



A 12-Step Guide on Hiring and Paying Employees

Are you thinking about hiring a new employee? Whether you're hiring your first employee or your hundredth, here's a checklist of items to keep you on track with all of the related tasks and requirements.

1. Get an IRS employer ID if you don't already have a FEIN



A FEIN, or Federal Employer Identification Number, or Federal Tax Identification Number, is a unique, nine-digit number assigned by the Internal Revenue Service—the IRS—to business entities operating in the United States for the purposes of identification.

Every organization must have a FEIN, even if it does not or will not have employees. To apply for a FEIN, you should obtain Form SS-4, as well as the form detailing its instructions. You can apply for this online, by mail, or by fax. If your organization was formed outside of the United States or United States territories, you can apply by telephone.

2. Make a budget for employee wages

Before hiring an employee or employees, you need to create a budget to ensure you can afford the hiring of more staff. No one wants to work for free or to get laid off a few months after they're hired when you realize you can't sustain that level of employment.



By assessing the workload and creating a budget, you will discover what type of employee you need and can afford to hire.

Definitions can change based on law and policy, as well as the needs of the business:

- A **full-time employee** is an employee employed at least 30 hours a week (often closer to 40) or 130 hours per month.
- A **part-time employee** is an employee employed less than a full-time employee, generally working fewer than 30 hours a week. Depending on the business, a part-time employee may have different or rotational shifts.
- A **temp or temporary employee** is an employee often hired to assist full-time and part-time employees to meet new or growing business demands. It is common for employers to hire temps around the holiday season. This allows employers to gain the extra help they need without the cost of hiring a regular employee. Temps are also needed for factors such as maternity leave and disability. Generally, there is an agreed upon timeframe in which the temp will work, often not exceeding one year.
- A **permanent employee** is an employee who has been hired for a position without a pre-determined time limit or timeframe, differing from a temp.

3. Decide how you will pay the employee: pay frequency and salary type.



Once you have determined the type of employee you need and can afford, you must decide how you will pay them. There are myriad ways you can choose to pay your employees, regardless of the type of employee they are, such as: weekly, every two weeks, hourly, or salaried.

- **Weekly payment:** A weekly pay period results in 52 paychecks a year, or one check a week.
- **Payment every two weeks:** Also known as “biweekly pay,” means that employees are paid every two weeks, on a set day chosen by the employer. This bi-weekly pay cycle consists of 10 working days per check, resulting in a total of 26 bi-weekly pay periods.

We've also seen employees paid monthly, and this is usually for exempt professionals. The less frequent you pay employees, the less it costs to run payroll. However, industry standards dictate what's normal when it comes to pay frequency.

There are two major types of wages.

- An **hourly wage** is when the employer agrees to pay an employee per hour that is worked. To determine the paycheck's gross wages figure, the number of hours worked in the pay period will be multiplied by the hourly rate set by the employer. Hourly workers typically receive overtime pay if they work over 40 hours per week. Overtime pay is most commonly computed as 1.5 times the regular hourly rate. Double-time pay may also come into play when a worker works holidays. In this case, they are paid 2.0 times their normal hourly rate.
- A **salary or salaried employee** is an employee who is paid a fixed amount of money (salary) by the employer each year. The fixed amount is typically quoted by week or by month. This type of employee can expect to receive the same amount of money from each check.

You may also hear the terms exempt and non-exempt. Generally speaking, exempt employees are salaried employees that are not paid overtime. Non-exempt employees are paid overtime based on the number of hours they work or the days they work. There may be special rates for holiday pay, as an example.

4. Determine employee benefits



In addition to wages, employees expect certain benefits. It's common to expect health insurance coverage, and all but the smallest of businesses include this benefit in their pay packages to employees.

Other benefits besides health insurance include paid holidays, PTO (paid time off), paid vacation days, and paid sick days. Often, a benefits package or policy combines vacation days, sick time, and personal time into a single bank of days for employees to use and take paid time off from work. A PTO policy accumulates days in which an employee can use at his or her discretion.

Many organizations provide 10 vacation days after one year of employment, as well as a certain number of sick days. There is no specific amount of PTO or sick days an employer is required to give out, but five days is common. Days are generally accrued. For example, the longer an employee stays with the organization, the more PTO and sick days he or she will accrue. It is up to the employer whether or not these days carry over each year, or a “use them or lose them” type policy is put into place.



If an employee does not have PTO or sick days, but takes off from work, he or she will not be paid for that day.

An employer may include training as a benefit. This training might include travel and conference attendance or could simply be watching a video at a desk. Other benefits might include reimbursement of school costs, license fees for professional licenses, membership dues for professional association memberships, even fee for networking events, and travel, lodging, and meals for business purposes.



Employees working at home may be furnished a computer, desk, chair, and/or other equipment needed for a home office. They may also receive a stipend towards their internet service.

Large firms may have facilities for working out, day care, subsidized cafeterias for lunch meals, onsite dry cleaning, onsite car washes, and more.

5. Find a payroll system

Next, you will want to find a payroll system to not only pay your employees, but keep track of PTO and vacation days, as well as hours worked, and money held for taxes. Today, there are many different payroll systems to choose from, so you will have to do your homework. Most importantly, you will want to find the system that sufficiently meets your needs. For example, you might need certified payroll, which is a very special kind of payroll that not all systems provide.

Some popular payroll systems include Gusto, QuickBooks, ADP, SurePayroll, Paychex, Patriot, and OnPay. Each option will have its pros and cons, so before you even start shopping around, make a list of what is most important to you in a system.

An easy way to choose is to go to your accounting system's app store and look for solutions there. It just makes sense that one of the criteria should be integration with your current accounting system.

If you need help selecting the perfect payroll solution for your business, we're always here to help.

6. Write the job description



Writing the job description of the employee you are looking for is one of the most crucial steps of this entire process. The employee that you eventually hire will need to know their duties and what will be expected of them. This description will also help weed out those who are not qualified or experienced enough for the position. Chances are, you are extremely busy with your company and do not want to waste time on candidates who do not fit your needs.

When writing the job description, make sure to be as detailed as possible. Specifically, list what this employee will be responsible for on a day-to-day basis, the type of work he or she will be expected to complete, and a brief description of the type of skills that are required. While this description can change or evolve over time, you do want to be accurate in describing the role you are hiring for, so there is no confusion later as to what is expected.



7. Prepare the workspace and equipment



Before the employee's first day of work, you must decide where the employee will work and what equipment he or she will require in order to successfully complete their job. Will this employee work remotely, meaning they will not come into the office? If so, then you do not have to worry about designating a specific space for said employee, but you may have equipment you need to order and ship.

If the employee will be working in-office, then before they begin, determine where he or she will sit. They will likely need a desk and chair to start. Then, determine all of the tools that will need to be given to this employee to start work. These tools could include a computer—PC or Mac—phone, work number, keys to the office, pens and paper, and a desk lamp. Of course, more equipment may come later. However, you do want to try and make your new employee as comfortable and prepared as you possibly can on his or her first day or work. As the boss and leader of the company, it is your job to set the employee up for success.

8. Write the offer letter and supplemental agreement



In order for an employee to start work, he or she will have to sign an offer letter. To protect yourself and your business you should have a lawyer draw up the offer letter and supplemental agreement, ensuring there is no confusion as to what the specific relationship will be between you and the employee.

These documents should have all information stated out as clearly as possible. This information includes the job description, the hours the employee will be working, the agreed-upon salary or hourly wage, start date, benefits, expectations, and any policies, such as no smoking or a dress code. This is the contract between you and the employee, stating what you expect of them, how they should perform, the rules of the company, and what can result if or when these rules are broken.

Often a supplemental agreement is drawn up which goes into more detail about company policies, privacy, handling of customer data, communication between employees about sensitive information, computer usage restrictions, and handling of company intellectual property, to name a few examples.

This contract, consisting of the offer letter and the supplemental agreement, is put in place to protect you and the employee, so make sure it is detailed and accurate. You should not let an employee begin work before both the offer letter and supplemental agreement have been signed and dated.



9. Advertise the job

Once you determine that you have a position to fill, you will need to advertise the job. There is a myriad of job boards in which you can place your ad, such as Indeed, LinkedIn, and Craigslist. This ad should be detailed, so as to only get candidates who are actually fit for the role.



Consider everything you want in an employee, including education and experience, and place it in the ad. Then, make sure to include how you prefer that potential employees contact you. Give them detailed directions as to how to respond and what to send you. A good way to filter out candidates is to eliminate those who cannot follow your directions!

Still, you should be prepared to hear from many applicants. To save yourself time and energy, have an idea of the perfect candidate in your head, meaning qualities and experiences you would like to see in a candidate. Decide on criteria that is essential, and keep only the people who meet those criteria. Be open-minded, though; it can be difficult to get a full read on someone just from certain criteria.

To make this process run smoother and quicker, determine how long you are going to leave the ad posted. For example, if you do receive an overwhelming amount of interest, maybe only leave the ad posted for a week. You may want to also leave the ad up until you find the right candidate, if time is not a constraint for you and the company. It could take a while, a month or so, for you to find the best employee for your needs.



10. Interview, test, and be ready to run a background check

Once you have collected a healthy number of resumes or put together a list of candidates you would like to move on to the next step, it will be time to start the interview process. It is your preference if you conduct the first interview over the phone or in-person. From there, depending on the job, you may also require some sort of test or simulation to determine if the candidate is able to accurately complete the work he or she will be doing on a daily basis.

Continue the interviewing process until you have a handful of finalists. Then rank them in priority order so you can determine who you will send an offer to first.

Before you offer the job to anyone, you will likely want to do a background check as a precaution. Or you can make your offer contingent upon a clean background check. Though some state laws do have restrictions, in most states, a standard background check can legally be conducted prior to handing out a job offer.



When it comes to the actual background check, there are different companies to choose from, depending on the type of check you want to pursue. Again, assess your needs before determining which company you use.

11. Present the offer

After you have found the right candidate for the job you are hiring for, and he or she has met all requirements and passed all testing, you can officially offer him or her the job. Depending on the circumstances, this offer can originally come via phone, before be given in person or by email.

Always set a deadline for offer acceptance. If your first candidate declines the job offer, you can quickly move to your second choice without having to repeat the entire interviewing process.

12. Celebrate!



As an employer, you're soon going to get the relief and support you've been waiting for. And as for the new hire, they are excited and anxious to start contributing to your company. We hope it's a match made in heaven, as they say.

We hope this guide has given you some structure and some new ideas on how to approach the hiring and onboarding process for a new employee. If there's anything we can do to help you along this way, especially in the area of payroll, please feel free to reach out any time.

**Give us a call, email us, or schedule
a time on our calendar so we can talk.**