

Employer Planning:

So you want to hire another employee...

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Your business has been doing well. Sales volume is steadily increasing and cash flow looks good. What doesn't look good is your ability to continue putting in eighteen and twenty hour days. And your current employees can't handle the load. You decide you need help.

When the current workforce can't cope with the increasing volume of work, you probably need another employee. Don't rush out and pick someone off the street as your new hire, however. First spend a few moments to think about and write down why you want this person and what you wish him/her to do for you.

Writing it down helps build a job description. You want to move the job description out of your head and communicate it in writing for your prospective employee.

There are five steps to successfully hiring a new employee.

1. Analyze the workload. Is there enough work for a full-time person, or could you be better served by first creating a part-time position that could lead into a full-time one?
2. Defining the new job. It only takes a few moments to write down the list of tasks or duties you would have this new worker perform for you. Answering the phone, opening the mail, and other tasks which you can turn over to someone else, should be on the list. If current employees are stretched too thin, relieving them with extra help should be your key concern. Asking them for assistance in identifying what the new person should do can be a benefit to the organization as well. Your current employees are aware of areas of work flow which may need additional staffing. Jot your thoughts down so you can then begin editing your list. When you are done, you have the beginnings of a job outline. You are really inventing a job which you somehow must convey to the people you interview.
3. Sketch out a written description. Gather together the tasks you listed into broad categories or responsibility areas such as Customer Service, Production Assistance, and Administration Support. Then list the tasks you want your new employee to perform under each category. Next briefly summarize what the physical and mental job requirements will be. Physical requirements can include sitting, standing, lifting, walking, driving, and the like. Mental requirements can include basic reading skills, arithmetic skills, or oral communication skills. Write down any other requirements the employee must meet such as having a driver's license or a vehicle. If certain experience is required, list it also.
4. Planning for recruitment of the new employee. Consider alternate candidate sources such as the Employment Development Department (EDD) or the One Stop Career Center. If you talk with EDD you will find they are willing to recruit, screen, and train someone

from the job seekers they work with to match your requirements. And, these services are free to the employer. If you want to train your employee yourself, some tax provisions will reimburse you up to 50% of the employee's wages during the initial training period. You may even get tax credit for hiring an eligible applicant. With all these services from EDD, you still make the final decision on who to hire. It can be a win-win situation. Someone gets skills upgraded, the employer gets a good employee and possible tax credit, and EDD sees a client get a job. Other potential sources that should also be considered are local adult education programs or community college placement offices. High schools often have placement offices for their students as well. The point is, you don't have to rush into newspaper advertising until you first test other methods of finding candidates for the job. Don't forget, if you receive \$100,000 or more in revenue from contracts with the federal government, you must list your job openings with your state employment service department. Vendors and suppliers to federal contractors and sub-contractors are also required to file their job openings using the same threshold.

5. Planning for your interviews. Once you've identified several candidates for your new position, it is time to begin the final stage of the selection process, fact-to-face interviews. Planning for an interview can save you considerable time and grief later on. Outline what you want to say in the interview. Begin the interview by explaining the job content and showing the applicant your newly created job description for the open position. Focus your conversation on how he or she can perform the job responsibilities. Avoid asking about non-job-specific things like marital status, health, sexual orientation, or anything which has no bearing on job performance. Ask instead, "How would you want to be measured in this job?" "How would your last supervisor describe your work attendance and punctuality?" and "How do you feel about meeting work deadlines?" These types of questions can help you sift through your candidates and reach a conclusion about which one you will ultimately hire.

After your interviews, call all the references given to you by the applicant. Ask about job performance, attendance, punctuality, and other job-related behavior. It is critical that you verify your candidate's resume or application information. If you want more information about how to do that, and what to look for, check out a book titled *How to Spot a PHONY Resume*. You will find it in the "HR Books and Manuals Section" at the HR Web Store (<http://www.management-advantage.com/products/resume-book.htm>) When you are satisfied that the interview information and reference information match, you can settle on one candidate. Comparing people in this situation is easier if you use a matrix for your information. Table 1 is one such decision aid.

Table 1: Candidate Comparison Chart

Factor/Candidate	S. Green	P. White	W. Brown
Skills/Abilities	Typing, Filing (+)	Secretarial (+)	Typing, Steno(+)
Experience	3 yrs office clerk (+)	2 yrs secretarial (+)	Typing, steno (+)
Education	HS graduate	HS graduate, Business	2 yrs college (+)

		school	
Supervisor/ Reference(s)	Good attendance & punctuality (+)	No comment	Excellent work attitude (+)
Interview	Interested in job, able to talk easily	Nearly fell asleep (-)	Thought about questions before answering (+)
Availability/Hours	Must give 2 wks notice to boss	Working 2 jobs now. Can only work 12 noon on (-)	Available now. Hours OK (+)
Disqualifiers	None	Hours/Fatigue	None
+ Total	+ = 3	Disqualified	+ = 6

This type of comparison, or summary, helps clarify the differences in candidate qualifications and their importance to you the employer. Notice that plus marks (+) are used to indicate something exceptionally positive. Minus marks (-) are used to indicate something undesirable. “Disqualifiers” is a term used to indicate something which cannot be overcome and must eliminate the candidate from further consideration. Adding up plus marks (+) at the bottom of the chart can help you identify the best overall candidate for your opening. This is an easy way to make sense out of qualifications among candidates when it would otherwise be difficult to balance interview performance with education, for example.

Once your decision is made, make the job offer. Then, be sure you complete all appropriate paperwork to add your new employee to your payroll. Every new hire requires that you and the employee complete two documents: the I-9 Form, issued by the Immigration and Naturalization Services (INS) (<http://www.uscis.gov/files/form/i-9.pdf>) and a W-4 Form, issued by the Internal Revenue Service (IRS) (<http://www.irs.gov/pub/irs-pdf/fw4.pdf>) . States often have their own comparable forms which are acceptable to the federal government as substitutes for federal forms. Each form identifies the taxpayer's social security number, the employee's proper name, mailing address, and income tax filing status (i.e., married, single, etc.)

As the employer, you are responsible for learning about INS, IRS, and state regulations. Each agency publishes employer information bulletins. For California, the Employment Development Department makes its available on line. (http://www.edd.ca.gov/pdf_pub_ctr/de44.pdf)

You will need to report your new employee under the federal registry requirements, (http://www.edd.ca.gov/pdf_pub_ctr/de34.pdf) and you might wish to include the new person in your employee benefit program. You might have them sign for receipt of their copy of your policy manual or employee handbook, or give them information about your Cal-OSHA workplace safety program. If this is your first employee you will also need to secure Workers' Compensation Insurance from an authorized insurance carrier. Then you will have to add them to your payroll system.

No subject seems to be more loathed by employers than payroll. It represents substantial challenges, especially to small employers. The first of these challenges is to have enough cash in the checking account so payroll checks can be written on time. Most small business operators understand the panicked feeling as payday approaches and money isn't yet available to cover payroll checks which must be written. Successful business owners do whatever is necessary to increase incoming cash so there will be enough to satisfy payday requirements. That might involve stepping up collections on receivables or focusing on closing a critical sale quickly. Meeting payroll is not an option, it is an obligation. The State of California requires employers to pay their workers on time and in full each pay period. Those who don't are subject to financial penalties assessed by the State Labor Commissioner. (<http://www.dir.ca.gov/dlse/dlse.html>)

The State Labor Commissioner is often responsible for enforcing state laws for payroll processing. Those laws tell employers what must be done to keep their commitment to employees. The list includes:

- Specify when employees will be paid each month or week, and post that information in a conspicuous place for all employees to see.
- Establish a reasonable processing time after close of a pay period to allow checks to be computed, written and delivered to employees. This period may sometimes take up to a week.
- Maintain exact worktime records for every employee who is not exempt from the Fair Labor Standards Act, and therefore must be paid overtime for hours exceeding certain limits. Pay each worker in full for overtime hours during the pay period.
- Post the appropriate state notices for all employees to access and read.

States sometimes require detailed worktime records for employees who are not exempt from overtime requirements of the *Fair Labor Standards Act*. These records may be kept either manually or on a computer, such as by time clock. They must show the time work begins each day, the time it ends for a meal break, when it begins after the meal, and when work ends for the day. If daily work schedules do not vary, employers may usually keep a record of scheduled hours and simply note exceptions which occur on any given day. Financial penalties await employers who do not maintain such detailed worktime records.

These records are used to substantiate the employer's calculations of overtime payments if an employee should complain to the Labor Commissioner about overtime treatment. Without detailed worktime records to support its payroll calculations, the employer could be liable for paying overtime again, paying overtime when not actually due, or paying penalties assessed by the state. Wise employers understand it is a smart financial decision to maintain detailed worktime records for employees.

Once paychecks are written and delivered to employees, employers must make deposits of payroll withholding to state and federal governments. Federal law requires employers to deduct from gross pay certain amounts for federal income tax, Social Security, and Medicare. In addition, employers are required to withhold from employee paychecks amounts for state income tax and state disability insurance premiums. Employers must match the withholding amounts for Social Security and Medicare. Table 2 summarizes payroll tax payment responsibilities.

Table 2: Summary of Payroll-Related Taxes

Payroll Tax	Employee Pays	Employer Pays
Federal Income Tax	X	
Social Security Tax	X	X
Medicare	X	X
Fed. Unemployment Ins.		X
State Income Tax	X	
State Disability Insurance	X	
State Unemployment Ins.		X
Workers' Compensation Ins.		X

Then, all state and federal deductions must be deposited using special forms and procedures. Employers also pay for unemployment insurance, a tax that employees never see but can derive benefits from. The IRS publishes literature about the payroll taxes required by federal law. (<http://www.irs.gov/publications/p15/ar02.html>) State Employment Services also offer free guidance and literature to employers regarding state payroll taxes. (http://www.edd.ca.gov/payroll_taxes/)

Each employer must have its own federal and state employer tax identification numbers. (<http://www.irs.gov/businesses/small/article/0,,id=98350,00.html>) These numbers are used to identify your account and monitor deposits and reports of your payroll activity. Once you apply for your employer tax ID numbers, new employers will receive tax forms, complete instructions, and filing requirements from both IRS and your State Employment Service.

Employers have the responsibility of withholding, depositing, reporting, and paying taxes to the IRS, Social Security Administration, and the state. Most employers must withhold and/or pay the following federal taxes:

- Federal Personal Income Tax
- Social Security and Medicare Taxes
- Federal Unemployment Tax (FUTA)

In addition, the state requires you to withhold and/or pay:

- State Personal Income Tax

- Unemployment Insurance Tax
- State Disability Insurance
- Employment Training Tax
- Other State Required Withholdings

Employers are required to carry workers' compensation insurance coverage for each employee.

Both federal and state payroll forms must be filed quarterly and at year end. Due dates to remember are: *monthly* deposits if an employee's payroll withholding exceeds \$500 per quarter; *quarterly* tax returns and payments; and *annual* tax returns and payments.

An employer who keeps accurate payroll records can substantiate all information on his or her company tax forms and on annual audits for workers' compensation insurance. If all this is not for you, you may consider one of these options:

- Use of a payroll service bureau to do your payroll. They will maintain all payroll records, provide you with all report and tax deposit forms you require, and charge you a fee for their services.
- Use an accountant or bookkeeping service to compute payroll, maintain all required records, and file necessary reports with the government. You will pay a fee for this service.
- Use an employee leasing service where the leasing company becomes the primary employer and you become the co-employer. The leasing company handles all payroll, personnel issues, benefits and more. You generally gain access to more favorable benefit programs through this approach, including business owner retirement programs. You will pay a fee for this service.

Having employees in your organization increases productivity and, hopefully, profits follow. It also obligates employers to abide by all payroll-related laws and regulations of state and federal governments.