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Business Basics

How to hire your first employee

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Employment
Protection

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Ready to take the first steps to expand your team, but don't know where to begin? We'll take you through the process of how to employ someone, whether you're a sole trader or limited company, so you can get it right from day one.

From contracts and handbooks to pensions and inductions, our employment experts explain the basics, answering questions like:

- Can a sole trader have employees?
- How much does it cost to employ someone?
- What is a right to work check?
- Do I need a staff handbook?
- What should I include in an employment contract?

First steps

Who are you hiring?

One of the first steps is to be clear on who you want to employ and how they will benefit your business. Ask yourself:

What job will they do and what will they be responsible for?

Will they work full-time or part-time hours?

Are you hiring on a permanent or fixed-term basis?

What salary and benefits will you offer?

Do you need someone fully-qualified, or are you hiring an apprentice?

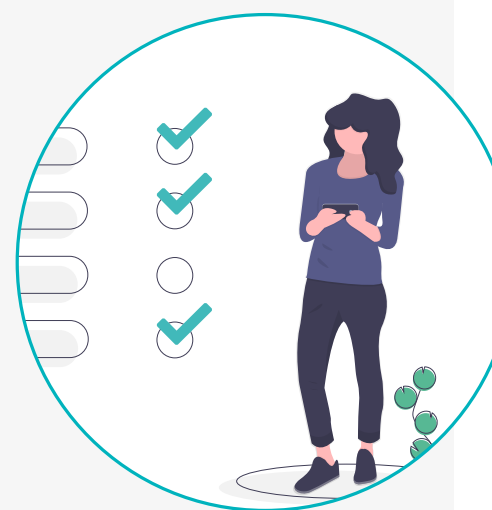
Adding up the costs

When taking on an employee, it's not just the hourly wage you need to consider as an employer. So, before you go any further, it's worth getting your calculator out and working out how much hiring might cost you and if it's viable. You'll need to factor in:

- ✓ Employers National Insurance contributions
- ✓ pensions contributions
- ✓ sick pay
- ✓ pay for parental leave, such as maternity or paternity leave pay
- ✓ cost of insurance
- ✓ any equipment or training required
- ✓ any benefits you're offering

Can I hire someone if I'm a sole trader?

Yes. Whilst the majority of sole traders work alone, it doesn't mean you can't employ someone if you need the extra help! You'll need to follow the right procedures to ensure you're compliant, which we look at in this guide.



Your new employee checklist

You'll find more details on these points below, but here is an essential checklist when hiring.

Have you [registered as an employer](#)?

Does the pay meet at least the National Minimum Wage for their age?

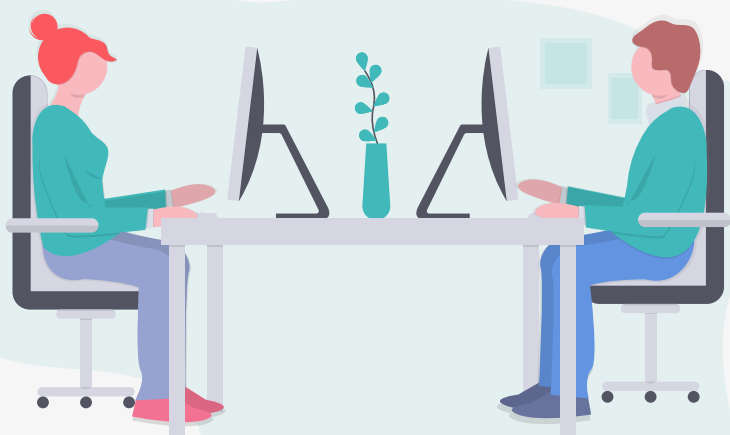
Do they have the legal right to work in UK?

Does your sector need a DBS check? (for example, if you're working with vulnerable people)

Do you have [Employer's Liability insurance](#)?

Have you put the details of job in writing? (You must provide a written statement of employment if you're employing someone for more than a month)

Have you [set up PAYE](#) and checked if you need to auto enrol your employee into a workplace pension scheme?



Legal compliance

What is a right to work check?

A right to work check is used by the Home Office to verify that workers have the right to work in the UK. You must check an applicant is allowed to work in the UK before you employ them, or you could face a penalty.

Ensure your business is ready to take on an employee

Ask to see original documents

Check the documents are valid

Make and keep copies of the documents

Record the date you make the check

Employing from outside of the UK?

You will need to apply for permission first, unless they are an Irish citizen. For EU, EEA and Swiss citizens arriving to the UK for work purposes, new rules will apply from 1 July 2021. As an employer, you must have a sponsor licence where required and carry out a right to work check.



Employment contracts

Your employment contracts should contain all the important details of the employer and employee's rights. It details your new employee's role within your business.

As well as setting expectations and it being a legal requirement to provide a written statement of particulars of employment, an employment contract can also help you to avoid employment tribunals. This is because a written employment contract is evidence of the employee's terms and conditions, reducing the risk of disputes arising regarding these.

We strongly advise that you call an expert before you take any action such as changing existing contractual terms and conditions of employment, to ensure you follow the right processes and stay on the right side of employment law. FSB members have access to our 24/7 legal helpline.



Responsibilities

Your business will run more smoothly if your new hire understands what is expected of them, and you'll be in a better position to track their performance.

- Define exactly what responsibilities, tasks and duties the employee will have
- What is their job title?
- Who will their direct supervisor or line manager be?
- What is your grievance procedure and who should an employee report to?

Remember...

If the employee ends up performing a significant amount of additional duties that have not been agreed and that are not detailed in their contract, they could seek to raise a grievance against your business. This may result in the case being taken to an employment tribunal, so you should be clear about what is expected.



Working hours

- Where will the employee be based during work?
- How many hours will they be working? For example, will it be fixed hours Monday to Friday, or variable shift patterns?
- Is there an expectation to work Sundays, Bank Holidays or night shifts?

Any changes to these hours down the line should be agreed upon with the employee and detailed in the employment contract within one month of the change taking effect.

Pay, holidays and sickness procedures

- Details of the wage that will be offered, whether hourly or annual salary. It must meet at least the National Minimum Wage.
- What will your policy for overtime be if your employee is required to work outside of their contracted hours?
- When can staff expect to be paid?



Your policy on paid leave, sickness procedures, and unapproved time off should be discussed. As a minimum legal requirement, 5.6 working weeks for all employees, or 28 days, of paid leave must be offered to full-time employees. Whether or not you choose to include Bank Holidays in this number is at your discretion, as is whether or not you choose to offer more time off than the legal minimum.

After four days of sickness (or from day one, where the absence is as a result of self-isolation due to coronavirus), eligible staff are entitled to statutory sick pay until they're well enough to work. Detailing your sickness reporting procedure will help keep things running smoothly.

Benefits and workplace pension

The employee's salary before tax must equate to at least the National Minimum Wage. Where the employer provides non-cash benefits (including employer pension contributions) through a salary sacrifice arrangement, the salary sacrifice arrangement must not reduce the employee's salary below the National Minimum Wage rate.

As an employer, it's your responsibility to ensure a compliant workplace pension is in place for all eligible employees. Even if you only employ one person, you're still responsible for making sure that they have a pension scheme set up and that you carry out your duties. Failure to do so can result in fines, so it pays to stay up-to-date.

Though the employee has the right to opt out of your workplace pension scheme, you must inform them of the provider and the details of the scheme you have.

Puzzled by pensions?

Get started with our guide to managing [pensions and payroll](#) from FSB Workplace [Pensions](#).



Do I need a staff handbook?

[Employee handbooks](#), often given to your new employees during their induction process, introduces your business' rules, policies, procedures and expectations. There's no legal requirement for having a staff handbook, however, there are benefits for providing a staff handbook. What you include depends on your industry and business needs. Some policies are required by law, although they may already be in the contract of employment.

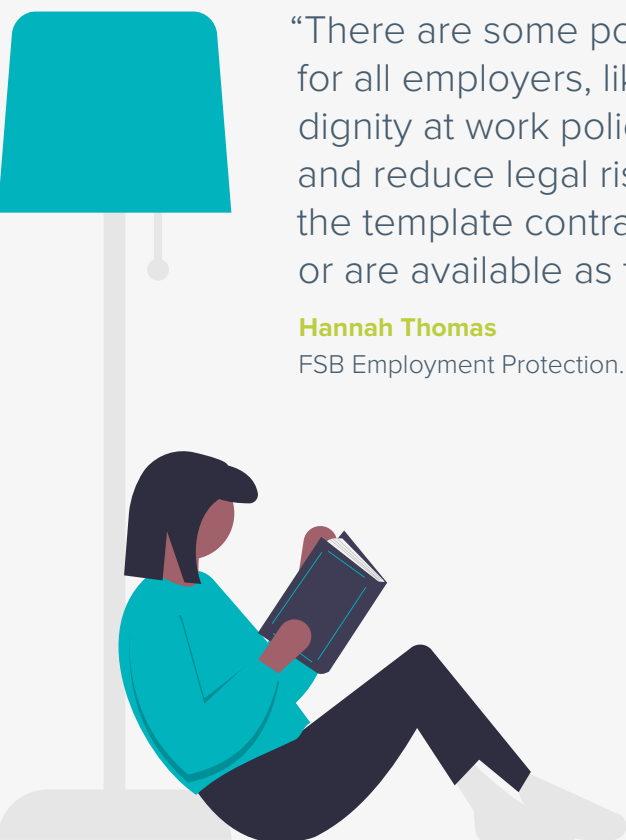
Why?

- ✓ Reduce legal risk e.g. equal opportunities/ dignity at work policies ("reasonable steps defence")
- ✓ Consistency
- ✓ Understand expectations/entitlements/ procedures/employer's values

What is mandatory?

If not already in the contract of employment or written statement, the following are a legal must-have:

- Disciplinary procedures and rules.
- Grievance procedures.
- Information about pensions (if not in the contract of employment or statement of terms and conditions).
- Health and safety policy (if 5 or more employees - in writing)
- Whistleblowing (but only for a few employers, such as regulated financial firms)



"There are some policies that we would strongly recommend for all employers, like an equal opportunities policy and dignity at work policy. They provide defence for an employer and reduce legal risk. Some of these policies are annexed to the template contract of employment on the FSB Legal Hub, or are available as templates."

Hannah Thomas

FSB Employment Protection.

Recruitment

Once you've ticked off your legal obligations, there's only one key element that you must remember when hiring: choose carefully. Do they have the skills and attributes you're looking for?

1

Write the job description

What do you need help with in your business? What tasks or duties will the new employee be responsible for in their day-to-day role? What work environment can your prospective employee expect?



2

Advertise the role

From social media to online job boards or a traditional advert in the newspaper, there are many ways to spread the word about your new opportunity. Ask your applicants to submit their CV and covering letter, and don't forget to include a deadline.



3

Make your short list

It's now time to go through your applicants and pick out who you would like to interview for the job. Who stands out as having relevant experience or qualifications that would be most relevant to the position you're hiring for?



4

Interview your candidates

Whether as a virtual interview or face-to-face, now is your chance to get to know your potential future employee and ask questions.



5

Offer the job

Let your chosen candidate know the good news and give them a formal job offer and a start date.



On the first day...

Bringing new staff into your business means you need to align them with your way of working.

- ✓ Cover HR essentials if you haven't already – ask them to bring key information, such as photo ID, National Insurance number, and bank details, which you'll need to run payroll.
- ✓ Make sure a new staff member is aware of the policies and procedures regarding sickness, grievance, disciplinarys, leave and notice. This is typically covered in a handbook or their contract.
- ✓ Organise training, such as health and safety considerations, restricted sales, processing transactions or business-specific tasks for their role or the use of new equipment.
- ✓ Give your new employee a tour of the premises if necessary.

Additional resources

[Government guidance on employment](#)

[How to hire fixed-term employees](#)

[How to hire an apprentice](#)

[Employer's guide to managing pensions and payroll](#)



Avoid the HR hassle

Stay compliant with employment law, no matter how small your team. With a 24/7 legal and HR advice line and an on-demand online library of employment templates, documents and guides to support you every step of the way, you'll have more time to run your business.

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