The Basic Employment Agreement



5 basic plus 9 more employment agreement components

A handshake and a verbal agreement are a great way to confirm the sale of a new kitten or style of a haircut. It is not the best way to confirm an employment offer or the acceptance of an employment offer.

There is a range of options to include in an employment agreement. Some overly complicated agreements do not stand up in a dispute. Some agreements are sparse and do not offer protection to anyone.

Employment agreements are a way to demonstrate and solidify expectations for both parties. However, they can become anchors around the necks of many employees. They can also sometimes cause the best employees to walk away from the hiring conversation if they are too odious. It is important to protect both your organization and your potential employee's rights.

Verbal Agreements are Binding

It is important to keep in mind that a verbal offer of employment is binding. You can't substitute a written offer with different details at a later point in time without full consent from the employee. Sometimes it is better to simply offer a verbal job offer along with at basic employment offer and indicate an employment agreement is forth coming. Ensure the employee has an employment agreement in hand, and signed, before commencement of work.

Your employment agreement can be a simple offer of employment letter with basic details. In most cases, this will suffice. Exceptional cases require that you include a legal document with extensive details.

Employment Agreement Content

Here are some of the common factors to consider when putting together an employment agreement

Basic Should Haves

- **Identity:** Name of employee and employer including contact information
- **Employment Details**: Job title, starting date, location of employment and job details including duties and responsibilities (reference and include a copy of the job description)

- **Financial compensation** (including base salary, bonuses, commissions, time tables for raises, stock options, profit sharing, RRSP pension contributions)
- **Hours of work** (amount and possible specific hours) including breaks (when and how much if relevant) and details of how overtime will be compensated. If the employee works remotely these details should still be included (for freelance remote workers you may not include these details)
- **Signatures and dates** for both parties

Additional Components

- Identify a **probationary period** under which severance, notice and benefits do not kick in
- **benefits including vacation and sick** time including information about **accruals** (does vacation and/or sick time carry over and if so how much)
- **Change of role** notice whereby with reasonable notice the employer may change aspects of the employee's job
- Agreement to follow **organizations policies** as a part of employment
- Terms of **termination and severance** (if you include severance details you must include at least the minimum required by the Employment Standards Act (ESA) but you may include more or leave the amount blank).
- **Mitigation** in the event you terminate the employee and the employee receives severance you can spell out that the employee must seek a new role to mitigate your financial responsibility. If the employee finds a new role indicate that severance will be terminated (or in the event the new role pays less money the severance will cover the difference until the end of the severance period)
- **Relocation notice** indicating you may relocate an employee to another branch with reasonable notice
- **Post-employment restrictions** such as non-compete, non-disclosure and non-solicitation of clients/customers or other employees (watch your language to ensure these are specifically and narrowly drafted and appropriate for your jurisdiction)
- **Notice of Resignation** – whereby you clarify the minimum notice of leave an employee must provide.

Depending on the role, you may also include details about stock options (including details about unvested stocks) and intellectual property rights within your agreement.

Ensure that any employment agreement is clear and unambiguous. Provide employees with poor reading skills a verbal review of the information. Provide alternate format agreements for individuals with disabilities. If you believe an employee does not understand the agreement, suggest that the employee seek counsel from another party.

Do not go overboard with agreements. Ensure you cover what you need to protect your business without alienating a potential employee.

Additional Resources

Can Employment Contracts Be Airtight? Avoiding Common Pitfalls