Employing staff for the first time

Overview

Introduction

Employing people is a serious responsibility. Your organisation becomes an employer as soon as it recruits paid staff. Whilst the organisation is not expected to be expert in all the associated legal responsibilities, it is required to keep up to date with changes and ensure it accesses expertise and advice where necessary.

For smaller organisations or CIOs, initial HR responsibilities may rest with trustees or senior volunteers. Support and advice are available from Third Sector Support Wales.

This information sheet provides a basic introduction to employing people for the first time and covers the key elements that organisations need to have in place.

Your role as employer and associated legal requirements should be taken very seriously:

- You are responsible for making sure that staff work effectively towards achieving the aims of the organisation. If they don't, you are not managing the organisation's resources effectively.
- Your organisation must comply with employment laws, including:
  - Pension rules
  - Payroll and paying the minimum wage
  - Health and safety
  - Equality legislation
- Your organisation may face serious penalties if you do not obey the laws covering employment. In some circumstances you could face personal liability for debts that result from mismanagement of staff or failure to adhere to employment legislation.

What do you need staff to do?

Many voluntary sector organisations start out on an entirely voluntary basis. There will probably be a board of trustees or management committee and perhaps some other unpaid volunteers. But if the organisation grows, it may need to employ staff in order to achieve its aims.

The first step in the process is to decide what you want to employ the staff for and what working hours will be necessary to perform their duties effectively. To do this you will need to draw up job descriptions and person specifications.

You will also need to draft a contract of employment and put in place employment policies such as equal opportunities, health and safety, discipline and grievance procedures, etc.

You will then need to secure funding for the post(s). To do this you will need to work out what employing a worker will cost you. This, and related issues are covered below.

Decision making

Employing a worker for the first time is a big step for any organisation.

It can also be quite challenging to transition to having staff and handing over responsibilities. It is therefore vital that the approval of the board of trustees, or management or executive committee is obtained at each key stage of the process

- Agreeing the job description, etc.
- Agreeing terms and conditions
- Agreeing the recruitment process
- Preparing funding bids
- Short listing and selection
- Probationary review and confirmation in post
- Agreeing a supervision and appraisal process

Some of these stages may be delegated to a sub committee. At all stages specialist advice should be sought whenever needed.

Staff grades and pay scales

A key element of the cost of employing staff is pay. In funding bids, you will need to apply for the pay going to the employee, plus the employer's National Insurance contributions, and any other on-costs that have been agreed with your funder or contracting organisation.

Some employees in the voluntary sector are paid on what are known as the NJC Pay Scales. These are usually revised from **1 April each year**.

UK Government – National Minimum Wage

You will need to meet the National Minimum Wage and National Living Wage rates

Small voluntary groups are only likely to be paying staff on the lower levels of these grades. If you are applying for funding for a post for longer than one year, you should consider whether you should allow for some progression in salary bands and for cost of living increases.

Should you not receive full funding you will need to review the situation and decide whether you can reduce hours or grade so that your costs are covered.

UK Government – Payroll Calculator

Equal pay

If you are employing people for the first time, you probably don't know yet how many men or women you will be employing within your organisation, but it's important to be aware of Equal Pay legislation from the start in order to avoid falling into any discriminatory practices.

By law, men and women must get equal pay for doing 'equal work' (work that equal pay law classes as the same, similar, equivalent or of equal value).

This means someone must not get less pay compared to someone who is both:

- The opposite sex
- Doing equal work for the same employer

Please see ACAS guidance for detailed information on Equal Pay

Pensions

If your organisation employs staff, you will also need to enroll all your eligible employees into a pension scheme and make a contribution towards it.

This guide is tailored for voluntary and community sector organisations in Wales setting up formal employment arrangements for the first time.

Use The Pensions Regulator's online checklist to confirm your enrolment duties and deadlines:

https://www.thepensionsregulator.gov.uk/en/employers

Eligible workers

Workers employed and paid by the charity for the work they do are eligible for pensions if they:

- Earn more than the current minimum wage
- Are aged between 22 and the state pension age
- Work in the UK

'Workers' include contractors and agency staff, as well as people working under an apprenticeship.

Volunteers and unpaid staff are not eligible.

UK government – Pension rules for charities

Find out when you will have to start making pension contributions for your charity's staff and how much you will have to pay.

As an employer you must contribute at least 3% of your eligible workers' earnings to a pension scheme, while they pay the rest. The total contribution must be a minimum of 8% of each worker's earnings.

For more information on Pensions see The Pensions Regulator website

Benefits and expenses

In addition to the cost of any pension scheme that you have in place, you will also need to determine what an employee will cost you in terms of:

- Training costs
- Travel and subsistence expenses

Not only will you have to include these costs in funding bids, you must ensure that you stay within Revenue limits. It is a good idea to clear any allowances with **HM Revenue and Customs (HMRC)** and to apply for a dispensation regarding payment of expenses.

For more information on employee benefits and expenses see: UK Government – Guidance on Expenses and Benefits

Setting up your payroll

You will need to set up a payroll system. If you're unsure, Third Sector Support Wales (thirdsectorsupport.wales) can assist with finding payroll providers or reviewing job contracts.

There are two options:

- Employ a specialist payroll bureau
- Operate the payroll yourself

Unless you have good experience of running a payroll, you would be advised to use a payroll bureau. Third Sector Support Wales will be able to assist you with finding a supplier.

Whatever you do, you will need to register with the **HMRC** as a new employer on their registration line (0300 200 3211). This must be done before the first pay day. They will then send you a payroll log in for PAYE online.

Meeting legal obligations

Once you have become an employer, you will need to meet a number of key financial and tax obligations:

- Paying your employees the **National Minimum Wage**, at least
- Automatically enrolling your employees in a pensions scheme, as explained above
- Ensuring that **PAYE Income Tax** and **National Insurance** contributions are paid over to the **Inland Revenue** by the due dates (monthly or quarterly as agreed with your payment office)
- Sending certain forms and returns to employees and/or the **Inland Revenue** by specified dates
- Ensuring that the people you employ have the legal right to work in the UK (see the guide here) and that you keep evidence of that

Employers must provide an individual written pay statement at or before the time they are paid. The statement must show gross pay and net pay (take- home pay), with amounts and reasons for all variable deductions.

Conclusion

Employing people for the first time is an exciting stage in your organisation's development, but it's also a significant investment of resources and is not without risk, so it's important to take the time at the beginning to get it right and make sure the process runs smoothly for your organisation and its new staff.

This information is provided for general guidance and is not intended as professional advice.

Further information

HM Revenue and Customs HM Revenue and Customs

www.hmrc.gov.uk

Working UK Government

www.gov.uk/browse/working

Equality & Human Rights Commission (EHRC)

Tel: 0808 800 0082

Textphone: 0808 800 0084

wales@equalityhumanrights.com

www.equalityhumanrights.com/wales/

Pay Connect – Payroll Service for the Third Sector

Tel: 01745 357588

www.wcva.cymru

ACAS

Tel: 08457 474747

www.acas.org.uk

The Pensions Regulator

Tel: 0345 600 0707

www.thepensionsregulator.gov.uk