



Navigating Types of Employment Arrangements: Casual, Fixed Term, and Permanent

Introduction

Understanding the different types of employment arrangements is essential for both employers and employees. The choice between casual, fixed-term, and permanent agreements can significantly impact the working relationship and legal obligations. In this blog post, we will explore each type of employment arrangement, highlight their differences, discuss suitable circumstances for their use, and shed light on potential issues arising from misclassification.

Casual Employment

Casual employment is characterised by its flexibility, and interestingly, isn't a type of arrangement specifically defined in legislation. Casual employees can choose to agree or decline each period of work which they're offered. The employer offers work on an as-needed basis, and the irregularity is an important feature of a casual arrangement, regarding the hours and/or days of work. This arrangement provides employers with the flexibility to call in workers when demand is high or to cover for absent employees.

Employment Agreement Requirements: Casual employment agreements should clearly state the nature of the arrangement, the work will be offered when available, on an irregular basis, and the employee has the right to decline work without penalty.

Circumstances for Use: Casual employment is suitable for workplaces when they need to cover unexpected staff absence. It's also useful for unexpected additional demand.

Issues from Misclassification: Misclassifying a casual employee as fixed-term or permanent can lead to disputes over entitlements such as leave, impacting both employee morale and employer-employee relations (not to mention, potential costly action, where the employee could be classified as permanent and all leave entitlements would need to be reinstated, even though some leave may have been paid out).

Fixed-Term Employment

Fixed-term employment involves hiring an employee for a specified duration or until a particular event occurs. This arrangement provides certainty to both parties regarding the duration of the working relationship.

Employment Agreement Requirements: Fixed-term employment agreements must clearly specify the start and end dates of the contract, the reasons for the fixed term, and that there should be no expectation of renewal.

Circumstances for Use: Fixed-term agreements are suitable for covering planned employee absences (maternity leave, sabbaticals, long periods of leave without pay), completing specific projects, or addressing seasonal demand.

Issues from Misclassification: If the reasons for the fixed term are not clearly outlined, are treated as permanent, or if an employee is continuously employed on too many successive fixed-term contracts, they could be deemed a permanent employee, triggering entitlements. Also, fixed term agreements cannot be used to trial a person in a role.

Permanent Employment

Permanent employment is the traditional ongoing employment arrangement (whether full time or part time). Employees under this type of agreement have an ongoing employment relationship.

Employment Agreement Requirements: Permanent employment agreements should specify things such as ongoing employment, a description of the work, leave entitlements, remuneration and any benefits, how any employment

relationship problem will be resolved, and how the arrangement might terminate.

Circumstances for Use: Permanent employment is appropriate for roles that are essential to the core operations of the business and require ongoing commitment.

Issues from Misclassification: Misclassifying a permanent employee as casual or fixed-term can lead to claims for entitlements not initially provided.

Differences in employment agreements for all types of arrangement

As well as the differences notes above, there are other differences in regards to the wording required in the employment agreements for each type of arrangement e.g. leave entitlements and description of the arrangement. In some regards, there can be less detail in a casual employment agreement, than in agreements for other types e.g. there are no set hours or days of work in a casual agreement, and more details in a fixed term agreement e.g. detail about the reasons for it being fixed term and how it will end.

Conclusion

Choosing the right employment arrangement is vital for maintaining a healthy and productive working relationship between employers and employees. Understanding the differences between casual, fixed-term, and permanent contracts, along with the circumstances in which each is appropriate, is crucial. Incorrect classification can lead to legal disputes, employee dissatisfaction, and financial liabilities for employers. Therefore, it's essential to clearly define each arrangement in employment agreements and adhere to relevant employment laws, including the Holidays Act, to ensure a harmonious work environment for all parties involved.

Please do not hesitate to call (021 932 332) or [email me](#) to discuss this topic further or request assistance with your employment agreement templates.