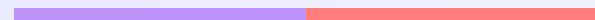




3 key things to know as a start-up looking to recruit employees

As a business owner, it is often the case that you eventually become an employer. Being an employer might seem as easy as recruiting employees to take on roles that will assist in the growth of your business. As with most other aspects of business creation, growth and development, however, there are always legal matters to know, consider, and most importantly, comply with. If you are a growing business owner and emerging employer, this article is for you!



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1

Your employment contract is your holy grail



Having a standard template employment contract with adequate clauses addressing key contractual matters is the most important legal structure to be concerned about when hiring employees. In Nigeria, there is no comprehensive body of law that governs employment law matters for “white-collar” employees. Nigeria's Labour Act, the principal law that regulates employment of people, is limited in its scope of application, since it applies to only workers who perform manual labour or clerical work. Therefore, if the roles of your employees are primarily administrative, executive, technical or professional in nature, your employment contract is your holy grail as it will largely govern your employment relationship.

2

You have to fulfil these monetary obligations:

- **Pension contributions:** As an employer in the private sector, if you have 3 or more employees, you are required to make pension contributions on behalf of your employees to their respective pension fund administrators. Failure to do this attracts a penalty.
- **Personal Income Tax:** As an employer, you are required to deduct income tax from your employees' salaries and make the payments to the relevant tax authority, which is the Inland Revenue Service located at your employee's residential state. If your employee is resident in Lagos State, the employee's income tax payment will be made to the Lagos State Inland Revenue Service.
- **Industrial Training Fund (“ITF”) contributions:** The ITF is a government agency that provides programmes and services such as vocational and apprentice training, research and consultancy services to stimulate human performance and improve productivity. The law in respect of these contributions provides that every employer who has 5 or more employees, or an annual turnover of N50 million or more, has to make these contributions.
- **Employees Compensation Fund contributions:** The Employees Compensation Fund is a fund created for payment of compensation to employees who suffer diseases or injuries from accidents at the workplace or in the course of their employment. This payment is made to a body known as the Nigerian Social Insurance Trust Fund by all employers.
- **National Housing Fund contributions:** the National Housing Fund was established to enable the mobilisation of funds for provision of houses to Nigerians at affordable prices and to enable loans to be given to Nigerians to buy/build their houses. Every employer is required to make contributions to this fund.



3

You should include these important clauses in your employment contract to protect yourself:

- A clause on Confidentiality: this clause is incredibly important, as it will serve to protect your information, innovative ideas, business secrets, trade secrets, effective processes, unique products and so much more that your employees will be privy to while working with you. This clause prevents your employees from revealing sensitive information that could jeopardise your business if made public.
- A clause on Probationary Period: Probation is essentially a trial period for newly employed workers which typically lasts between 3 months to a year. The importance of this period is so that you can assess whether your new employee is a good fit for the position. At the end of the probationary period, you are at liberty to decide whether to confirm the employee as a permanent member of staff or let the employee go. This clause protects you as an employer from fully committing to an engagement with the employee before assessing his/her performance.
- A Restraint on Trade or Non-competition clause: this clause is to prevent your employee from either becoming a competitor or joining a competitor during their employment with you and even after the duration of his/her employment engagement with you. It is, however, important to mention that ideally, the effect of this clause cannot span over a lifetime and should therefore, be put in for a reasonable duration of time. In practice, this time duration can be anywhere between 6 months and 2 years.

Having stated the above, should you require any advice or assistance in relation to employment law matters and/or obligations, please do not hesitate to contact us at ulaw@uubo.org.



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