

Employment Contract

Principle:

All workers are given in writing, in a language they understand, the details of their working conditions, including as a minimum, the nature of the work to be undertaken, rate of pay and pay arrangements, working hours, vacation and other leave, and other benefits of employment.

Key message:

Employment contracts must be understood and signed by workers, who are given copies to keep.

Definition

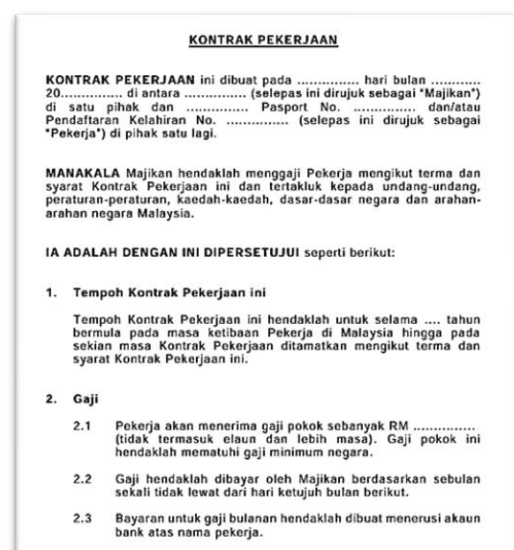
“An agreement between a worker and employer about remunerated work, wages, working conditions and the rights and obligations of each party to the labour relations.”¹

What is an employment contract and why have them?

- Employment contracts describe the relationship between an employer and a worker.
- It describes the roles and responsibilities of the worker, their working hours, pay and other terms of employment.
- Employment contracts are important for workers to know what is expected of them.
- Contracts provide security and protection for employers and employees.
- An employment contract should be understood and signed by the worker, who should also receive a copy of it.

Facts:

- Any changes to contracts should be made after informing and seeking consent from workers.
- Among those who have contracts, only around half have permanent contracts.
- Formal contracted employment is becoming more common in emerging and developing countries.
- Yet, only around one quarter of workers are in a stable employment relationship.



The terms of employment should be understood by the worker before they sign any contract.

¹ International Labour Organisation. 2019. Employment Contract. https://www.ilo.org/wcmsp5/groups/public/--asia/--ro-bangkok/--ilo-hanoi/documents/publication/wcms_768791.pdf



What is expected at sites?

- Contracts should be signed by all workers and be in an appropriate language. Copies should be kept by the employee and employer.
- Terms of employment should be explained to workers who are unable to read or understand their contracts - this must be recorded through documentation, i.e., attendance sheet, photos, summary of explanation.
- Signed contracts should be stored securely and accessibly.
- Any changes to contracts should be made after informing and seeking consent from workers.

What should be in an employment contract?

- Names of the employer and worker;
- Job title and description;
- Place of work;
- Employment start date, and end date if on a fixed term contract;
- Rates of pay or the way pay is calculated, including overtime pay;
- Dates and methods of payment;
- Description of additional benefits, fees, deposits, advancements, etc;
- Expected working hours, days and overtime procedures;
- Terms of holiday entitlement, sick leave, other time off, and how payment is calculated during these periods;
- Notice periods before workers' leave.

Short-term contracts:

- Short-term contracts are contracts that only guarantee employment over short periods of time.
- Workers on short-term contracts should not be discriminated against. This includes ensuring that all workers are on equal pay, working hours and terms of employment regardless of their contract length.
- **Continued below**

Subcontractors:

- Sites should perform a due diligence check on all third parties before their services are used.
- Due diligence includes:
 - talking with the subcontractor about the terms under which they employ workers. If the subcontractor describes practices that are illegal or consistent with exploitation, their services should not be used.
 - speaking with subcontracted employees to identify any indicators of exploitation or illegal practice.
 - speaking with other companies that have used the subcontractor, to check if there is any history of exploitation or illegal practices.
- Sites should sign contracts with subcontractor agencies outlining the terms under which subcontracted workers are employed.
- Subcontracted workers should sign and be provided with copies of contracts describing terms of employment.
- These should be in an appropriate language for the workers, and explained to those workers who are unable to read.
- Subcontracted workers must understand and sign their contracts before they leave their country or home area.
- Sites are responsible for ensuring that subcontracted workers are employed according to the terms of their contract and are receiving full payment for their work.



- The site should not discriminate against groups - such as women or migrants - through the use of short-term contracts.
- The use of short-term contracts should be avoided where possible; long-term contracts should be introduced.
- Short-term contracts should not be repeatedly given to regular workers.
- A credible plan should be developed by the sites, in dialogue with workers' representatives, to transition all workers onto long term contracts where possible.
- All new workers should be placed onto long-term contracts. A probationary period of up to six months for new workers is acceptable.

Additional information and resources:

- [Convention 1 Hours of Work – Industry, 1919](#)
- [Convention 14 Weekly Rest – Industry, 1921](#)
- [Convention 102 Social Security - Minimum Standards, 1952](#)
- [Convention 131 Minimum Wage Fixing, 1970](#)
- [Recommendation 116 Reduction of Hours of Work Recommendation, 1962](#)
- [Responsible Business Alliance: Working Hours/Days Off Guidance](#)
- [ILO: Minimum Wage Policy Guide](#)
- [Earthworm Foundation's Respect for Workers Principles](#)

DISCLAIMER: The information in this document is prepared for a brief and general guideline for informational purposes only. Best efforts have been made to ensure that information included is correct to the best of our knowledge but, whilst EF may make up dates from time to time, EF has no obligation to do so and cannot be held liable for the accuracy of the information. The information provided is 'as is' and no warranty is made as to the completeness, accuracy or reliability of the information. As far as it is permitted by law, Earthworm Foundation (and its affiliates, subsidiaries and representatives) will (a) not be liable for any claims or damages related to the quality, completeness or accuracy of the information, (b) not owe any duty of care to the reader of this document, (c) not bear liability for any direct or indirect consequence due to error, misstatement or omission by EF. Readers are strongly encouraged to use this information as a guide to do their own research and to ensure that any relevant laws, rules, regulations and / or guidelines relevant to their company or business operations are adhered to.