

➤➤➤ ADVISING FAMILIES AND THEIR BUSINESSES

Employment Contracts for Family Businesses:

Balancing Loyalty & Compliance

loyalty
compliance

prepared by

FMC ADVOCATES LLP

LAWYERS SHAPING KENYA'S GROWTH



The Importance of Family Businesses in Kenya

Family businesses are steadily becoming the cornerstone of our economy. They represent more than commercial ventures; they embody legacy and identity. Often, these businesses rely on trust, loyalty, and informal arrangements to keep operations running, rather than rigid corporate systems.

Roles are assigned verbally, based on availability, seniority, and emotional bonds. Spouses, children, and relatives 'assist' in various capacities, salaries are paid in cash, and formal contracts are either missing or outdated.

Balancing Loyalty with Legal Compliance

Family businesses, though built on trust, must align their culture with legal obligations. The Employment Act, 2007 requires that any engagement exceeding three months be governed by a written contract; without exception for family-run enterprises. Employers must also comply with statutory deductions for all employees, regardless of familial ties.

Employment contracts are essential, not just as legal checkboxes, but as tools for clarity and protection. These contracts should meet the requirements of the Employment Act and include:

Job Descriptions:

Clearly define the place and hours of work, along with roles and responsibilities.

Fair Remuneration:

Document salaries, benefits, and allowances.

Reporting Lines:

Establish accountability and structure.

Tax Compliance:

Ensure statutory deductions and remittances are properly handled.

Termination & Dispute Resolution:

Outline procedures for handling disputes and exits.

By integrating these elements, family businesses can preserve their values while protecting themselves from legal risk.

What Should Family Businesses Do Now?

As the year winds down, family businesses are taking stock, not just of profits and inventories, but of relationships, roles, and responsibilities. This is a strategic opportunity to:

- Audit employment arrangements to clarify roles and expectations
- Draft or update employment contracts to reflect current legal obligations
- Align employment structures with succession and estate planning
- Seek professional advice for compliance review

Family businesses thrive on *trust and shared values*, and they grow stronger through *structure*. *Employment law compliance* plays a vital role in supporting that growth, offering protection, clarity, and long-term stability.

By formalizing roles, documenting compensation, and meeting statutory obligations, families can safeguard their legacy, strengthen relationships, and build resilient enterprises that endure across generations.

Investing in clarity, compliance, and continuity becomes just as essential as managing inventory, laying the groundwork for lasting success.



Teresa Kehonj
Principal Associate