



Sapphire Workforce Solutions Ltd supporting your business with practical, compliant people management solutions

Employment Contracts for SMEs

Why They Matter and the Risks of Getting Them Wrong

Introduction

An employment contract is more than a legal requirement. It sets clear expectations, protects your business, and helps prevent costly disputes. For SMEs, having robust and up-to-date contracts is one of the simplest ways to reduce employment risk. Investing time in getting contracts right can prevent significant legal, financial and operational issues later.

What Should an Employment Contract Include?

- Job title and duties
- Salary, pay frequency and benefits
- Hours of work
- Holiday entitlement
- Place of work
- Probationary period
- Notice periods
- Sickness absence procedures
- Disciplinary and grievance arrangements
- Confidentiality obligations
- Data protection requirements
- Restrictive covenants where appropriate

Common SME Mistakes

- Using outdated templates
- Copying contracts from other businesses
- Failing to issue contracts from day one
- Not updating contracts when roles change
- Missing confidentiality clauses
- Including unenforceable restrictions

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Risks of Getting It Wrong

Financial Risk: Tribunal claims, legal costs and compensation payments.

Employee Relations Risk: Disputes arising from unclear pay, hours or benefits.

Business Protection Risk: Loss of confidential information, clients or intellectual property.

Compliance Risk: Breaches of employment legislation due to outdated terms.

Reputational Risk: Damage to employer brand and recruitment challenges.

Best Practice for SMEs

- Review contracts annually
- Update following legislative changes
- Ensure terms reflect actual working practices
- Use role-specific templates
- Seek professional HR advice when required
- Retain signed copies securely

Key Takeaway

An employment contract is one of the most important tools for protecting your business, managing expectations, and reducing employment risk. For further information and writing employment contracts for your specific business reach out to Sapphire Workforce Solutions.