

Employing people in your business

Before you decide to take on your first employee...

There are several things you should check before deciding to take on your first employee. A little homework will make things easier, cover all the legal aspects and help you to achieve your goal of increasing your productivity and productivity. Follow the steps outlined in this and our other BIZFACTS, consult our business advisers and you will be ready to make the right decision.

What is the legal definition of employment?

A work arrangement is classed as employment if you offer someone work on a full-time or casual basis and:

- pay them a salary, wages or some kind of remuneration
- tell them the hours and conditions of work
- give them instructions on how the work is to be done and in what order.

Arrangements that try to get around the obligation of an employer (such as a **cash-in-hand** situation) could get you into serious disputes through the Industrial Courts or under Workers Compensation legislation. If the legal processes of either decide that there was a legitimate employer/employee relationship then the penalties and legal costs would ruin your business.

Do your sums. How will the extra person make your business more productive and profitable?

You should prepare a new operating budget and cash flow projection which takes account of all additional costs and allows for the extra revenue to be generated from sales. Your accountant can help with this.

In order to work out what taking on an employee will mean in money terms you should ask:

Will the employee be able to contribute immediately or will there be hidden costs?

It can cost about \$5,000 in recruiting, downtime and training of a base-grade employee.

- Will the projected long-term gain repay the investment in the person? Case studies show that trained employees tend to stay with the original employer longer, minimising turnover costs.
- How much of your own productive time will be spent on supervising the new employee?
- Are you able to take advantage of government subsidies to offset the costs of training by taking on someone who is long-term unemployed, over 50 or with any other subsidy arrangements?

- Will the person you require be taken on as an apprentice or a trainee and what will that mean in terms of training commitments and training subsidies?
- What cash reserves do you estimate as necessary to meet the wages and on-costs until the employee is fully productive in your business?
- Are you aware of all the operating of all the on-costs which are added to wage costs, such as employer funded superannuation, worker' compensation insurance and leave loadings.
- Does taking on an employee mean that you will have to upgrade your premises to meet Occupational Health and Safety regulation and codes?
- What costs will you have to meet in order to provide physical accommodation for an employee, such as work stations, ramps, plant and machinery, motor vehicle, tools and manuals?

Get this sorted out first. What sort of employee are you looking for?

What you need to do in the way of recruiting and training a new employee will depend on what you are looking for. Some employers advertise for **an experienced 15-17 year old**, not realising that many people stay at school until Year 12 and start work at 18.

Are you overlooking the potential value of an older person in trying to work out at a cheap solution? Think of the long-term outcomes you want first.

Write out your Job and Person Specification – it will help you select the right person for the job.

If you have a clear picture in your mind of what you need from the employee it will help you frame your advertisements to attract the right person. To help you do this you should write out a Job and Person Specification which lists all the things you are looking for in your ideal employee. Doing this will make it easier to talk to an employment agency and to interview prospective employees.

What is the level of the work to be done? Do you need a qualified person, a trainee or an apprentice, or can the work be done by an unexperienced person with some training and coaching by you? What kind of skills do they need to do the job? Be realistic – list the technical skills, customer service and personal skills of the employee you are looking for.

Are there any special physical characteristics to enable the person to do the job? Colour blindness, for example, can bar a person from employment in some industries, if the job requires long periods of standing and hard physical labour, then what fitness requirements will the new employee need to meet? Will they need a health check? This could be important in protecting you from claims under workers' compensation.

What previous training or qualifications will they need to do the work?

What are the terms and conditions of employment?

If these are covered in an industrial award then you will need to be sure of your facts before you place an advertisement.

Do you know what Award covers the employee that you see? You should check with your trade association, Business SA or the Department for Administrative and Information Services – Workplace Services Division for more information. This information must be given to employees before you take them on.



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- Are you going to set any special and additional conditions? If you want your employee to meet special conditions you should put these in writing and these must be signed before the employee is hired. Seek specialist advice when drafting these.
- If you want an apprentice or trainee you should find out as much as you can about the Contract of Training arrangements before you hire anyone.
- What is Enterprise Bargaining? This is a way of making industrial agreements where employees and employers agree to the terms and conditions of employment that apply only to that particular enterprise or business. If the employment you are offering is not covered by an industrial award, or if you
- Want to have special employment conditions built into the arrangements then you might wish to check the principals of Enterprise Bargaining with your trade or business association to give you some pointers. The Office of the Employee Ombudsman and Business SA can also help you here.
- What about commission only arrangements? These may be applicable to the kind of employment you are offering Again, seek advice before working out the terms and conditions of this so that both of you and prospective employees know and can agree in writing, to the arrangement. This way there is no room for misunderstanding.



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