

Money & Employment Contracts in the UK – what to expect after graduation



Employment Contracts

Signing on the dotted line

Discussing employment contracts can seem a little daunting, especially if you are just starting out on your career path. It's worth getting to grips with contracts now though, so you know what to expect and can understand the process.

What is a contract?

A contract of employment is an agreement between an employer and an employee. It sets out employment rights, responsibilities and duties; these are known as the terms of the contract. Both parties sign it and in theory everyone then knows where they stand. Crucially you, as the employee, can be clear on what is expected of you and the working conditions the employer is offering. The negotiation of a contract clarifies and manages expectations.

Do I need one?

Yes! You most definitely **do need** to have a contract if you are accepting a job offer. Without a contract you can be vulnerable if any problems arise, such as your hours changing. You are in a much stronger position if you have a contract to refer to.

I have a contract, what now?

Read it thoroughly, perhaps you can also ask a family member or friend to read over it too. Clarity is really important, so make sure you understand what is in the contract. If there is anything you don't understand, make a note to check it with your employer. Once you are happy you have understood everything, and with the terms of the contract, you will be required to sign it.

My employer doesn't do contracts!

Nearly all employers give contracts but there are some areas where you need to take care. The British Veterinary Association, for example, has noted that many veterinary surgeons do not sign contracts when they accept a job. Part of the issue might be that employers want to try and keep as much flexibility as possible and so do not offer contracts. You might've been told, 'it's ok, we don't do contracts!' In reality, if they don't do contracts, you might be right to feel a bit suspicious of how the practice handles other management issues!

We would recommend that you talk to your employer if you encounter this situation, no matter what sector you are applying to. Do a bit of research using the resources outlined in this help sheet, that way you can mention you have read that contracts are important for both the employer and employee. Be positive about the job and explain that a contract is important to you.

Further support

Whilst it can be tricky to get your head around the legalities of a contract, it is really important you do. Further support can be accessed here:

<http://www.acas.org.uk/index.aspx?articleid=1577>

<https://www.gov.uk/browse/working>

http://www.vetlife.org.uk/professional-issues-employment/employment-contracts#Why_is_a_contract_necessary

<http://www.bva.co.uk/Workplace-guidance/HR-and-employment-law/>

Graduate Bank Accounts

Hopefully you will have made full use of your right to a student account and the benefits that come along with it – good for you! You may not be aware but some banks automatically change your account to a graduate account at the end of your course. Many graduate accounts have their own benefits but always check what the change means for you, particularly if you have a large overdraft (check the interest rates) or have been using the benefits which may now end, e.g. free breakdown

cover. You may also want to consider switching to a graduate account with better benefits: www.moneysavingexpert.com/students/graduate-bank-accounts

Payslips, Tax & National Insurance

Each time you are paid you should receive a payslip detailing what you have been paid and any deductions made. Check your payslip to ensure you are being paid the correct amount (as agreed in your contract) and make sure any deductions made are correct e.g. private pension contributions, student loan repayments.

Paying income tax and National Insurance contributions are part of earning an income whether you are self-employed or working for a company (employed). If you are employed, it is important that you keep your payslips and check you are on the correct tax code so you are not over or under paying income tax. You may be asked to complete a P46 form when you start work. The information you give on the P46 form should ensure HMRC allocate you the correct income tax code. For more information on income tax codes and national insurance contributions: www.gov.uk/tax-codes & www.gov.uk/national-insurance

If you are self-employed you must register with HMRC and complete an annual income tax return to ensure you pay the correct income tax: www.gov.uk/working-for-yourself

At the end of each tax year you should receive a P60 certificate from your employer. This tells you how much income tax, national insurance contributions, student loan repayments, etc. you have paid during that financial year and how much you earned before deductions (gross pay). Check the information is correct (by comparing the P60 to your payslips) and keep it in a safe place as you may need it in the future.

Repaying your Student Loan

Once you are earning you will start paying back your student loan. For most UK students, you will start repaying your loan at the beginning of the tax year after you have graduated (April 2017). The amount you pay is linked to how much you are earning. If you began your course before 2012 you should be on Repayment Plan 1 and will begin paying your loan back once you are earning above £17,495 per year. If you started your course after 2012, you will be on Repayment Plan 2 and will begin paying your loan back once you are earning above £21,000 per year.

For those employed within the UK, repayment is fairly straightforward as the deductions will be made directly from your wages via the PAYE (Pay As You Earn) tax system. If you received funding from SFE, SFW, SFNI or SAAS, take a look here: www.studentloanrepayment.co.uk. On this site you can register for an account where you can see information about repaying your loan, how much you owe and how to make overpayments if you wish to. If you are thinking about working abroad or are self-employed, the website also tells you how you to arrange making repayments.

Debt Advice

Many students leave university with some debt. This can include overdrafts, credit cards and other loans. Not all debt is 'bad' and presumably your overdraft or credit card helped see you through a difficult time financially. However, if you are finding it difficult to make regular payments, falling behind with repayments and/or if the debt has a very high & unmanageable interest rate - **do not wait; seek advice on debt as early as possible and do not ignore it!**

The Citizens Advice Bureau offers free, confidential & impartial debt advice and has offices across the country. For more information visit: www.citizensadvice.org.uk

When you start working; more financial products become available to you. Be mindful of what you can afford to repay and, if you can, try to save some income so you are less reliant on borrowing and more self-sufficient for those large or unexpected expenses.

For more information and advice before graduating:

Kirsty Whitelock, Careers Consultant – careers@rvc.ac.uk

Shelley Richards, Money & Welfare Adviser – moneymatters@rvc.ac.uk