

New Employer's Guide



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Hiring your first employee

If you need extra help in your business then it might be time to think about hiring your first employee.

Just remember, once you employ someone, they're relying on you for regular income!

The cost of hiring an employee

The first step on your journey to becoming a first-time employer is making sure you can afford them. For that, you'll need to know how much they should be paid.

You'll need to pay your new member of staff at least National Minimum Wage (or the National Living Wage if they're over the age of 25).

When deciding what to pay a new employee, it's also wise to consider the role itself.

Think about the duties that your new employee will carry out as part of the job. If it's a role with a lot of responsibility, then their pay may need to reflect this.



National Minimum and Living Wage

From 1st April 2020



National Living Wage

Working out your employee's salary

Are you creating this job role because you need some extra help getting everything done, or is it absolutely core to your future plans?

The eventual rate of pay should reflect how valuable the employee is to your business. This isn't just about how important the role is to the business, but the worth of a particular candidate.

Someone with very specific skills and experience might be more difficult to replace. If you need those qualities in the role, a good salary can help you attract the best talent.

Research competitor salaries

Scope out the salary your competitors and other businesses in your geographical area and industry are offering for similar jobs.

This can help you understand what you really need from that role, as well as pricing it to attract the right person.



Other employer costs

Sometimes known as on-costs or 'cost of employment', there are more costs involved in hiring staff than just wages.

Pension contributions

You'll need to set up a workplace pension scheme (which we explain in more detail on page 18).

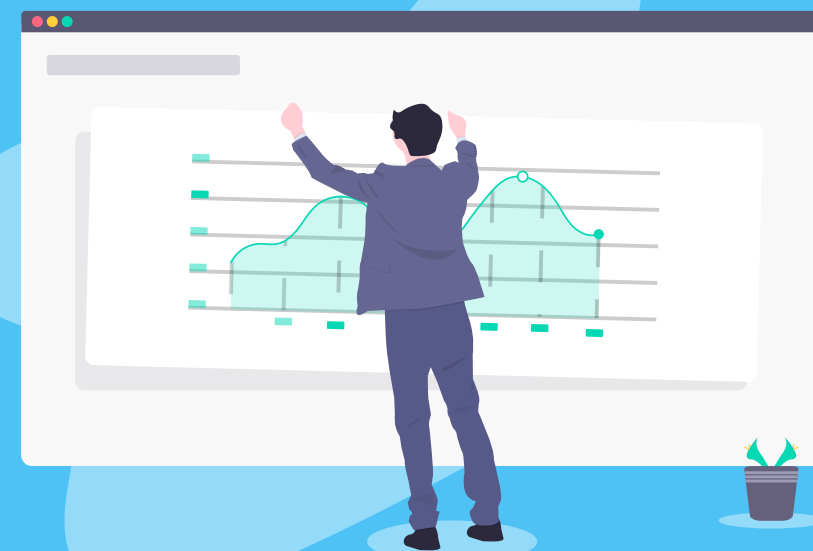
If your employee is eligible to be enrolled onto your workplace pension scheme, you'll need to make employer pension contributions each time that you pay them.

The minimum contribution that you must make towards your employee's pension is 3%.

Employment allowance

Eligible employers can also claim up to £4,000 relief to cover the costs of employers (secondary) Class 1 National Insurance. This is by claiming the Employment Allowance.

We have a [more detailed article](#) about this on our website.



About the Secondary Threshold

You will have to pay Employers National Insurance Contributions on everything you employee earns above this threshold.

Threshold Limit

The threshold is £169 per week (or equivalent to £732 per month or £8,788 per year).

Rate of Payment

National Insurance Contributions are paid at a rate of 13.8%

Employers' National Insurance

Employees pay employees' (primary) Class 1 National Insurance (NI). As the employer, you will usually deduct this from your employee's gross pay, and then pay it on to HMRC on their behalf.

This is known as PAYE, and we explain it in more detail later in the guide.

Employers pay employers' (secondary) Class 1 NI, on what an employee earns above the Secondary Threshold.

Employers also pay Class 1A or 1B NI on other things that employees might receive, such as the value of any benefits (a car allowance or gym membership, for example).

Payroll costs

You might ask your accountant to manage payroll for you, use a payroll provider, or run payroll yourself.

We explain more about setting up your new payroll on page 19. Just be aware that there may be software or admin costs involved.

Benefits in kind

You might want to offer staff perks such as a company car, mileage, free lunches, or a gym membership.

Employee benefits are great for attracting talent to the business, but work out if you can afford it.

You'll also need to tell HMRC about any staff benefits, so that you and your employee both pay the right amount of NI contributions on their equivalent value.

These are known as [P11D reporting requirements](#).



Other pay considerations for employers

As well as considering the processing of their pay, you'll need to decide how their pay is structured too.

Their pay might consist of:

- ✓ Regular salary
- ✓ Hourly wages
- ✓ Performance related pay
- ✓ Commission
- ✓ Paid overtime or time off in lieu (TOIL)
- ✓ Statutory pay for absences (e.g. sick pay and maternity pay)
- ✓ Occupational pay for sick leave and maternity that you pay on top of the statutory minimum.

Don't worry, we go through these in more detail in the section 'Contracts and Obligations'.

If you're still not sure on the exact cost of hiring someone, you can use our [free online salary calculator](#).



Recruitment for new employers

When you recruit a new employee, you obviously want to hire the best person for the job. It's also important that your recruitment process is fair, and doesn't break discrimination laws.

The [ACAS website](#) explains what you must be aware of when recruiting someone. In broad terms this includes rules about who you recruit, and how.

Not discriminating against job applicants

You must not discriminate against applicants unless the job description has very specific criteria, which justify particular requirements.

For instance:

- ✓ Mobility requirements if the job must involve working in difficult to reach areas.
- ✓ Particular qualifications, experience, or membership of a professional governing body.



Providing a full job description

Remember, not only are you choosing your employee, they're choosing you! Provide a job description when you advertise the role. It must be a true reflection of the duties involved, and any special requirements.

Include details of how the employee will be paid, and what the basis for payment is. For instance, regular wages, hourly pay, overtime, or on-target earnings (OTE).





Do I need to carry out right to work checks?

It's an employer's responsibility to make sure their employees can legally work in a particular role.

These checks should be carried out once you have decided who you are going to offer the job to. When you offer the position to them, make it clear that this is subject to any checks you must make.

Your employee's right to work

You must check that your new employee has the legal right to work in the UK, and with you as their employer. Some types of immigration permission are issued on the basis that:

- ✓ the person either cannot work
- ✓ can only work for a specific employer (immigration 'sponsor')
- ✓ or with restrictions on the type of work or number of hours

You can be fined if you don't make the proper checks!

Learn more about making a right to work check to prevent illegal working in the UK on [the GOV website](#).



Disclosure Barring Service checks

Some jobs involve working with young or vulnerable people. These roles require the employee to have a Disclosure Barring Service (DBS) check.

The report shows the details of any convictions or cautions that person may have, or additional information if a more detailed check is requested.

Find out more about DBS checks [here](#).

Checking references and qualifications

Does the role legally require your employee to have specific qualifications? Or membership of a professional body? Make sure that these are in place, and match the identity of your new employee! You might also check the references that they provide.

Some of these checks aren't just one-offs when you first hire someone. You may need to put processes in place to make sure you stay up-to-date.

For instance, regularly checking the expiry date and status of immigration documents.



Health & safety

As an employer you have a duty to prevent risks to the health, safety, and wellbeing of your staff.

You're also expected to give proper training to employees so they don't pose a risk to themselves or others.

The Health and Safety at Work Act legally requires employers to put procedures in place to keep staff safe and well, both physically and mentally.

- ✓ Fire safety
- ✓ First aid training and equipment.
- ✓ Having proper reporting and monitoring processes in place
- ✓ Making any reasonable adjustments to the workplace for employees with disabilities or health conditions.
- ✓ Providing appropriate safety kit, training on how to use it correctly, and ensuring that it's always used
- ✓ Ensuring staff have access to equipment, tools, and welfare facilities when needed

You might also think about occupational and mental health in your workplace. For instance, providing access to counselling services, or an occupational health practitioner.



The [Health & Safety Executive website](#) explains the requirements that employers must follow.

Employer's Liability insurance

Employers must have an Employers' Liability (EL) insurance policy which covers them for at least £5 million.

This is so that you can make any compensation payments to employees who become sick or injured by the work they do for you.

Employer's Liability insurance is a requirement, and you can be fined if you don't have the proper insurance in place.



Who do you need to tell when you employ someone?

When you employ someone for the first time, you need to register with HMRC as an employer. You'll also need to set-up workplace pensions and auto-enroll your new members of staff.



Tell HMRC that you're taking on staff

You'll need to tell HMRC that you're taking on a new employee. This means you'll need to register as an employer, and then tell HMRC:

- ✓ About each new employee after that
- ✓ When an employee stops working for you
- ✓ About Pay as You Earn (PAYE) - this is where an employer works out how much tax and NI an employee owes on their pay, deducts it from their wages and pays it on to HMRC.

You'll need to register as an employer and set up PAYE before the first pay day, even if it's just you employed by your own limited company.

Our [guide to PAYE](#) explains what employers need to do to set it up, why it's important, and what your responsibilities are each time you pay your staff.



Auto-enrolment and workplace pensions

Workplace pensions were introduced by the government to help employees save for the future.

As an employer you'll need to set-up a workplace pension, and automatically enrol eligible employees on it when they start working for you.

- ✓ Employees can opt-out of the scheme, if they want to
- ✓ Those who aren't eligible for auto-enrolment can choose to opt in

Read [our guide about auto-enrolment and workplace pensions](#) to understand what you need to do.



Running payroll

Staff within your care will be relying on you for their wages and, as such, you have certain obligations to them that you must meet.

Employers are responsible for making sure that:

- ✓ Staff receive the correct amount of pay
- ✓ Employees get paid on time
- ✓ The correct information is reported to HMRC

You might decide to run payroll yourself, using payroll software to calculate and record pay, as well as report this information to HMRC.

Employers can also [ask an accountant or payroll provider to manage their payroll](#) processing for you.

It's up to you choose the best option for your business and employees.



Contracts and obligations

We know there's a lot to take in, but we're going to break this down for you to make it easier.

There are documents you must provide to your new employee, as well as other decisions to make about what they're entitled to.

Offer letters

It's best practice to offer a job to someone in writing. The offer should include a reminder of the job title, description, and pay.

Employment contracts

Each employee must also have their own employment contract. This is an agreement between them, and you as their employer.

It describes the terms of the employment such as their duties, what they're entitled to, and what responsibilities you have towards each other.

For instance, how much notice each side must give to end the working relationship, and what's expected of them whilst working for you.

You might choose to ask an employment solicitor to create a contract for you, or download one from a reliable provider to use.



Staff handbooks

Employee guides can be given to staff as a supplement to their employment contract. They typically go into more detail about a wide range of subjects useful for the employee.

For instance, company policies about using the internet and social media, expectations about behaviour, and how to book time off.



What is your employee entitled to?

There are legal guidelines which set out the minimum amount of time and pay an employee can have in certain circumstances.

These include how much time off they're entitled to as holiday leave, or because of sickness, bereavement, or parental leave. There are also rules about the minimum amount you must pay your employee during these periods.

As an employer, you can also choose to 'top-up' these amounts. For instance, you might want to offer more paid holiday leave to a worker, or pay their full salary whilst on maternity leave.

You'll need to consider the pay and entitlement to:

- ✓ Holidays
- ✓ Maternity
- ✓ Paternity
- ✓ Adoption
- ✓ Redundancy
- ✓ Time-off for emergencies
- ✓ Bereavement
- ✓ Sickness

The [GOV.UK website](#) explains these requirements in more detail.





Looking for help running your employee payroll?

If you have any further questions simply call us on 020 3355 4047 and one of our friendly accountancy advisors will be happy to help.

 [Get An Instant Quote](#)

