

Employing Staff

The implications of becoming an employer

People are the most important feature of any business and having effective, reliable, dynamic individuals involved in your organisation is likely to be an important factor in your success.

In some micro-enterprises, employing staff is the best way of securing the additional capacity required to deliver services effectively and help develop the organisation. However, employing staff also means taking on additional responsibilities and a commitment of extra time and financial resources. Before you decide to take on an employee, you should therefore consider the implications and alternative options. For example, if you are considering taking on a driver, you could also look into the possibility of using volunteers, an agency or hiring someone who is self-employed. Each option has its own strengths and potential drawbacks.

When deciding whether employing your own staff members is right for your organisation, there are a number of issues you should consider.

In this section

- The National Minimum Wage
- Registering as an Employer
- PAYE and other Taxes
- Employment Law and other Legislation
- Recruitment



The National Minimum Wage

The National Minimum Wage is the minimum level of pay that most workers in the UK are entitled to. Paying the minimum wage to eligible workers is a legal obligation for employers. The National Minimum Wage currently has 4 rates of pay:

- £5.93 - the main rate for workers aged 21 and over
- £4.92 - the rate for workers aged 18-20
- £3.64 - the rate for workers aged 16-17 (above school leaving age but under 18)
- £2.50 - the apprentice rate, for apprentices under 19 or 19 or over and in the first year of their apprenticeship

From 1st October 2011 these rates are expected to increase to £6.08, £4.98, £3.68 and £2.60 respectively.

There are a relatively small number of people who are not entitled to the minimum wage. They include people who are self-employed, volunteers, voluntary workers and those on work experience placements.

You can find out more about the minimum wage at the Directgov website (www.direct.gov.uk/) or the HMRC website (www.hmrc.gov.uk).

Employing Staff

The implications of becoming an employer

Registering as an Employer

If you decide to take on a member of staff, you may need to register as an employer with HM Revenue and Customs (HMRC). This will be the case if any of the following is true:

- the employee already has another job
- they are receiving a state or occupational pension
- you're paying them at or above the PAYE threshold (£144 per week in 2011/12)
- you're paying them at or above the National Insurance Lower Earnings Limit (£102 per week in 2011/12)
- you're providing them with employee benefits

If you run a limited company (as opposed to an unincorporated organisation) you will need to register as an employer if you meet any of the above criteria, even if you are the only employee.

Most organisations can register as an employer with HMRC, by visiting their website (www.hmrc.gov.uk/payee/intro/register.htm) or calling the New Employer Helpline on 0845 60 70 143.

PAYE (Pay As You Earn) and Other Taxes

PAYE is the system that HMRC uses to collect Income Tax and National Insurance contributions (NICs) from employees' wages. The contributions are calculated by the employer and deducted from wages during each pay period; the employer then pays the deducted money directly to HMRC.

In order to calculate the relevant payroll deductions, there are a number of options:

- You can make the calculations yourself manually or using the PAYE tax calculator on the HMRC website (www.hmrc.gov.uk/calcs/payee.htm)
- You can purchase an electronic payroll system
- You can use a payroll service provided by an external agency

To make the calculations you will also need:

- a tax code to help you to work out how much PAYE tax to deduct (For more information visit www.hmrc.gov.uk/incometax/codes-basics.htm and www.hmrc.gov.uk/payee/intro/tax-codes.htm)
- a National Insurance category letter to help you to deduct the correct amount of NICs (For more information visit www.hmrc.gov.uk/payee/intro/ni-basics.htm)

Employing Staff

The implications of becoming an employer

In addition to these standard calculations you will also need to be aware of additional payroll related responsibilities, such as how to deal with sick pay, maternity pay and issuing PAYE forms, such as a P45 or P60.

For more information on payroll options and choosing payroll systems, including whether to undertake payroll in-house or by using an agency, visit www.hmrc.gov.uk/payee/intro/payroll-system.htm.

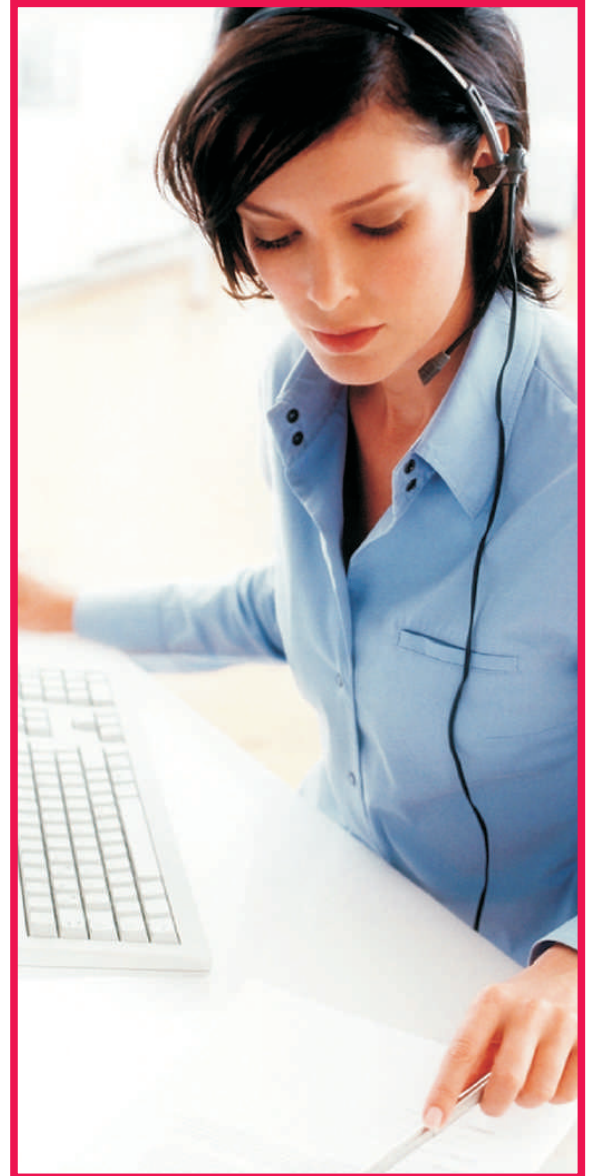
National Insurance Contributions

As well as making deductions from wages, organisations with staff also have to pay Employers' National Insurance contributions if the employee earns above a certain level. As an employer, your main responsibilities are:

- to deduct and pay the employer and employee Class 1 NICs due on your employees' earnings through your payroll
- to pay employer Class 1A NICs after the end of the tax year on benefits you've provided to your employees (for example company cars, health insurance, travel expenses and childcare).
- to pay employer Class 1B NICs after the end of the tax year if you've agreed a PAYE Settlement Agreement (PSA) with HMRC

For more information about PAYE and National Insurance contributions, visit the HMRC website (www.hmrc.gov.uk).

You can also download the HMRC leaflet "Thinking of Employing Someone" (www.hmrc.gov.uk/employers/employing-someone.pdf) and/or call the HMRC New Employer Helpline on 0845 60 70 143 for advice.



Employing Staff

The implications of becoming an employer

Employment Law and Other Legislation

Whilst it is not possible or relevant to cover all aspects of employment law in this toolkit, here are a few important issues that you will need to consider when taking on employees.

Preventing Illegal Working

Your organisation is not allowed to employ someone who has no legal right to work in the UK. If you knowingly employ an illegal worker, you may be prosecuted and risk serious penalties. Even if you do not knowingly employ an illegal worker, you can still face a fine as it is your responsibility to check your employee's entitlement to work.

Some people are automatically entitled to work in the UK, while others have limited entitlements and some have none at all. You can check whether people are entitled to work in the UK by asking to see some relevant (original) documentation. Further information and full details of appropriate documentation are available from the UK Border Agency website (www.ukba.homeoffice.gov.uk/employers/).



Employers' Liability Insurance

If you employ staff, in most cases you are required by law to have Employers' Liability Insurance cover of at least £5m. This covers you in the event of employees being injured or becoming ill as a result of their work, whilst in your employment.

The Health and Safety Executive's guide on the Employers' Liability Act provides more information and can be downloaded from their website (www.hse.gov.uk/pubns/hse40.pdf). See also section 7 of this toolkit.

Employing Staff

The implications of becoming an employer

Employment Contracts

All employees have an employment contract with their employer. The contract is an agreement which sets out the employee's rights, responsibilities and duties.

An employment contract commences automatically once a job offer has been unconditionally accepted; it does not require a signed written document. However, it is sensible to put in place a proper written contract which includes all of the relevant terms of employment. Even if you do not put in place a written contract, you are under a legal duty to provide most employees with a written statement of employment. The statement details the main employment particulars and must be issued within two months of the employee starting their job.

A tool is available on the Business Link website (www.businesslink.gov.uk) to help you create a written statement of employment.

Staff Records

As an employer you have obligations to keep certain staff records. For example, you must keep staff-related records on:

- hours worked, to ensure and evidence that working time legislation is being adhered to (most adult workers cannot be forced to work more than 48 hours a week on average)
- pay rates – there is a statutory requirement to issue workers with pay statements and you must pay eligible workers the national minimum wage
- payroll details including records on tax and NIC deductions
- sickness of more than four days and how much statutory sick pay you have paid
- accidents, injuries and dangerous occurrences

As well as meeting your legal requirements, keeping records can benefit your organisation and be important if you ever need to defend yourself against claims.

Other Staff Records

In addition to the staff records you must keep by law, it is good practice to keep other relevant records. Staff records that you should also consider keeping include:

- training and appraisals
- employment history - date employment began, promotions, job title(s) etc.
- authorised and unauthorised absences
- disciplinary procedures instigated and associated outcomes
- personal details - emergency phone number(s), disability etc...
- terms and conditions of employment
- meetings that relate to your duties as an employer, such as redundancy consultations

Employing Staff

The implications of becoming an employer

Recruitment

Recruitment is the process of putting the right person, in the right role at the right time. Your staff members will have a direct impact on both how effective your organisation is and how it is viewed by customers. If you do decide to employ staff, effective recruitment will therefore be critical to your organisation.

The recruitment process involves working through a series of stages:

Defining the role

The first thing you will need to do is be very clear about the role of the job you are creating. This means thinking about the purpose of the job and what you want it to achieve, as well as the specific tasks that will be undertaken by the post holder.

Once you have defined the role and associated tasks, you will need to incorporate them into a job description. This should encompass the outcomes, tasks, expectations and requirements of the position, so that both the organisation and potential applicants are clear what the job is. A job description should also be accompanied by a Person Specification, which describes the necessary skills, knowledge, experience and qualifications that the successful applicant will require. These are usually broken down into 'essential' and 'desirable' criteria.

Attracting applications

In order to appoint the right person for the job, you need to have the best possible candidates to choose between. This means maximising both the quality and quantity of appropriate applicants. Think about the key skills that are required for the job and try to identify the most effective ways of promoting the vacancy to people likely to have those skills. Also, make sure that you put reasonable timescales for your recruitment process in place. Options for promoting your vacancy include, for example:

- Your website
- Recruitment websites
- Local media / newspapers
- Trade press
- Local shops or notice boards

Try to cast your net widely (within reason) and if you already have staff, make them aware of the internal opportunity. You may also wish to consider using a recruitment agency to support you in finding the right person for the job.

Employing Staff

The implications of becoming an employer

Managing the application and selection process

You would usually ask people to apply for your vacancy through one of two methods: an application form or CV. CVs are more flexible than application forms and offer the applicant more scope for selling themselves. This may mean you get some information that would be missing from an application form, particularly if the form is not designed well. However, application forms offer greater consistency and a good opportunity for comparison. It also means that you can ask for specific information that people may otherwise leave off their CV.

You should make sure that applications, and the information in them, are dealt with confidentially. Make a shortlist of candidates that you wish to interview and, when undertaking interviews, be consistent with the questions you ask. Also, be open-minded and remember that you are looking for a good match for your organisation; it is important that your organisation is right for the candidate, not just that the candidate is right for the organisation.

Making the appointment

Before making an offer of employment, don't forget to make the necessary checks to ensure the person in question is allowed to work in the UK. You should also take up references and, if necessary, proof of relevant qualifications. Once the relevant checks have been made, you can make an offer of employment in writing.

What Employment Policies Should I Put in Place?

It is a good idea to have specific employment policies in place when you take on staff, although which policies you put in place will depend to a degree on the size and nature of your organisation. The main benefits of having appropriate employment policies in place include the clarity they offer to staff and the organisation; it can also reduce the need for disciplinary action. Common employment policies include:

- Maternity / Paternity/ Adoption
- Working Time / Annual Leave / Flexible Working
- Appraisal and Supervision
- Data Protection
- Equality and Diversity
- Health and Safety
- Pay
- Bullying and Harassment
- Disciplinary / Dismissal and Grievance
- Redundancy
- Recruitment and Selection
- Sickness Absence
- Lone Working
- Email and Internet policy
- Training and Development
- Whistleblowing
- Smoking, Drugs and Alcohol
- Volunteering

You can find lots of information and advice on recruiting staff, employment policies and other HR related issues, from the Chartered Institute of Personnel and Development (CIPD) website (www.cipd.co.uk).

Want to talk to someone?

If you're starting a new micro-enterprise, free advice is available. Voluntary and Community Sector Organisations call the Social Enterprise Team at Doncaster CVS on telephone number 01302 343300. Private business start-ups call Doncaster Chamber on telephone number 01302 341000.