

6. Employing and managing people

6.2 Employing staff for the first time

Your organisation becomes an employer as soon as the organisation recruits for 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.

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

- You are responsible for seeing 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 may face serious penalties if you do not obey the laws covering employment. In some circumstances you may face personal liability for debts that result from mismanagement of staff or failure to adhere to employment legislation.

The post

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 a job description and person specification.

You will also need to draft a contract of employment and put in place employment policies such as equal opportunities, 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. Getting it right or wrong could be the difference between your group surviving or not. It is therefore vital that the approval of the board of trustees, or management or executive committee is obtained at each key stage:

- 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

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.

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.

Pensions, benefits and expenses

At present, employers with five or more employees who earn more than the lower earning level are obliged to offer access to a stakeholder pension. Employers can, however, decide whether to make a contribution to an employee's pension, and it is only if they decide to do so that they will need to account for the costs involved in that in any funding bid they make (typically between 3 to 11 per cent of the employee's salary).

There are also new regulations that you need to be aware of, which place increased obligations on employers regarding pensions. Under the new 'automatic enrolment' rules employers must automatically enrol certain employees in to a pension scheme, and make contributions towards their employees' pension. The date that employers will have to enrol their employees (known as the 'staging date') will depend on the number of people that they employ, so it is crucial that you find what your staging date is to make the necessary preparations. Employers with large numbers of employees have had to enrol staff since October 2012, with staging dates for small and medium sized employers being phased in after that up until 2018 (the majority will have to enrol by the end of 2015). Full details on automatic enrolment can be found on the Pension Regulator's website.

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
- childcare allowances

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 your local HM Revenue and Customs (HMRC) Office and to apply for a dispensation regarding payment of expenses.

Setting up your payroll

You have 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 opt for the former.

Whatever you do, you will need to register with the HMRC as a new employer on their registration line (0300 200 3211)). They will then send you a payroll pack, a number of useful guides and details of courses to assist new employers.

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.

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

Further information

HM Revenue and Customs

www.hmrc.gov.uk

GOV.UK

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.org.uk

ACAS

Tel: 08457 47 47 47

www.acas.org.uk

The Pensions Regulator

www.thepensionsregulator.gov.uk

Wales TUC Cymru

Tel: 029 2034 7010

wtuc@tuc.org.uk

www.tuc.org.uk/wales

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