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Guidance on Types of Employment Contracts

This is a brief summary of the main types of employment contracts and the kinds of situations where they are likely to be most useful. It is for general guidance/information only.

Standard Salaried

This is the most common type of contract, suitable for:

- Employees with fixed hours and days
- Monday to Friday working
- Where overtime/extra hours are rarely required and are voluntary
- People well above the minimum wage

It is not suitable for people earning at or just above the minimum wage as "salary" means taking the annual pay, dividing it by 12 and paying an equal amount each month. As the number of working days in the month varies, for low paid workers a salary could result in a technical breach of minimum wage regulations.

Standard Hourly Paid

This is suitable for:

- Employees with fixed hours and days
- Monday to Friday working
- Where overtime/extra hours are sometimes required
- Low paid workers

Accurate records of working hours must be kept and employees must be paid for the actual hours worked each pay period (weekly/fortnightly/monthly).

Annualised Hours

This is suitable for:

- Employees whose working hours may vary through the year, eg seasonal workers in hotels, museums etc.
- Monday to Sunday working

- Overtime is not paid
- Low and high paid workers though care must be taken with minimum wage workers to avoid breaches of minimum wage

It is similar to salaried in that employees are paid 1/12th of the annual pay in each month. Accurate recording of hours worked is required, plus regular review and management of both working hours and holidays.

Term-Time

This is suitable for:

- Employees who work in school terms only
- Monday to Friday working

This kind of contract can be complex and needs careful drafting/management. Employees on this kind of contract are not permitted to take holidays during school terms.

Zero Hours

This is suitable for:

- Employees who will not be required to work every week
- Monday to Sunday working
- Cover for busy periods or staff absences
- Irregular work such as large events
- Low paid hourly rate workers
- People who are not always available for work, such as students

There are a few things to note about this contract:

- The employer is not obliged to offer work and the employee is not normally obliged to accept it (though there can be limits to this)
- As the employee is not guaranteed any work, they are free to seek other work which may reduce their availability
- If people on these contracts work every week for a long period, they effectively cease to be zero hours contracts

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Variable Hours

This is suitable for:

- Employees who will work every week but whose hours will change each week
- Monday to Sunday working
- Hospitality, etc.
- Low paid hourly rate workers

Employees must be paid for every hour worked in the pay period (weekly/fortnightly/monthly) so accurate timekeeping is required.

Casual Worker

This is suitable for:

- Occasional work to cover absences or unexpected demand – less than the zero hours worker
- The employer is not obliged to offer work and the worker is not obliged to accept it

Temporary or Fixed Term Contracts

This is suitable for:

- Covering an employee absence for sickness, maternity, etc.
- Project work
- Any work which is time limited and will last for less than two years

Care must be taken to end these contracts correctly, and in particular the contract must not be allowed to continue after the set termination date, or it becomes a permanent contract by default. In any case, a temporary contract cannot be effective after two years' service, as the employee will have acquired full employment rights at that point.