

Training and Development
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Module - 01
Lecture - 03
Employment Contract

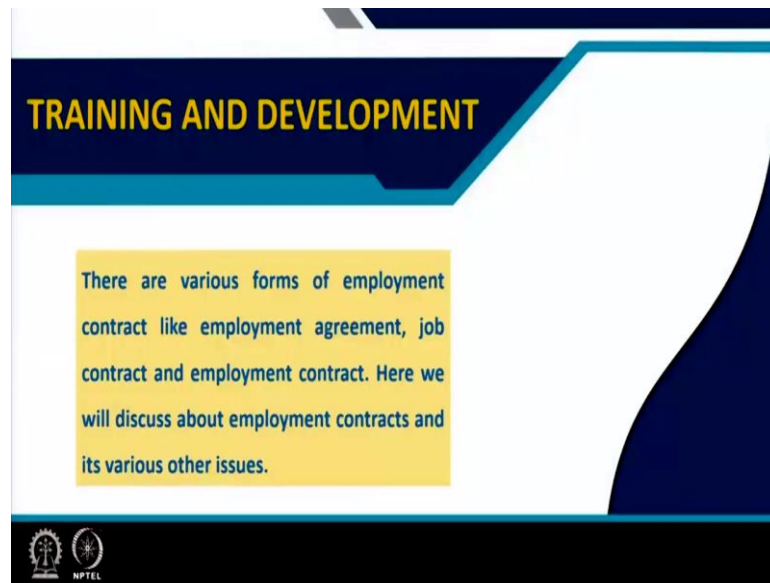
Welcome back to the sessions on Training and Development. Today is the 3rd lecture of the 1st module, week 1. In today's lecture we are going to discuss on Employment Contract. In the earlier two lectures, we have come to know about what is the basic definition of training purpose of training, who is an employee.

In the 2nd lecture, we came to understand about the employer employee relationship and which extends maybe beyond only doing giving service to the organization and receiving wages or salaries with respect to it and beyond it towards the development of the employees the responsibility that the employer has towards the employees and the employee's responsibility also contribute back towards the cause of the organization.

In the sphere of that discussion only, today we are going to see what employment contract means what is there which is defined as per the legal perspectives if you are looking at the employment contract from the industrial relations perspective.

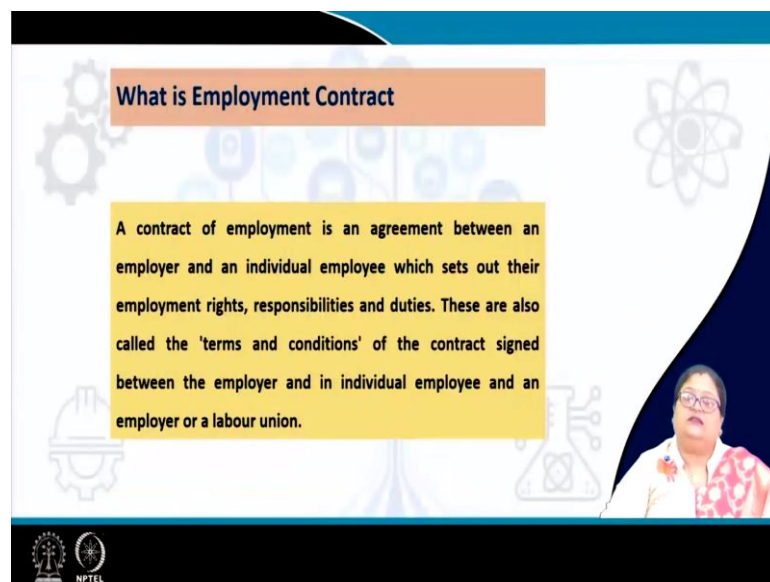
And we get to see what is the place of training and career development in that definition given and what really employers and employees have to do to go beyond that contract to arrive at a psychological contract and to focus on each other's development. So, let us begin for today's discussion.

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We understand like there are various forms of employment contracts like employment agreement, job contract and employment contract. Here we will discuss about employment contracts and its various other issues.

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These terms and conditions of the contract are signed between the employer and with the individual employee and also an employer or a labor union.

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What is Employment Contract

An employment contract is a agreement for an agreed duration for the exchange of service and remuneration between two parties. It may include information about compensation (pay/wage), vacation time, the job description and duties, probationary periods, duties of confidentiality, termination procedures, and information about both the employee and employer

The slide features a blue header and footer with the NPTEL logo. The main content is on a white background with a yellow text box. A video feed of a presenter is visible in the bottom right corner. The background includes faint icons of gears, a hard hat, and a molecular structure.

An employment contract is an agreement for an agreed duration for the exchange of service and remuneration between two parties. It may include information about compensation which is pay or wage, vacation time, job description and the duties, probationary periods, duties of confidentiality, termination procedures, and information about both the employee and the employer.

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How Employment is Taken Place

There are different stages through which an employment is made for an applicant to a company or an organization. Such as-

- Advertisement/notification for situation vacancy
- Interview/discussion/negotiation
- Employment offer with a reasonable signing deadline
- Signing of offer letter by worker/employee
- Any pre-condition is satisfied
- Employment contract is made and employee/worker starts work

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Now, if we are discussing like how employment takes place, we understand like there are various stages through which an employment is made for an applicant to a company or

an organization. Such as through advertisements, notification for situation vacancy, interview. Then discussion or negotiation, employment offer with a reasonable signing deadline, signing of offer letter by worker or employee, any precondition that is satisfied, an employment contract is then made and the employee or the worker starts to work.

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The slide features a title 'Issues Relating to Employment Contract' in a blue box. Below it, a yellow box contains the text 'Following are some important aspects of contract of employment that taken into consideration:'. A list of seven items follows, each preceded by a blue arrowhead. The slide also includes decorative icons of gears, a hand holding a gear, and an atom symbol. A small inset video of a woman is visible in the bottom right corner, and the NPTEL logo is in the bottom left corner.

Issues Relating to Employment Contract

Following are some important aspects of contract of employment that taken into consideration:

- Who is going to be an employee
- Legal formalities involved for employment contract
- Mutuality of obligation
- Bonus provision for the employees
- Statute/common law implied
- Disciplinary process
- Confidentiality and return of property

If you are seeing, what are the important aspects of the contract; we get to understand that the employment contract defines very clearly who is going to be an employee. The legal formalities involved for employment contract, mutuality of obligation, bonus provision for the employees, statute and common law implied, disciplinary processes, confidentiality and return of property.

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Mandatory Information in any Employment Contract

Following important information are mandatory for any contract:

- Name of the employer and the employee
- Address of the employer
- Place of work of an employee
- Designation or title of the job along with job description and designation
- Date of commencement of employment
- Probation period
- Criteria for performance evaluation
- Acceptance of terms of reference

The slide features a blue header, a yellow text box, and a small inset video of a woman in the bottom right corner. The NPTEL logo is visible in the bottom left corner.

Some of the information's which are mandatory for any contract are name of the employer and the employee address of the employer, place of work of an employee designation or title of the job along with job description and designation date of commencement of employment, probation period, criteria for performance evaluation and acceptance of terms of reference.

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Mandatory Information in any Employment Contract

Information about salary and other benefits required for any contract:

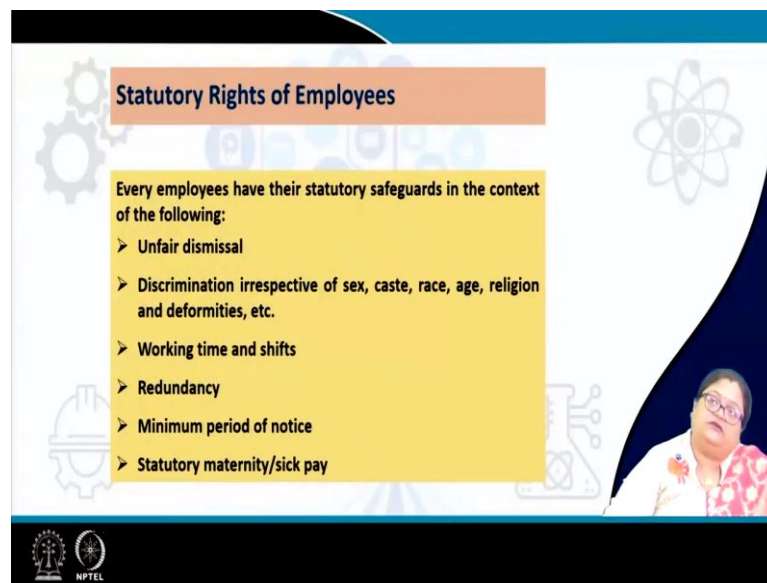
- Salary or wage of the employee
- Overtime (if the applicable)
- Information about any other payment to which the employee is eligible
- Method of payment and wage calculation
- Additional benefits
- Pension scheme
- Annual leave entitlement
- Conditions related to taking leave
- Sick leave and other paid leaves

The slide features a blue header, a yellow text box, and a small inset video of a woman in the bottom right corner. The NPTEL logo is visible in the bottom left corner.

The information about the salary or other benefits which are required for any contract or salary or wage of the employee over time if applicable, information about any other

payment to which the employee is eligible, method of payment and wage calculation, additional benefits, pension scheme, annual leave entitlement, conditions related to sick leave, sick leave and other pain sorry conditions related to taking leave, sick leave and other paid leaves.

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Statutory Rights of Employees

Every employees have their statutory safeguards in the context of the following:

- Unfair dismissal
- Discrimination irrespective of sex, caste, race, age, religion and deformities, etc.
- Working time and shifts
- Redundancy
- Minimum period of notice
- Statutory maternity/sick pay

The slide features a blue header with the title 'Statutory Rights of Employees'. Below the title is a yellow box containing the text 'Every employees have their statutory safeguards in the context of the following:' followed by a bulleted list of six items. The background of the slide is white with faint icons of gears, a hand holding a tool, and a molecular structure. A small inset image of a woman is visible in the bottom right corner. The NPTEL logo is at the bottom left.

Employment contract also safeguards the employees against certain practices of the organization like unfair dismissal, discriminatory practices like discrimination irrespective of gender, caste, race.

The statutory rights of the employees also safeguard the employees against some of the practices in the organization like unfair dismissal, discrimination irrespective of gender, caste, race, age, religion, deformities etcetera. Working time and shifts, redundancy, minimum period of notice, statutory maternity or sick pay.

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The slide features a blue header with the title 'Types of Employment Contract' in white text. Below the title, a yellow box contains the text 'There are three types of employment contract, like-' followed by a bulleted list: 'Permanent employment contract', 'Temporary employment contract', and 'Independent contractor/consultant'. The slide is decorated with icons of gears, a hard hat, a circuit board, and an atom. A small inset video of a woman is visible in the bottom right corner. The NPTEL logo is at the bottom left.

There are three types of employment contract: permanent employment contract, temporary employment contract, independent contractor or consultant.

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This slide is similar to the previous one, with the title 'Types of Employment Contract'. The yellow box now contains a detailed definition: 'Permanent employment contract is applicable to employees who work regular hours and are paid a salary or are paid on an hourly rate. We can also count it as a permanent employee agreement. This is an ongoing contract unless the employer terminates the employee or the employee resigns by his own.' The slide includes the same decorative icons and video inset as the previous slide.

Now, what is a permanent employment contract? Permanent employment contract is applicable to employees who work regular hours and are paid a salary or are paid on an hourly rate. We can also count it as a permanent employee agreement. This is an ongoing contract unless the employer terminates the employee or the employee resigns by his own.

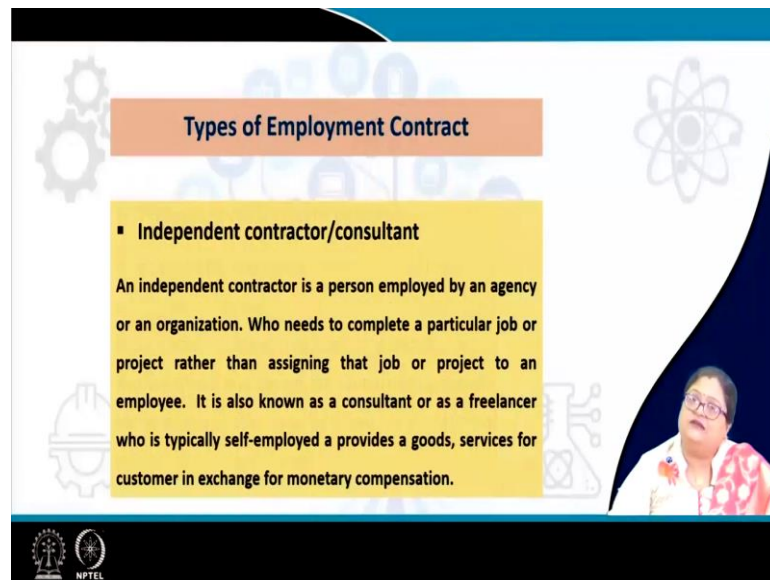
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The slide features a blue header with the title "Types of Employment Contract" in white text. Below the title, a yellow box contains the text: "Temporary employment contract" followed by a paragraph: "Agreements for temporary employment is based on contingent requirements and mainly as a stop gap arrangement. Temporary agreement states the terms and conditions that govern the contractual agreement between two parties (employer and employee) who agree to be bound by the contract." The slide is decorated with icons of gears, a hard hat, and a circuit board. A small video inset in the bottom right corner shows a woman speaking. The NPTEL logo is visible in the bottom left corner.

Temporary employment contract. Agreements for temporary employment is based on contingent requirements and mainly as a stop gap arrangement. Temporary agreement states the terms and conditions that govern the contractual agreement between the two parties, employer and employee who agree to be bound by the contract.

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The slide features a blue header with the title "Types of Employment Contract" in white text. Below the title, a yellow box contains the text: "Independent contractor/consultant" followed by a paragraph: "An independent contractor is a person employed by an agency or an organization. Who needs to complete a particular job or project rather than assigning that job or project to an employee. It is also known as a consultant or as a freelancer who is typically self-employed a provides a goods, services for customer in exchange for monetary compensation." The slide is decorated with icons of gears, a hard hat, and a circuit board. A small video inset in the bottom right corner shows a woman speaking. The NPTEL logo is visible in the bottom left corner.

Independent contractor or consultant an independent contractor is a person employed by an agency or an organization, who needs to complete a particular job or project rather than assigning that job or project to an employee. It is also known as consultant or a

freelancer who is typically self employed and provides a good service for customers in exchange for monetary compensation.

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The slide features a blue header with the title "Other Types of Employment Contract" in white text on an orange background. Below the title, a yellow box contains the following text: "▪ **Written employment contract**
A written contract is a great way to clearly define the role, the responsibilities, and the benefits and to prevent any confusion. Employee is given scope to read carefully all elements of a contract before signing it. There might be legal consequences in case the employee break the contract." The slide is decorated with faint icons of gears, a hand holding a tool, and an atom. A small video inset in the bottom right corner shows a woman with glasses and a red patterned shawl. The NPTEL logo is visible in the bottom left corner.

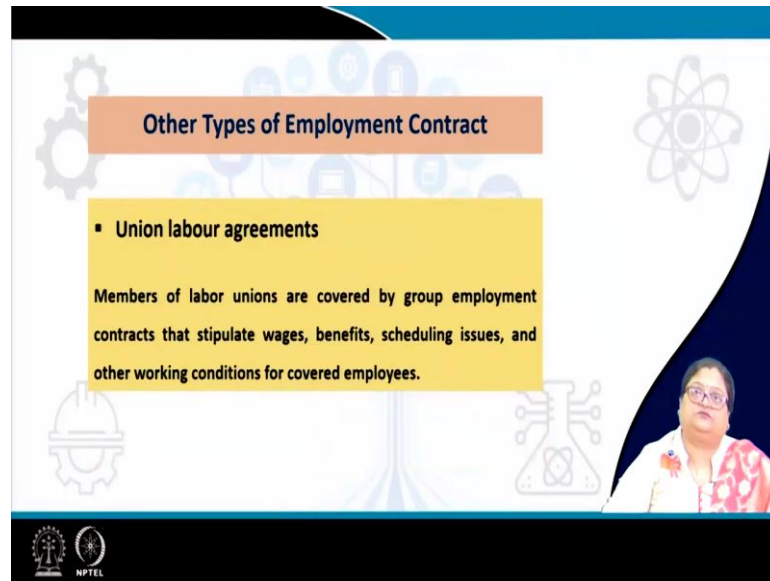
The other types of employment contracts are written employment contract. A written contract is a great way to clearly define the role the responsibilities and the benefits and to prevent any confusion. Employee is given a scope to read carefully all elements of a contract before signing it. There might be legal consequences in case the employee break the contract.

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The slide features a blue header with the title "Other Types of Employment Contract" in white text on an orange background. Below the title, a yellow box contains the following text: "▪ **Implied employment contract**
An implied employment contract is one that is inferred from comments made during an interview or job promotion, or from something said in a training manual or handbook, e.g., a potential employee may be told that the employee's job is a long-term or permanent position unless the employee is fired for a good reason" The slide is decorated with faint icons of gears, a hand holding a tool, and an atom. A small video inset in the bottom right corner shows a woman with glasses and a red patterned shawl. The NPTEL logo is visible in the bottom left corner.

Implied employment contract. An implied employment contract is one that is inferred from the comments made during an interview or job promotion or from something said in a training manual or handbook. Example, a potential employee may be told that the employee's job is a long term or a permanent position unless the employee is fired for a good reason.

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The slide features a white background with a blue header and footer. The title 'Other Types of Employment Contract' is in a blue box. A yellow box contains a bullet point and text. A small inset photo of a woman is in the bottom right. The NPTEL logo is in the bottom left. Faint icons of gears, a hard hat, and a circuit board are visible in the background.

Other Types of Employment Contract

- **Union labour agreements**

Members of labor unions are covered by group employment contracts that stipulate wages, benefits, scheduling issues, and other working conditions for covered employees.

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Union labor agreements. Members of labor unions are covered by group employment contracts that stipulate wages benefits scheduling issues and other working conditions for covered employees.

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| Independent Contractor | Employee |
|---|--|
| Has a personal investment in contracting business | Employer controls the employee's wages |
| Has signed an Independent Contractor Agreement | Has signed an Employment Contract |
| Works on a fixed-term basis | May undergo employment reviews |
| Does not receive employment benefits from clients | May receive employment benefits, such as medical, pension, vacation, or sick pay |

Now, what is the difference between an independent contractor and an employee. Independent contractor has a personal investment in the contracting business if for the case of employee employer controls the employee's wages. Independent contractor has signed an independent contractor agreement, employee has signed employment contract.

The independent contractor works on a fixed term basis employee may undergo employment reviews. The independent contractor does not receive employee benefits from clients; employee may receive employment benefits such as medical pension, vacation or sick pay.

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| Independent Contractor | Employee |
|--|--|
| May hire employees or subcontractors to help complete services | Employer creates his or her job description |
| Customers have little overview of the work or services | Employer controls how the employee's work is carried out |

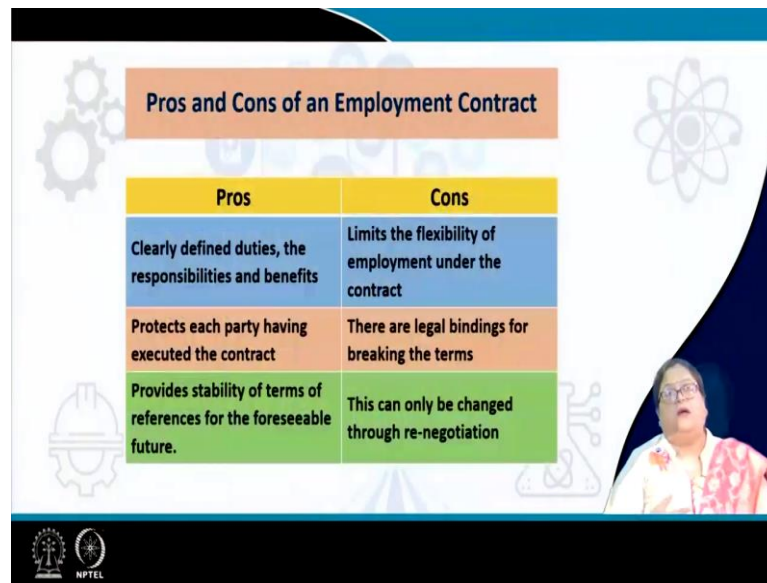
The independent contractor may hire employees or job contractors to help complete services. For the employee, the employer creates his or her job description. Customers have little overview of the workers services in terms of independent contractor. For the employee, employer controls how the employees work is carried out.

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| Basic Consideration of Employment Contract |
|---|
| There are some basic consideration of employment contract. They are as follows: |
| ➤ The contract must be well-written (good content) to be enforceable. |
| ➤ Properly signed up by both the parties (good process) |
| ➤ It must be preserved over time if things change |

Some of the basic considerations of the employment contract are like the contract must be well-written good content to be enforceable, it must be properly signed by both the parties which is a good process and it must be preserved over time if things change.

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The slide features a title 'Pros and Cons of an Employment Contract' at the top. Below it is a table with two columns: 'Pros' and 'Cons'. The table has four rows of content. In the bottom right corner of the slide, there is a small video inset showing a woman speaking. The slide also includes decorative icons of gears and a molecular structure, and the NPTEL logo at the bottom left.

| Pros | Cons |
|---|---|
| Clearly defined duties, the responsibilities and benefits | Limits the flexibility of employment under the contract |
| Protects each party having executed the contract | There are legal bindings for breaking the terms |
| Provides stability of terms of references for the foreseeable future. | This can only be changed through re-negotiation |

Now, what are the pros and cons of an employment contract? The pros are; it clearly defines duties and responsibilities and benefits and cons are it limits the flexibility of employment under the contract. The pros are it protects each party having executed the contract and the cons are the legal bindings for breaking the terms. The pros' part we see provides stability of the terms of preferences for the foreseeable future cons are this can only be changed through renegotiation.

Now, through this discussion when we have gone through the discussions on employment contract you must be wondering like why is this discussion happening again like on employment contract, when we are talking of training and development and where, where do they find a place where do the employment the discussion on employment contract find a place in the discussion when you are going through the sessions on training and development.

The question is very obvious and for that only we have discussed this; in the sense to bring to an awareness bring to give the exposure of the fact like if we are following strictly by the what are the requirements of the employment contract as discussed in today's lecture.

You can see like it is an agreement which binds the employer and the employee. It is a with risk and it clearly states maybe the rights and duties of the employer and employee towards each other, but these are more focused on the compensation part, the wages' part

and maybe the leave benefits these it is more focused and compensation and reward management and to like for maybe the securing the security related things of the employee in the organization.

But as for the development issues of the employees are concerned as for the responsibilities of the employers towards the employee with respect to developing the employees capabilities with by giving training or making the person move through different programs of learning experiences is not like mandated by the requirements of the contract it is nowhere written in the contract like and there is no agreement may be done with respect to that like the companies is definitely going to provide a set of training programs for the enrichment of the employees.

So, in case of like whenever we have discussed about the probation period; yes, they are the employees the new entrance are moved through certain training programs which will make them fit into the job situation, which will help them to understand the job situations, which we talk to be the induction program. So, the orientation training and of course, there is a period of bond which like if they are leaving after receiving that training then they have to like you notice period and bond which they have to return.

So, that portion is maybe a part of the very in that employment contract like if you are going through some orientation programs. If you are going doing some special courses as a part of your orientation or development which is getting sponsored by the organization and if you are leaving immediately after receiving that training and not contributing considerably to the purpose of the organization. Then you have to return back the money or the bond amount and maybe you cannot leave like for a certain period of time.

So, these kinds of things are taken care of these safe guarding issues these binding people together in terms of rules regulations these kinds of things are defined by the employment contract. But it does not make it a part of obligation obligatory at the part of the organization to give employees training. So, it is not obligatory by the terms of contract beyond maybe certain basic training which is required to perform the job in a better way.

So, there for that reason we have discussed this employment contract over here to generate the awareness like there are certain things which are beyond contract; there are

certain contracts which are beyond employment contract which we call to be the psychological contract of the employees and the employers with each other.

And as a part of that psychological contract a bonding develops between the employers and the employees where they start expecting certain things from each other. As a part of psychological contract growing psychological contract the employers definitely want like the entry the employees contribute properly to the needs of the organization towards the organization goals and like be productive in nature and be engaged towards the organization.

But also, the employees want something which is beyond the written contract in terms of psychological contract with the organization like because they are spending their time for the in the organization and contributing their knowledge, their like skills towards the growth of the organization.

Then employees also want some development on their knowledge base enrichment of their competencies and some like learning activities, taking care by the organization which enriches the person per se the employees per se as a. And so, which helps them to become more competent and then which the knowledge which enriches them and also helps them to contribute in a better way towards the organization.

So, when this one-to-one synergy between employer and employee is developed which is beyond this employment written contract whatsoever. So, that is called the psychological contract.

And whenever we are looking at the employees from that perspective whether they are like permanent employees or whether they are temporary employees; the organization can think of developing certain training programs, certain learning programs learning modules for employees whether they are permanent in nature or temporary in nature which helps them to grow, which helps them to become more competent and contribute in a better way towards the organization.

And these mindsets, this perspective of looking at the employees where they are not just like the party to an employment contract, but they are the resources the assets to the organization and the organization by voluntarily investing in them in terms of this

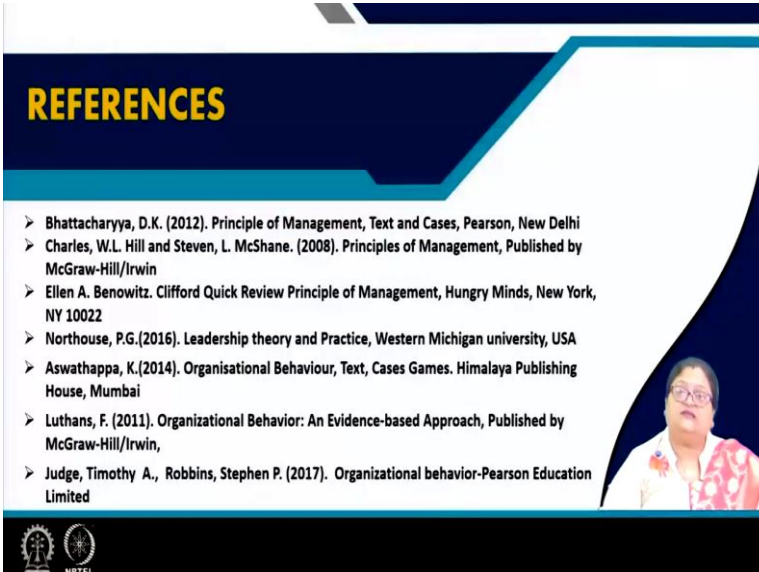
learning and training programs are really going to get return which is manifold more as compared to the like investment which is made.

And this return is in terms of organizational excellence, this term return is in terms of getting the corporate reputation established in the society's mind, this return is also in terms of getting employees who are better like developed competent and engaged towards the goals of the organization.

So, that is why we have done this discussion over here to show like there are certain responsibilities of the employees and the employers towards each other which crosses the boundaries of the employment contracts and that is where is the focus of training and development is.


So, employment contracts are the basic things are the starting of a relationship which is like a hygiene factor which you needs to be maintained but that is not the end that is just the beginning. And with that from that basic platform we have to move way forward, we have to take a journey way ahead in terms of developing the employees, in terms of contributing to the growth of the employees and thinking them recognizing them as human capitals providing giving proper respect and worth to them. So, that they develop and along with that the organization also develops.


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REFERENCES

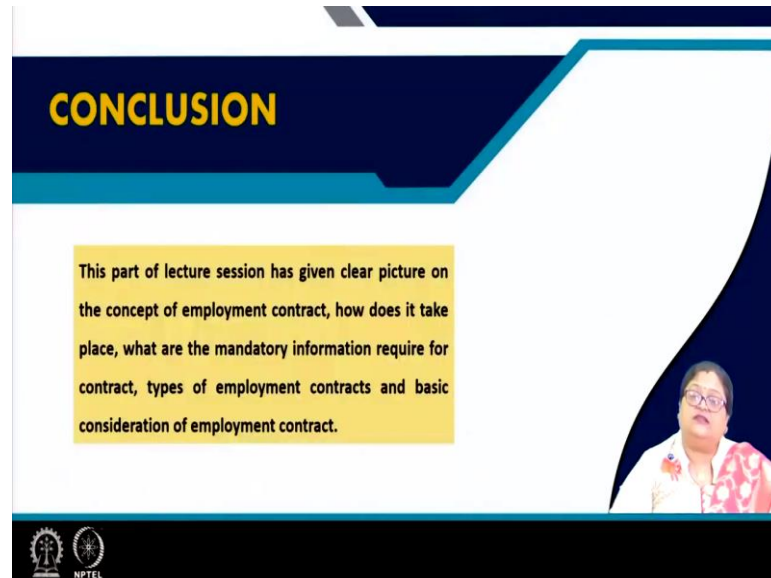
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So, for this lecture, these are the references that we have used for preparing the lecture session.

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And this we can conclude from today's discussion like it has given a clear picture on the concepts of employment contract, how does it take place, what are the mandatory information required for contract types of employment contracts and basic consideration of employment contract. So, in the next session we will continue our discussion on employees as human capitals.

Thank you. See you in the next session.