

Contract expired? Continuing to work extends the terms

If your employees sign employment contracts, you should be aware of a quirk in New York state contract law. It says that when employees continue doing the same job after their contracts expire, the original contract terms still apply.

That's a good reason to carefully track all your contracts and keep them up to date. Create a tickler file of expiring contract dates. If you want to make changes to a contract, take the opportunity to update it when it first expires. Otherwise, you'll lose the right to do so.

Under state law, you have two ways to get out from under an expired contract:

1. Include a clause in the original contract specifying that any renewal must be in writing.
2. Offer the employee a new, different contract. In that case, an employee who continues to work after turning down your offer does so without a contract.

Recent case: Josephine LeBeau signed a written employment contract when a labor union local hired her as executive director. The contract included an arbitration agreement.

When LeBeau's contract expired in 1996, the union never offered her a new one. She kept working until she was let go in 2002. She demanded the severance package specified in the original (expired) contract and asked for arbitration. The employer refused, so she sued.

The 2nd Circuit Court of Appeals (which includes New York state) agreed that she could arbitrate the dispute. It interpreted New York state contract law to extend employment contracts under the original terms if the employee continues working. The only exceptions: if the contract specifies any extension must be in writing or the employee rejects a new contract offer from the employer. (*George v. LeBeau*, No. 05- 4241, 2nd Cir., 2006)