Creating an employment agreement

You must have a written employment agreement (also known as an employment contract) for all employees — though you don’t need them for contractors or volunteers.

Creating an employment agreement, Use our DIY tool (https://eab.business.govt.nz)

Types of employment agreement

A written employment agreement is a legal requirement, and it’s a great foundation for an employment relationship. It helps you and your employee be clear on:

- what the employee needs to do
- what to do if things aren’t going well
- the benefits and obligations you’ve agreed to.

It’s the place you can include all the details on what’s expected. Both you and your employee can refer back to it if there is any disagreement on how well they are performing their role.

If a collective agreement covers your workplace, your new employee must get the same terms as the collective agreement — or better terms — for the first 30 days of employment.

After 30 days, if the employee hasn’t joined the union, the employer and employee can agree to make changes or sign a new individual agreement.

Our new Employment Agreement Builder helps you create contracts tailored to your business and to each person you employ. It’s packed with tips to help you decide what to put in your agreement — and what NOT to put in. It covers what you must do by law, and also sets out common mistakes made by employers and how to avoid them.

Employment Agreement Builder(external link)
(https://eab.business.govt.nz/employmentagreementbuilder/startscreen/)

Individual

An individual employment agreement is a contract between an employer and an individual staff member. The details of the contract only apply to that employee.

Collective

Collective employment agreements cover similar points to individual agreements, but the terms are agreed between an employer and a union representing a group of employees. Everyone who’s a member of that union will have the same agreement, usually with a pay scale for different jobs or different levels within jobs.

Quiz

Test yourself on employment basics

Find out what you know about hiring and managing people.
What you need to know

For all types of employment agreements, you must:

- put the agreement in writing and include at least the mandatory clauses
- keep a copy, and give a copy to your employee you both must sign these copies
- tell your prospective employee they can seek independent advice before signing the agreement
- give them a reasonable amount of time to get that advice
- consider and respond to any issues they raise.

Case study

Nipping problems in the bud

Jon, a science teacher, is offered a permanent job at an area school near Cromwell. He tells the acting principal he’d like to look over the collective agreement before signing his letter of offer. The principal agrees.

Jon asks his union, the Post Primary Teachers’ Association, to go through the collective agreement and letter of offer with him. They immediately notice it’s out of date — a new collective agreement is in place. Jon tells the principal why he won’t sign the letter of offer and points out the salary increments have gone up.

The principal apologises and gives Jon the correct agreement. Jon signs the letter of offer and both Jon and the principal are happy that the union helped spot the mistake and avoid future problems.

Other rules for collective agreements

You must allow your employees:

- access to unions
- to collectively bargain terms and conditions of employment — themselves or through union representatives.

If there’s a collective agreement in place at your business, you must:

- tell any new employees about it, and give them a copy
- let them know they can join the union and provide contact details
- confirm to the employee that they’ll be bound by the collective agreement if they join or belong to the union
- notify the union if the employee chooses to sign an individual contract (only with the employee's consent).


Creating an employment agreement
There are clauses you must include, and others you can include if relevant or useful to your business and/or the role.

**Mandatory clauses**

An employment agreement must include:

- the names of the employer and the employee
- their position or job title/a description of the work they’ll do
- where they’ll work
- what their agreed hours of work will be — or if there are no agreed hours, an indication of working time arrangements
- how much they’ll be paid
- that they will be paid (at least) time and a half for working on a public holiday
- that the employee will be required to work on a public holiday (if this a requirement)
- what will happen if you decide to restructure or sell the company
- what to do if there’s a problem in the employment relationship - including a note that personal grievances must be lodged within 90 days.

Changes to employment law mean employers can no longer offer zero-hours contracts. Read about [Hours of work](https://employment.govt.nz/hours-and-wages/hours-of-work/) on the Employment New Zealand website.

If shifts may be cancelled or cut short, this must now be specified in your employment agreements, along with details on how much notice will be given and what compensation will be offered. The [shift cancellation clause](https://eab.business.govt.nz/employmentagreementbuilder/terms/shiftCancellation) in our Employment Agreement Builder has tips on how to work out what reasonable notice and reasonable compensation means for your business.

You don’t have to include legal entitlements, like four weeks’ annual leave or rest and meal breaks, unless you’re offering more than the minimum. But including them makes it clear for your employee.

**Fixed-term agreements**

These must include a clause setting out the length of the term, the reason for the fixed term, and a detailed reason for the fixed term ending at the specified date or event. If you leave these out, the fixed term might be ruled invalid — and your employee will become permanent.

Read more about [hiring fixed-term employees](https://hiring-and-managing/hiring-people/hiring-fixed-term-and-casual-employees/), including examples of what to put in the employer agreement.

**Casual workers**

If you’re employing someone on a casual basis, the hours of work clause should say they’re employed on an “as required” basis and can agree to work if asked, but they don't have to. You can offer a minimum number of hours for each work session, but you don’t have to.

**Optional clauses**

These set out additional terms, conditions or benefits that apply to your business or the person you’re hiring, including:

- trial periods
- overtime payments or time off in lieu
- use of work vehicles and/or parking spaces
- uniform or other dress code
- confidentiality
- study leave
- drug testing.
Choose carefully — some optional clauses are only relevant for certain industries or employee types. Our new Employment Agreement Builder (https://eab.business.govt.nz/employmentagreementbuilder/startscreen/) will help you decide which to put in and which to leave out.

**Hiring casual employees** (https://eab.business.govt.nz/employmentagreementbuilder/startscreen/) - tips and advice

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They can be a great way to get the help you need while staying flexible, but the contracts can be tricky.
Here's what you need to know

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