



Becoming an employer

What you need to know



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SPOTLIGHT ON:

Becoming an employer





WHAT YOU NEED TO KNOW BEFORE TAKING ON THE RESPONSIBILITY

Deciding to become an employer is a significant milestone for any business. It marks a phase of growth and the need for additional support.

In this guide, we will explain what becoming an employer entails, the steps required, the key considerations, and the changes that come with this decision. We'll also consider the pros and cons to help you make an informed choice.

WHAT DOES BECOMING AN EMPLOYER ENTAIL?

For many businesses, the transition to an employer signals growth and expansion. However, it also introduces new challenges and responsibilities.

Becoming an employer means managing staff, including hiring, ensuring their well-being, handling wages and tax deductions, and complying with employment laws.

HIRING AND MANAGING STAFF

When you decide to become an employer, one of your primary responsibilities is hiring the right people. This process involves advertising job vacancies, conducting interviews, and selecting suitable candidates. Businesses increasingly focus on hiring employees with the right skills who fit the company culture well. This approach helps reduce turnover and foster a positive work environment.

ENSURING EMPLOYEE WELLBEING

Employee wellbeing has become a significant focus for UK employers. Recent legislative changes, such as the Employment Rights (Flexible Working) Act 2023, allow employees to request flexible working arrangements from day one. This flexibility can include part-time work, remote working, or compressed hours. Employers must respond to these requests within two months and provide valid reasons if they deny any request.

These changes highlight the importance of considering employee well-being and maintaining a supportive work environment.





TRAINING AND DEVELOPMENT

One critical consideration of becoming an employer that often gets overlooked is the importance of employee training and development. Investing in your employees' growth enhances their skills and improves your business's overall success.

According to a 2023 study by LinkedIn, companies that provide extensive training opportunities see a 24% higher profit margin than those that spend less on employee development.

Training can range from onboarding sessions that help new hires understand their roles and company culture, to ongoing professional development programs that keep employees up-to-date with industry trends and technologies. It's essential to create a structured training plan that includes mandatory and optional courses catering to the different needs of your workforce.

Moreover, building a culture of continuous learning can improve employee engagement and retention. A report by the Chartered Institute of Personnel and Development (CIPD) found that 94% of employees would stay longer at a company if it invested in their career development. Therefore, as an employer, prioritising training and development boosts productivity and builds a loyal and skilled workforce, driving your business towards long-term success.

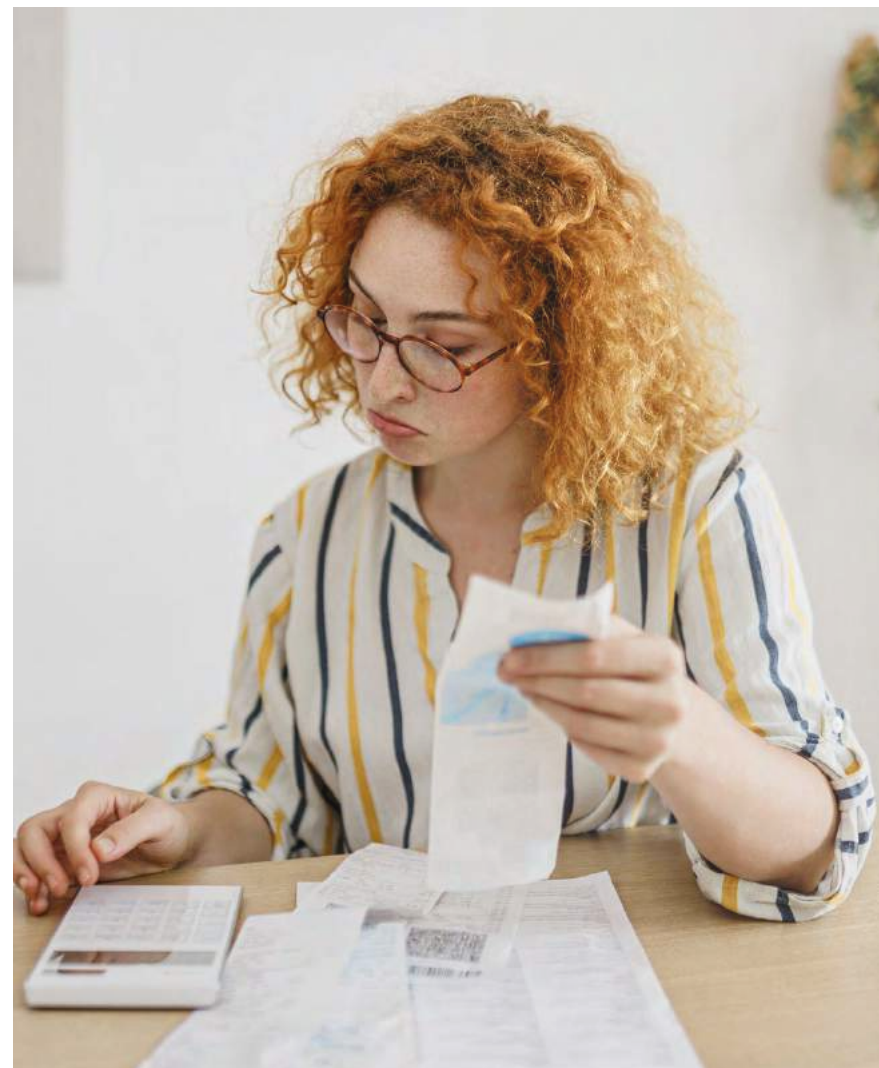
HANDLING WAGES AND TAX DEDUCTIONS

As an employer, you are responsible for calculating and distributing wages, including making the necessary tax and NI deductions.

The Government has introduced significant changes to the National Minimum Wage (NMW) and National Living Wage (NLW) rates, effective April 2024. The top rate of NLW will now apply to workers aged 21 and over, representing the largest-ever cash increase to the minimum wage.

	NMW rate from 1 April 2024	Increase in pence	Percentage increase
National Living Wage (21 and over)	£11.44	£1.02	9.8%
18-20 Year Old Rate	£8.60	£1.11	14.8%
16-17 Year Old Rate	£6.40	£1.12	21.2%
Apprentice Rate	£6.40	£1.12	21.2%
Accommodation Offset	£9.99	£0.89	9.8%

Ensuring compliance with these new rates is crucial to avoid legal issues and financial penalties.





COMPLIANCE WITH EMPLOYMENT LAWS

Compliance with employment laws is a critical aspect of becoming an employer. The UK has seen a flurry of changes in employment legislation set to take effect in 2024. For instance, the Carer's Leave Act 2023 entitles employees to one week of unpaid leave per year to care for a dependent, starting from April 2024.

Additionally, the Protection from Redundancy (Pregnancy and Family Leave) Act 2023 extends redundancy protection for employees on family leave to 18 months.

Employers must stay updated with these changes to ensure they meet their legal obligations. Non-compliance can result in significant penalties and damage to the business's reputation. Therefore, regular training for HR and management teams on the latest employment laws is essential.

INCREASED RESPONSIBILITIES

Taking on the role of an employer brings a host of new responsibilities. You must ensure a safe and productive work environment, manage payroll efficiently, and handle various aspects of employee relations. Effective management includes hiring the right people, providing necessary training, and addressing any issues promptly.

Becoming an employer involves significant responsibilities and challenges. However, the right preparation and understanding of your obligations can also drive business growth and success. Staying informed about the latest employment laws and maintaining a supportive work environment are key to becoming a successful employer.

STEPS TO BECOMING AN EMPLOYER

- **Register as an employer with HMRC:** The first step is registering with HMRC. This should be done before the first payday. You'll receive an employer PAYE reference number and accounts office reference number, both of which are essential for managing payroll and reporting to HMRC.
- **Set up payroll:** Setting up a payroll system is crucial. This system will help you calculate and distribute wages and ensure correct tax and NICs. HMRC offers a free payroll tool called 'Basic PAYE Tools', but many businesses use payroll software which can significantly simplify this process.
- **Check employment rights:** Ensure you understand and comply with employment rights, including minimum wage, working hours, and workplace safety. This protects both you and your employees.

- **Draft employment contracts:** Every employee should have a written contract outlining their job role, salary, working hours, and other terms of employment. This document is a legal requirement and sets clear expectations for both parties.
- **Consider pensions:** Employers must provide a workplace pension scheme and automatically enrol eligible employees, although this can be deferred until the employee's third month of employment. This is part of your responsibilities and is essential for UK law compliance. The employer also has an obligation to submit a 'Declaration of Compliance' to the Pensions Regulator.
- **Maintain records:** Keep accurate records of employee details, pay, and tax information. This helps in managing payroll, and it's also a legal requirement.



KEY CONSIDERATIONS

- **Legal obligations:** Understanding and complying with employment laws is vital. This includes everything from fair hiring practices to ensuring a safe working environment. Non-compliance can result in legal issues and financial penalties. For instance, you must obtain Employers' Liability (EL) insurance as soon as you become an employer. The policy must provide coverage of at least £5 million and be issued by an authorised insurer.

EL insurance assists in covering compensation costs if an employee is injured or becomes ill due to their work for you.

Failure to have proper insurance can result in a fine of £2,500 for each day you are uninsured. Additionally, you can be fined £1,000 if you do not display your EL certificate or if you refuse to make it available to inspectors upon request.



- **Financial impact:** Becoming an employer has financial implications. You'll need to budget for wages, NICs, pensions, and possibly additional costs like recruitment and training.
 - **Management skills:** Effective people management is essential. This includes hiring the right people, training, and handling issues.
- Good management fosters a positive work environment and improves employee retention.
- **Time commitment:** Managing staff takes time. From payroll processing to addressing employee concerns, be prepared for an increased time commitment.

WHAT CHANGES WHEN YOU BECOME AN EMPLOYER?

Increased responsibilities: You'll be responsible for your employees' welfare, including ensuring a safe and productive work environment.

Regulatory compliance: You must stay current with employment laws and regulations. This includes keeping records, filing returns, and ensuring workplace compliance.

Payroll management: Managing payroll becomes a significant part of your routine. This includes calculating wages, deducting taxes, and handling employee benefits.

Employee management: You'll need to manage various aspects of employee relations, from recruitment to performance appraisals and conflict resolution.

PROS AND CONS OF BECOMING AN EMPLOYER

Pros:

- **Business growth:** Hiring staff allows you to scale your business and take on more work, potentially increasing revenue.
- **Skill diversity:** Bringing in new employees can introduce fresh skills and ideas, enhancing your business's capabilities.
- **Workload distribution:** Delegating tasks to employees can free up your time, allowing you to focus on strategic planning and growth.
- **Employee loyalty:** Providing jobs can build loyalty and a strong team culture, which is beneficial for long-term success.

Cons:

- **Increased costs:** Hiring staff means additional costs, including wages, taxes, and benefits. This can be a significant financial commitment.
- **Administrative burden:** Managing payroll, compliance, and employee relations adds to your administrative tasks.
- **Risk of disputes:** Employment relationships can sometimes lead to disputes, which can be time-consuming and costly.
- **Training and development:** Investing in employee training and development requires time and resources.



HELP IS AVAILABLE

Managing staff, ensuring compliance with ever-evolving employment laws, and handling payroll are just a few of your many responsibilities. This is where the expertise of an accountant or professional advisor becomes invaluable.

Professionals can set up and manage your payroll system, ensuring that wages, tax deductions, and NICs are accurately calculated and compliant with current laws.

They provide essential guidance on legal requirements, such as drafting employment contracts and setting up workplace pensions, and help you stay updated with legislative changes, such as those coming into effect in 2024.

Additionally, accountants offer strategic financial planning, advising on budgeting for new expenses like wages and benefits and optimising tax efficiency. Their insights can help you make informed decisions that align with your business growth objectives.

By leveraging their expertise, you can focus on your core business activities, confident that your employer responsibilities are managed professionally and efficiently. This support fosters a thriving work environment and ensures your business's long-term success.

WRAPPING UP

Becoming an employer is a major step in driving business growth and success. However, it comes with significant responsibilities and challenges.

By understanding the steps, legal requirements, and considerations, you can make an informed decision that aligns with your business goals. Balancing the pros and cons will help ensure you are ready for the transition and can manage the new responsibilities effectively.

Remember, thorough preparation and understanding of your obligations are key to becoming a successful employer.



If you're considering becoming an employer, contact us for support to ensure a simplified transition.



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