

ACTIVE PRACTICE UPDATES

SEPTEMBER 2022

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EMPLOYING STAFF FOR THE FIRST TIME

An overview of the Government's seven steps.

Hiring an employee for the first time is an exciting moment for any business owner. Suddenly, you've got another pair of hands to help out with jobs that used to fall entirely on you – and with that extra support, new opportunities for growth are possible.

There's a vast amount of preparation and administration to do beforehand, however, and a lot of things you need to know depending on who and how you are hiring.

The Government advises there are seven main steps a business owner needs to take when they first become an employer. In this article, we go through each of these steps in detail so you know exactly what you need to do.

1) DECIDE HOW MUCH TO PAY SOMEONE

How much you're going to pay someone needs to be the first thing you decide and must, as you'll be well aware, be equivalent to at least the National Minimum Wage, which changes regularly and varies by the employee's age.

If a worker is over the age of 23, you must pay them the National Living Wage, which is £9.50 an hour as of the 2022/23 tax year. It doesn't matter how small your business is – you must always stay within this rule.

There is a special for employers on the GOV.UK website that you can use to accurately check that you're correctly paying a worker the National Minimum Wage and National Living Wage. This also shows you whether you owe your employee payments from the previous year because you underpaid them.

Just make sure that you check the National Minimum Wage and National Living Wage rates, as they are subject to change.

2) CHECK IF SOMEONE HAS THE LEGAL RIGHT TO WORK IN THE UK

The exact documents someone needs to give will change depending on certain characteristics, namely their nationality.

For instance, a British citizen with a valid passport must provide you with a clear copy of the passport, including some of their personal details (nationality, date of birth, photograph, etc).

Other applicants may have to have immigration status documents or a Government letter showing their name and National Insurance number.

The recruiting and hiring service tool on GOV.UK will help you understand exactly what you need to ask your applicants to provide you.

3) CHECK IF YOU NEED TO APPLY FOR A DISCLOSURE AND BARRING SERVICE (DBS) CHECK

Formerly known as a criminal records bureau check, this is a criminal background check that is compulsory for new staff in certain fields.

These checks can tell an employer if their employees have unspent criminal convictions, cautions or an employment history that's seen them barred from a particular role.

Any employer can request that a potential employee go through a DBS check, but other jobs (mostly professional roles) require one.

You can request:

- a basic check, which shows unspent convictions and conditional cautions
- a standard check, which shows spent and unspent convictions and cautions
- an enhanced check, which shows the same as a standard check, as well as any information held by local police that's considered relevant to the role
- an enhanced check with barred lists, which is the same as an enhanced list, plus whether the applicant is on the list of people barred from doing the role.

DBS checks have no official expiry date, meaning that it's up to you when a new check is needed.

Alternatively, if the applicant has signed up for the DBS update service, you can check whether their certificate is up to date online.

There are different rules for getting a criminal record check in Scotland and Northern Ireland.

4) GET EMPLOYMENT INSURANCE

You need employers' liability insurance as soon as you become an employer, which must cover you for at least £5 million and come from an authorised insurer.

Employers' liability will help you pay compensation if an employee is injured or becomes ill because of the work they do for you. However, you may not need to take a policy out if you only employ a family member or someone who is based abroad.

You can be fined £2,500 each day that you are not properly insured, as well as £1,000 if you do not display your employers' liability certificate or refuse to make this available to inspectors when they ask.

We recommend that you look into using an insurance broker to help you buy employers's liability insurance.

5) SEND DETAILS OF THE JOB TO YOUR EMPLOYEE

Details of the job, including contract terms and conditions, must be sent in full to your new employee.

Terms can be in a written contract, verbally agreed, in an offer letter or in collective agreements between employers and trade unions or staff associations.

If you are hiring someone for more than one month, you must also send them a written statement of employment.

The written statement is made up of the 'principal statement', which includes everything from the employee's name and probation period to holiday entitlement and job description.

There must also be a 'wider written statement', which must include information about pensions and pension schemes, collective agreements, and disciplinary and grievance procedures.

6) TELL HMRC BY REGISTERING AS AN EMPLOYER

You need to register as an employer with HMRC when you begin employing staff or using subcontractors for construction work. In fact, you have to register even if you're only employing yourself, for example as the sole director of a limited company.

You must register with HMRC before the very first payday, so make sure you do it as early as possible – it doesn't help that it can take up to five working days to get your employer PAYE reference number and 10 days to get an activation code for PAYE online.

If you want to run payroll yourself, you'll need to get a login for PAYE online by registering with HMRC. After that, choose which payroll software you're going to use to record employee details, calculate pay and deductions, and report to HMRC.

You then need to record pay, make deductions and report to HMRC on or before the first payday.

If you need to pay an employee before you get your employer PAYE reference number, you should run payroll, store your full payment submission and send a late full payment submission to HMRC.

7) SET UP AND MANAGE A WORKPLACE PENSION SCHEME

Employers are required to provide a workplace pension scheme for eligible staff as soon as your first member of staff starts working for you. This is known as your 'duties start date'.

You must enrol and make an employer's contribution for all staff who:

- are aged between 22 and the State Pension age
- earn at least £10,000 a year
- normally work in the UK (this includes people who are based in the UK but travel abroad for work).

If staff later become eligible because of a change in their age or earnings, you must put them into your pension scheme and write to them within six weeks of the day they meet the criteria that you are doing so.

Get in touch for advice on employing staff.