

# INVEST EAST YORKSHIRE

## Employing Your First Person - An Employers Guide

### Introduction

Employing your first employee is a major milestone for your business. It signals growth, fresh ideas, and additional support to take your business to the next level. However, it also comes with a range of legal, financial, and practical responsibilities. This guide walks you through everything you need to know to ensure you get it right, from registering with HMRC to onboarding your new hire.

### 1. Reviewing Finances to Assess Affordability

Hiring an employee is a significant financial commitment, much more than a salary. You need to assess whether your business can afford:

- Salary and associated costs (such as tax, National Insurance, and pension contributions).
- Employer's Liability Insurance (a legal requirement).
- Any additional benefits (bonuses, private healthcare, etc.).
- Costs related to equipment, training, and recruitment.
- Potential associated costs involved in employment such as sick pay, holiday pay, and other statutory entitlements.

A good rule of thumb is to ensure you have enough funds to cover at least six months' worth of wages before hiring. It's advisable to create financial projections to understand how the new hire will impact cash flow and profitability.

### 2. Registering with HMRC and Getting a PAYE Number

Before hiring, you must register as an employer with His Majesty's Revenue and Customs (HMRC). This is necessary because you'll be responsible for deducting and paying tax and National Insurance on behalf of your employee.

- Register online via the HMRC website using your Government Gateway account.
- You need to do this before the first payday, but it can take up to five working days to receive your PAYE reference number.
- Once registered, you'll receive a PAYE number which is required for running payroll. This number is essential for submitting PAYE reports and making tax and National Insurance contributions.
- You must keep accurate records of payroll information, including payments to employees, deductions, and any benefits provided.

### 3. Setting Up a Payroll System

Running payroll ensures your employee is paid correctly and that the correct deductions (Income Tax, National Insurance, pension contributions) are made. Employees are entitled by law to an itemised payslip. You have two options:

- Use HMRC's free Basic PAYE Tools if you have a simple payroll structure with fewer than 10 employees.
- Use payroll software (such as Xero, QuickBooks, or Sage) for more automation, compliance, and reporting features. These tools help with tax calculations, payslip generation, and compliance reporting. They can also integrate into your accounting software.
- Alternatively, you can outsource payroll to an accountant or payroll provider if you prefer not to manage it in-house. Outsourcing can help ensure compliance and save time, especially as regulations change frequently.
- You must report payroll information to HMRC every time you pay your employee through the Real Time Information (RTI) system.

### 4. Setting Up a Workplace Pension Scheme

Under the UK's auto-enrolment rules, employers must provide a workplace pension scheme if their employee:

- Is aged between 22 and State Pension age.
- Earns more than £10,000 per year.
- Works in the UK.

You'll need to choose a pension provider, such as Nest, The People's Pension, or a private provider and enrol eligible employees automatically. They do have the right to opt out and if they want to and must inform you in writing. If they do opt out, you must automatically enrol them again in 3 years time. As an employer you will need to contribute a minimum percentage of the employee's salary (currently 3% from the employer and 5% from the employee). Keeping accurate records of contributions and opt out employees is essential.

Failure to comply with pension regulations can lead to fines from The Pensions Regulator.

### 5. Employer's Liability Insurance

Once you employ staff, you are legally required to have Employer's Liability Insurance. This covers compensation claims if your employee gets injured or falls ill due to work. The

minimum required cover is £5 million, and failure to have this can result in fines of up to £2,500 per day.

- The insurance must be obtained from an authorised insurer.
- You must display your insurance certificate where employees can see it.
- Regularly review your policy to ensure it meets your business's risks.

## 6. Writing a Job Description and Job Advert

Once you're all set up, you should start to look at what you need your new role to be doing and write a job description. This clearly defines the role and responsibilities of the position. It provides a structured overview of what is expected from the employee and can be used for measuring performance and setting objectives, performance evaluations and help guide career progression. As the business grows and evolves, roles may change, especially when new team members are hired, so it's important to review job descriptions periodically to ensure they remain accurate and relevant.

Typically a job description should include:

- Job title
- Key responsibilities detailing day-to-day tasks and broader role expectations.
- Essential and desirable skills and experience to differentiate between must-have and nice-to-have attributes.
- Salary range and benefits to set expectations and attract competitive candidates.
- Location and working hours, including remote/hybrid options if applicable.
- Opportunities for progression, helping candidates see a future in your business.

A job advert is different to a job description. The job description is a great source of reference however, it tends to be formal and exhaustive, which may not be engaging for potential candidates. A job advert needs to sell the role and make it appealing, focusing on what you can offer the candidate rather than just what the company expects from them. Overloading a job advert with too much detail can deter applicants who may be well-suited for the role but are put off by an intimidating or overly rigid description.

A well-written job advert is crucial for attracting the right candidates. It needs to be clear, engaging, and informative while also standing out from the competition. Here's what to include:

- **Job Title** – Keep it simple and accurate. Avoid jargon or overly creative titles that might confuse job seekers.
- **Company Overview** – Briefly introduce your business, its values, and what makes it a great place to work. Highlight unique aspects of your workplace, such as a supportive culture, flexible working, or exciting growth opportunities.
- **Job Responsibilities** – Outline the main duties of the role. Use bullet points to keep it easy to read. If possible, give examples of key tasks to help candidates visualise their day-to-day work.

- **Essential and Desirable Skills** – Separate the must-haves from the nice-to-haves to ensure you get the right applicants. Be realistic—only list what's truly necessary.
- **Salary and Benefits** – Be transparent. Always include either a pay rate or salary range as you'll get more relevant applications. Also, mention any benefits such as additional holidays, pension contributions, medical cover, learning opportunities, or team events—these can make your advert more attractive.
- **Location and Working Arrangements** – Specify if the role is remote, hybrid, or in-office, along with working hours. Flexibility is highly valued by candidates, so mention if you offer options like part-time work or flexible start times.
- **Company Culture and Progression** – Stand out by highlighting what makes working for your business exciting. If you offer career development, training, or a great workplace environment, make sure candidates know.
- **Application Process** – Let candidates know how to apply and any key dates, such as the closing deadline. If there are multiple stages (e.g., an initial phone interview followed by a face-to-face meeting), outline the process clearly.

Use inclusive language and avoid gendered wording that might put off certain applicants.

A well-crafted job advert doesn't just describe a role, it sells it and your company. By making your opportunity sound appealing and clearly outlining what's in it for the candidate, you'll attract better applicants and improve your chances of finding the right fit.

For a small business, choosing the right platforms to advertise your job can make all the difference in attracting quality candidates. Here are some effective options:

- **Job Boards** – Websites like Indeed, Totaljobs, and Reed are widely used and attract a broad range of job seekers.
- **Social Media** – Posting on LinkedIn, Facebook, and even Twitter can help spread the word, especially if your network shares the vacancy.
- **Company Website** – If you have a website, create a careers page where potential candidates can find openings.
- **Local Networks and Community Boards** – Posting in local business forums, community noticeboards, or industry-specific job sites can be beneficial.
- **Recruitment Agencies** – If you're short on time, a recruitment agency can help source and screen candidates for you, though this comes at a cost.
- **Employee Referrals** – If you already have a small team, encourage them to refer potential candidates. Offering a referral incentive can boost engagement.

A mix of these channels will give you the best chance of reaching the right talent without overspending on recruitment.

## 7. Selection the Right Candidate

Once applications start coming in, you'll need a way to fairly assess who to invite for an interview. To avoid unconscious bias, structure your shortlisting process around clear, job-related criteria.

- Use a Scoring System – Create a simple scoring sheet based on the essential and desirable criteria in your job advert.
- Remove Identifiers – Consider anonymising applications (removing names, ages, and addresses) to focus purely on skills and experience.
- Consistency is Key – Ensure each application is assessed against the same standards.

This approach helps you focus on finding the best candidate for the job rather than being influenced by personal biases.

## Interviews

Interviews remain the most widely used method for assessing candidates, but they need to be structured carefully to ensure fairness, consistency, and effectiveness. A well-designed interview process helps employers assess skills, experience, and cultural fit while reducing bias and ensuring legal compliance.

### Best Practices for Interviewing

- Use structured interviews with a set list of pre-written questions for all candidates.
- Ensure questions are job-relevant and focus on required skills and experience.
- Avoid discriminatory questions related to age, gender, race, religion, disability, or family status.
- If possible, have at least two interviewers present to gain multiple perspectives and reduce unconscious bias.
- Take clear notes for record-keeping and comparison.
- Allow candidates to ask questions to assess their interest and knowledge about the company.

### Types of Interview Questions

1. **Competency-Based Questions** – Focus on past experiences to predict future performance.
  - *Example: “Tell me about a time when you had to deal with a difficult customer. How did you handle it?”*
2. **Situational Questions** – Pose hypothetical scenarios to assess problem-solving skills.
  - *Example: “If you had multiple deadlines approaching, how would you prioritise your tasks?”*
3. **Technical Questions** – Test industry-specific knowledge and abilities.
  - *Example: “Can you walk us through your process for creating a marketing campaign?”*
4. **Cultural Fit Questions** – Determine alignment with company values and team dynamics.

- *Example: "What kind of work environment helps you thrive?"*

### Other Assessment Methods

An interview alone may not always give you the full picture. Depending on the role, you might want to include additional assessments, such as:

- **Skills Tests** – A short task relevant to the role (e.g., writing a product description for a marketing role or a simple spreadsheet task for an admin job).
- **Work Simulations** – Ask candidates to walk through how they would approach a real-life scenario they'd face in the job.
- **Personality or Behavioural Assessments** – These can help assess cultural fit but should never be the sole basis for hiring decisions.
- **Psychometric tests** – Assess cognitive abilities, personality, or situational judgment.
- **Assessment centres** – Group exercises, presentations, or role-playing scenarios to evaluate collaboration and leadership skills.

Using a mix of these methods can improve hiring decisions and help select the best candidate for the role.

## 8. Benchmarking Salary and Benefits

To attract and retain good candidates, you need to ensure your salary and benefits package is competitive within your industry and region. Offering an attractive package will not only help in recruiting top talent but also in maintaining staff satisfaction and reducing turnover. Taking the time to research salaries and create a competitive compensation package will help attract and retain the best candidates while ensuring your business remains financially sustainable.

### Researching Market Rates

Understanding salary expectations and industry standards is key when deciding on pay and affordability. You can benchmark salaries using:

- **Job adverts** – Look at similar roles advertised by competitors and businesses of a similar size.
- **Industry salary reports** – Many recruitment agencies, such as Hays, Reed, and Michael Page, publish annual salary guides.
- **Salary benchmarking websites** – Tools like Glassdoor, PayScale, and LinkedIn Salary provide insights into salary trends.
- **Networking and industry groups** – Speaking with others in your industry can give a real-world perspective on salary expectations.

It's essential to strike a balance between affordability and competitiveness. Offering a salary that is too low can result few applicants (if any) of the right calibre, while offering too high a salary can create financial strain on your business.

### Enhancing Your Offer with Benefits

While salary is important, many employees also value additional **benefits and perks**. Depending on your budget, offering extra incentives can help make your business stand out as an employer of choice. Consider:

#### **Statutory Benefits (Legally Required):**

- **Workplace pension** – Under auto-enrolment rules, you must contribute at least 3% of an employee's qualifying earnings.
- **Paid holiday entitlement** – Full-time employees are entitled to at least 28 days (or 5.6 weeks), including bank holidays, of paid leave per year.
- **Statutory Sick Pay (SSP)** – If an employee is sick for four or more consecutive days, you must provide SSP if they qualify. This will change with the Employment Rights Act coming into effect in 2026.
- **Maternity, paternity, and parental leave** – Employees are entitled to statutory maternity or paternity pay if they meet eligibility criteria.

#### **Additional Benefits (Optional but Attractive):**

- **Enhanced statutory benefits** – Offering more than you are legally required to do, for example, 25 days holiday plus bank holidays, increased pension contributions, enhanced maternity, paternity and parental leave demonstrate that you are keen to retain your employees by offering more than the minimum.
- **Flexible working arrangements** – Options like hybrid or remote working, flexitime, or compressed hours can improve job satisfaction.
- **Professional development** – Providing training, certifications, or funding for courses can boost engagement and retention.
- **Bonuses and performance incentives** – Offering annual bonuses or commission-based earnings can attract motivated employees.
- **Health and wellness perks** – Gym memberships, mental health support, or private medical insurance can be valuable benefits.
- **Enhanced parental leave** – Offering more than the statutory minimum for maternity/paternity leave can be attractive to working parents.
- **Employee discounts** – Discounts on your products/services or partnerships with other businesses can be appealing.

## **9. Conducting Right to Work Checks and Other Pre-Employment Checks**

As an employer, you are legally required to check that any employee has the right to work in the UK before they start their role. Failing to conduct these checks can result in severe penalties, including fines of up to £20,000 per illegal worker and potential criminal prosecution if it is found that employment was knowingly given to someone without the right to work.

### **How to Conduct Right to Work Checks**

You can verify an employee's right to work through one of the following ways:



- **Manual Document Check** – Ask the candidate to provide original documentation which can include
  - British or Irish passport (proving automatic right to work).
  - Biometric Residence Permit (BRP) or Biometric Residence Card (BRC) for non-UK citizens with visa permissions.
  - Home Office online right-to-work check for EU/EEA citizens with settled or pre-settled status under the EU Settlement Scheme.
  - Valid visa or work permit for foreign nationals requiring sponsorship.

You must check that the documents are valid and belong to the candidate, make copies, and retain them securely.

- **Online Right to Work Check** – If the candidate has a biometric residence permit, settled or pre-settled status, or other digital immigration status, you can check their right to work using the UK government's online service (they will provide you with a share code).
- **Employer Checking Service** – If a candidate has an outstanding application or appeal with the Home Office, you may need to request verification through the Employer Checking Service.

Employers can choose to conduct these checks themselves or outsource the process to a company that specialises in right to work and reference checks. Outsourcing can save time and ensure compliance, particularly if you are hiring frequently or lack in-house expertise. Checks must be completed before employment begins and copies of documents retained for the duration of employment plus two years after they leave.

### Other Pre-Employment Checks

Additionally, other pre-employment checks, such as reference checks and DBS (criminal record) checks, can help verify a candidate's background and suitability for the role. While not legally required in all cases, other background checks can provide additional reassurance about a candidate's suitability for the role.

Reference checks help verify a candidate's employment history, performance, and suitability. With recent changes announced in the Employment Rights Bill regarding unfair dismissal, references are more important than ever. It is standard practice to request at least two references (one from the most recent employer if possible) to verify dates of employment, job title, responsibilities, and reason for leaving. You can also ask about performance, reliability, and any concerns the previous employer had. Not all companies will provide this information though and may only give basic references (confirming job title and employment dates).

For roles involving vulnerable people, finance, security, or legal responsibilities, Disclosure and Barring Service (DBS) checks may be necessary. If a DBS check is needed, ensure you apply through the proper channels and have the candidate's consent.

By ensuring all necessary checks are completed before employment begins, you reduce the risk of hiring issues, legal fines, or reputational damage while ensuring your business remains compliant with employment law.



## 10. Drafting an Employment Contract and Offer Letter

Once you have selected the right candidate, it's time to formalise the offer with an offer letter and employment contract which must be provided on or before the first day of work.

Typically the offer letter confirms the job offer and key details and is less formal than the employment contract.

It usually includes:

- Job title and department
- Start date and location
- Salary and payment frequency (e.g., monthly, weekly)
- Working hours
- Any conditions of the offer (e.g., satisfactory references, right to work checks, or DBS checks)
- A deadline for accepting the offer
- Instructions for signing and returning the letter

The offer letter should clearly state whether the offer is conditional (dependent on background checks or references) or unconditional.

The contract sets out the legal rights, responsibilities, and obligations of both employer and employee.

A legally compliant **employment contract** must contain:

1. **Employer and Employee Details** – Names and addresses of both parties.
2. **Job Title and Description** – A brief summary of the role, but note that this may evolve over time.
3. **Start Date** – The official date employment begins.
4. **Salary and Payment Details** – Including how often wages will be paid (e.g., weekly, monthly) and in what format (e.g., bank transfer).
5. **Hours of Work** – Number of working hours per week, expected working days, and any flexibility requirements.
6. **Place of Work** – The primary location where the employee will work, including details about remote/hybrid working if applicable.
7. **Probation Period** – If applicable, the length of the probation period, performance review criteria, and any notice period during probation.
8. **Notice Period** – The amount of notice both employer and employee must give to end the employment contract.
9. **Holiday Entitlement** – Statutory minimum (currently 5.6 weeks per year, including bank holidays) or any enhanced entitlement offered by the employer.
10. **Sick Pay and Absence** – Details on statutory sick pay (SSP) and any company sick pay schemes.

11. **Pension Scheme** – Confirmation of auto-enrolment into the workplace pension and employer/employee contribution rates.
12. **Disciplinary and Grievance Procedures** – The process for handling workplace disputes and complaints (must comply with ACAS guidelines).
13. **Termination and Dismissal** – Conditions under which employment may be ended, including gross misconduct provisions.
14. **Collective Agreements** – Any agreements with trade unions that may affect employment terms.
15. **Training Requirements** – Whether any mandatory training is required as part of the role.

While not legally required, adding these clauses can provide further clarity and legal protection:

- **Confidentiality Clause** – Protects business-sensitive information.
- **Intellectual Property Rights** – Ensures work created by the employee remains the property of the company.
- **Restrictive Covenants (Non-Compete, Non-Solicitation)** – Prevents employees from working for direct competitors or poaching clients after leaving.
- **Bonus or Commission Structure** – If applicable, the terms for performance-related pay.
- **Company Benefits** – Outlining perks such as private healthcare, gym memberships, or company discounts.
- **Deductions from Pay** – Outlining what you can legally deduction from their pay such as overpayment of wages or holiday, cost of replacing equipment not returned, fines, payback of training costs.

Depending on the role there are different types of contracts you might want to consider:

- **Permanent (Full-Time or Part-Time)** – Ongoing employment with set hours.
- **Fixed-Term** – A contract for a specified duration (e.g., a 12-month maternity cover).
- **Casual or Zero-Hours** – No guaranteed hours; work is provided on an as-needed basis. These contracts are currently being reviewed as part of the Employment Rights Bill.

It is crucial that contracts are clear, legally compliant, and tailored to the role. Employers should also provide a signed copy to the employee and retain one for their records.

## 11. Putting Essential Policies in Place

Having the right workplace policies ensures that your business operates smoothly, complies with UK employment law, and provides employees with clear guidelines on expectations, rights, and responsibilities. Some policies are legally required, while others are strongly recommended to help manage workplace situations fairly and consistently.

### Legally Required Policies

UK employment law requires businesses to have at least the following policies in writing:

1. **Disciplinary Policy**
2. **Grievance Policy**
3. **Health and Safety Policy** – If you have **five or more employees**.
4. **Sexual Harassment and Equality**

While not legally required, it is recommended you also look to have the following policies to help protect the business and set clear expectations for employees:

- **Sickness and Absence Policy** – Clarifies how employees should report illness, entitlement to sick pay, and when **a fit note is** required. This helps prevent unauthorised absences and sets expectations around long-term sickness leave.
- **Family Leave Policy** – Covers statutory maternity, paternity, adoption, and shared parental leave rights, ensuring employees understand their entitlements under UK law.
- **IT and Social Media Policy** – Helps prevent data breaches and reputational damage by setting rules around:
  - Acceptable use of company IT systems.
  - Social media conduct relating to the business.
  - Confidentiality and data protection.
- **Anti-Bullying, Harassment and Whistleblowing Policy** – Encourages a respectful workplace and provides a confidential way for employees to report concerns about unethical or illegal activity without fear of retaliation.
- **Expenses and Travel Policy** – If employees claim expenses, this policy should explain:
  - What is reimbursable (e.g., travel, meals, client meetings).
  - The process for submitting expense claims.
  - Any limits or approvals required.

Having clear and well-communicated policies helps prevent disputes, protects your business legally, and creates a professional and fair working environment. However, if you have a policy, you must follow it as by not following your own policies can automatically make decisions unfair.

## 12. Designing an Onboarding Programme

Once you've found the right candidate and they've accepted your offer, onboarding is the next crucial step. A well-structured onboarding process helps new employees settle in quickly and feel confident in their new role.

### Key Steps in Onboarding:

- **Pre-Start Communication** – Send a welcome email with key details about their first day and any paperwork they need to complete.
- **Employment Contracts and Policies** – Ensure they receive and sign their employment contract. Provide a handbook or key policies covering workplace rules, health and safety, and company culture.
- **Setting Up Work Equipment** – If the role requires a computer, software access, or other equipment, have it ready before their start date.

- **Introductions to the Team** – Arrange a tour of the workplace and introduce them to their colleagues. Set up meetings with the main people they will be working with including customers or suppliers.
- **Training and Role Expectations** – Outline their job responsibilities, expectations, and any training they need to complete in their first weeks.
- **Agree Performance Goals** – Discuss performance requirement and what they should be working towards in their first three to six months.
- **Assign a Mentor or Buddy** – Having a go-to person for questions can make the transition smoother.
- **Regular Check-ins** – Schedule one-to-one meetings in the first few weeks to address any concerns and provide feedback.

A strong onboarding process improves employee engagement and retention, making sure your new hire feels welcomed and supported from day one.

## In Summary

Hiring your first employee is a significant step in growing your business, but it comes with important responsibilities. From assessing affordability and legal compliance to crafting a strong recruitment process and implementing key policies, every stage plays a role in ensuring a smooth and successful hiring experience. Taking the time to set up payroll, pensions, and insurance correctly will help you avoid costly mistakes, while structured recruitment and onboarding will ensure you bring in the right person who can contribute effectively to your business. By following best practices in hiring, compliance, and employee support, you'll not only meet your legal obligations but also create a positive workplace culture that attracts and retains top talent. With the right preparation, and the right person in place, your business will be in a stronger position to grow and thrive.

This document is intended as a helpful guide and does not replace legal or HR expertise.

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# Employing your 1st person

## CHECKLIST

MANAGER NAME \_\_\_\_\_

EMPLOYEE NAME \_\_\_\_\_

START DATE: \_\_\_\_\_

No	TO DO	
1	Register with HMRC and get PAYE number	
2	Explore payroll options and set up payroll provider or system	
3	Put employer's liability insurance in place	
4	Investigate pensions providers and put one in place	
5	Write job description	
6	Write job advert	
7	Develop shortlist criteria	
8	Write interview questions	
9	Carry out interviews and decide on offer	
10	Get the right documents in place: Employment Contract Offer letter Disciplinary Policy Grievance Policy Sexual Harassment Policy Health and Safety Policy (if over 5 employees)	
11	Carry out right to work checks	
12	Take up references and other checks	
13	Design induction / onboarding programme	
14	Confirm start date and details of induction programme	
15		
16		