

Changing your employees contracts

Considering changes

An employment contract between an employer and an employee or worker is a legally binding agreement.

You can agree the terms and conditions of the contract either:

- in writing, for example in a job offer letter
- verbally, for example during a conversation when you offer the job

Both you and the employee or worker can propose changes to the agreed terms and conditions, but you must both agree to the changes.

In some circumstances, you might have an agreement with a trade union that allows the union to negotiate and agree certain contract changes on behalf of employees and workers.

Changing a contract is sometimes called 'varying a contract'.

[Find out more about employment contracts](#)

How employment contract changes can be agreed

Changes to employment contracts can be agreed in different ways, including when:

- a change is proposed by either you, or one or more employees or workers, which you then discuss and agree with them
- you have a 'collective agreement' with a trade union and the union agrees changes to terms and conditions on behalf of your employees or workers
- employees or workers agreed to a term in the contract (a 'flexibility clause' or 'variation clause') that lets you change certain employment terms in some circumstances
- a change happens through 'custom and practice' – terms and conditions change over time and everyone's agreement can be implied

What to consider first

As an employer, before you propose an employment contract change you should consider:

- what issue you're trying to solve
- if a contract change is definitely needed to solve it

This can help you be clear about what you want to achieve and the different ways you could achieve it.

For example, a business is looking to reduce costs. Before considering potential contract changes, they might look at:

- how they can improve ways of working
- if they can make savings elsewhere

It will help when informing and consulting with employees and representatives if you have:

- explored other options
- made clear why you need a contract change

The importance of following a fair procedure

You must follow the [Code of Practice on dismissal and re-engagement on GOV.UK](#). You might have your own dismissal and re-engagement policy, but the Code is the minimum procedure you must follow.

If a case reaches an employment tribunal, the judge will consider whether the employer has followed the Code of Practice in a fair way.

The Code says you should contact Acas for advice before introducing the possibility of dismissal and re-engagement.

[Contact the Acas helpline to get advice on dismissal and re-engagement](#)

When you might consider employment contract changes

Examples of when employers might need to consider employment contract changes include:

- to make sure contracts are up to date with new laws or regulations
- to better reflect someone's job role, if it has changed
- to introduce or change terms and conditions, for example contractual redundancy pay, enhanced maternity or paternity leave and pay, or details of a pension scheme
- to reflect changes to an organisation, for example if it's considering moving to a different location
- helping an organisation better adapt to changing customer needs
- economic reasons, for example if an organisation is considering a restructure or other changes to stay competitive in a changing market

While in some circumstances changing an employment contract can bring benefits to an organisation and its employees, it can also bring significant risks. You should think carefully about the best way to address the issue you're trying to solve.

Risks to consider

Changing contracts can sometimes cause tensions in an organisation. If changes are not managed well then risks may include:

- damaging working relations
- legal claims, for example claims of breach of contract or [constructive dismissal](#)
- a decrease in commitment and performance, if employees do not support the changes, or feel they have not had the opportunity to inform decisions
- increased levels of stress or absence
- [discrimination](#), for example if changes are introduced that apply to a group of employees but put employees with a certain 'protected characteristic' at a disadvantage
- valued people leaving an organisation, if you propose a change they do not support or agree to

- reputational damage to an organisation or brand, making it difficult to attract new employees
- strikes or other industrial action if there's a trade union
- collective action by a group of employees that's not authorised by a trade union ('wildcat' industrial action)

Understanding your options for making a change

If you feel you might need to propose a contract change, your approach to exploring the change may depend on:

- the number of employees or workers affected
- whether your organisation has a recognised trade union or other established ways of consulting employees

For example, a company is considering a change that is specific to a certain employee. They should discuss and try to agree the change with them directly. They should include their representative if they have one.

A change might affect a number of employees' contracts. It might be more appropriate and effective to discuss this with any employee representatives as well as individual employees. For example, if there is a trade union, employee forum or joint consultative committee in your organisation.

By law, you must consult with a recognised trade union if you're considering changes to terms and conditions agreed with that union.

Find out more about:

- [working with trade union and other employee representatives](#)
- [training on changing terms and conditions of employment](#)
- [tailored support for your organisation](#) – how Acas can help you work with employee representatives

If there has been a TUPE transfer

TUPE regulations protect employment rights when someone transfers to a new employer. TUPE stands for Transfer of Undertakings (Protection of Employment).

There are important additional considerations if you're thinking about proposing changes to an employment contract after a TUPE transfer.

[Find out more about changing a contract after a TUPE transfer](#)

When employees or workers might propose contract changes

In some circumstances, employees or workers might want to propose an employment contract change. For example, if:

- their job role has changed since they started working for you
- they want to ask for improved terms and conditions, such as a pay rise or extra holiday
- they want to make a [flexible working request](#)

You do not have to agree to every change proposed by an employee or worker. You should always listen to them and consider their proposal.

[Find out more about handling requests to change an employment contract](#)