintenance of company laptops is costing ABC Co. a fortune. So, ABC sticks a new rule into its HR Manual: From now on, employees issued a laptop must pay a $100 annual user fee. After signing her employment contract, which doesn't mention the fee, new employee Lucy Tania is handed and told to sign a copy of the HR Manual. She does. But when the Company asks her to fork over the $100, Lucy refuses, claiming the fee is unfair and that she never agreed to it.

QUESTION

Does Lucy have a contractual obligation to pay the laptop fee?

Yes, because she signed the HR Manual

1. No, because she didn't expressly say that she accepted the fee.
2. Yes, because ABC can charge its employees any fees it wants.
3. No, because ABC didn't give Lucy anything of value for accepting the fee.

ANSWER

Under the laws of contract law, Lucy is not obligated to pay the fee.

EXPLANATION

Although the case is hypothetical, the principle it illustrates is very real: Sticking a provision into an HR Manual doesn't necessarily make it a *contractual* obligation. HR Manuals establish the rules governing conduct in the workplace; employment contracts establish the economic provisions of the relationship. To the extent the fee in this case is an economic provision, it belongs in the contract, not the HR Manual.

The distinction between contractual and employment obligations isn't a big deal as long as employees do what they're supposed to. But if and when disputes arise, the question of whether an employee has a contractual obligation to do something has critical economic implications that can mean tens of thousands of dollars in or out of your pocket.

WHY WRONG ANSWERS ARE WRONG

A is wrong because to create a *contractual* duty obligating Lucy to pay the fee, ABC had to provide her consideration, i.e., something of value in exchange. Just getting Lucy's signature on the HR Manual without giving her consideration isn't enough.

B is wrong because Lucy doesn't have to specifically *say* that she accepts a provision to be bound by it. She need only sign the document and accept consideration in return. In this case, there was a signature but no consideration.

C is wrong because employers can't simply impose fees unilaterally by sticking them into the HR Manual. Fees and charges must be negotiated and incorporated into the contract—either the individual employment agreement or collective agreement.