



My First Employee

My New Obligations



Is The Time Right?

- Decision to Hire an employee (s) has been made
- Is this THE right time to hire?
 - Why ... what is the benefit:
 - More sales
 - Less work for me
 - Increase service or variety to customer



It's time to hire if you:

- Need employees on day one of your business
- Turn away work from new or current clients because you are over-booked
- Can't find time to send invoices to your customers
- Lack time to pursue new product ideas and/or new clients
- Need someone with specialized skills critical to your business
- Want to grow **a business that you can sell one day**



Costs

- Will production & new sales cover costs ++
- Initial effectiveness VS long term gains



How much can you afford?

- Review your monthly cash flow
- Estimate your monthly profit
- Estimate expected additional income
 - Estimate how much you have to pay an employee(s)
 - Estimate monthly taxes and benefits
 - Estimate additional costs
 - More space
 - Additional equipment
 - Additional telephones, utilities, travel, etc.
- Estimate expected new costs
- **Does hiring still make sense?**



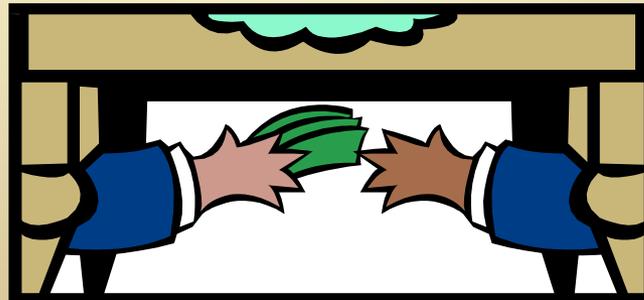
Needs

- What will employee do
- Need one or more, how many
- Write job descriptions, daily timeline schedule



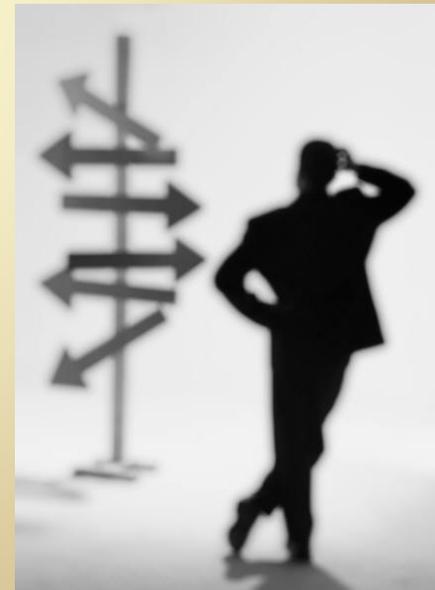
Pay & overtime

- Look at comparable pay rates based on job description
- Other business owners
- Industry associations
- Help wanted ads, websites, Craig's list, etc.
- U.S. Bureau of Labor Statistics
- Alaska Workforce Development Division



Consider

- Unemployment rate, difficulty in finding applicants
- Attractiveness of your job/company
- Needed experience
- How important is employee to company's success
- How soon you need some one
- How much can you afford



Expectations of Employee

- Job description eliminates/reduces misunderstandings
- Hire letter essential – “At will employment”
- Drug screen and driving records important
- Dress codes



Laws

- First, you will need a federal Employer Identification Number (FIN) -- 1-800-829-4933 toll free



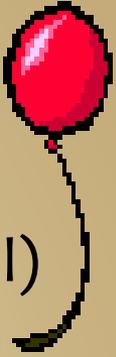
Status

- Fulltime 30-40 hours per week
- Part-time
- Independent contractor or temp agency hire
- Intern
- Year around or seasonal

- **BE CAREFUL –**
Errors can be VERY costly



Required Pay & Benefits



- Alaska's minimum wage is \$7.75 per hour (50¢ above federal)
- Overtime is required over 8 hours in one day OR 40 hours in one workweek.
- No benefits are required.
- Meal breaks (unpaid) are required for children under 18 years of age.
- Child labor law restricts time of and amount of hours worked as well as lists prohibited duties and jobs.



Payroll Taxes



- Social Security (SS Tax) Employer 6.2%; Employee **4.2%**
- Medicare (Medicare) Employer 1.45%; Employee 1.45%.
Max none
- Federal Unemployment (FUTA) Employer .06%. Max \$7,000.
- State Unemployment (SUI) Employer Varies 3.45%
Max; Employee .66% Max \$35,800.
- Federal Withholding – Employer 0%; Employee 100%
Max none.
- Electronic Federal Tax Payment System (EFTPS) 1-800-555-4477 toll free. If <\$2,500 pay quarterly; otherwise it will be weekly or bi-weekly. Confusing... a little.

Worker's Compensation

- **REQUIRED** Insurance
- New Employers in assigned risk pool with minimum annual premium of \$250 to \$750 depending on risk and payroll amounts.
- Future rates depend on volume and a company's accident history
- Annual forms to fill out for Federal Dept. of Labor



Benefits – NONE Required

- Health Insurance (medical, vision, hearing)
- Long term disability insurance
- Vacation
- Holidays
- Retirement plan
- Time Off for personal leave, jury duty, etc.
- Life Insurance
- 6,251 other things that they will want, legal insurance.



Employee Concerns of Government Interest

- Disabled accommodations
- Child labor (under age 18)
- EOE – Equal Opportunity and Discrimination
- Eligible to work
- Safety and health issues/practices
 - OSHA Log of injuries
- Posters tell employees of their rights



Payroll Preparation

- Who will calculate & write checks
- Tax deposits
- Quarterly & Annual Reports





Great Resource

Hire Your First Employee

by Rhonda Abrams

payroll.intuit.com/hire-your-first-employee-free-book.jsp
(free book)

www.planningshop.com/products/hire.asp
(\$19.95)

ARE YOU READY TO HIRE?

- Substantiate need for employee
- Calculate expected increase in revenue
- Calculate expected expenses
- Write job description
- Recruit & hire best person for the job
- Set up payroll system or hire someone to do it
- Make it work



**END OF
FREEWAY**