



Is it time to start hiring?

If you're struggling to meet the demands of your existing clients and knocking back work from prospective clients, maybe it's time to hire some help, as *Jeremy Streten* explains.



Are you turning away clients because you don't have the capacity to get work done? Are you nervous about taking on new staff to help you out? Have you had a bad experience with staff in the past?

If you answered yes to any of these questions, you are not alone. I often have business owners tell me they would happily take on more work if they had the time and resources to get it done but they are worried that hiring staff is too big a commitment.

Know when it's time to grow

There are a number of factors you need to consider before bringing in staff. First, you need to determine where you are going in your business and have a goal. This is an important step that many business owners don't take into account.

If you want a lifestyle business where you work for a set number of clients and do not want the stress or hassle of hiring and managing employees, then be happy where you are. You might be turning away clients but the extra work involved with managing staff may not be for you. There is nothing wrong with that approach.

But if your aim is to grow your business and expand your client base without having to work 24 hours a day, then more than likely you will need staff to help you do that.

Take some time to think about the kind of people you want working for you and the work you want them to do. All too often I speak to business owners who lament bringing on a staff member that didn't work well in the business. It can be tough to set out specific criteria for determining the best staff member and if you don't have any experience

in hiring people, consider getting help from a consultant whose job it is to find the right person to work in your business. Before you engage with them, make sure you agree with their selection criteria.

Employee or contractor?

One of the biggest mistakes that business owners make is failing to understand the legal distinction between an employee and a contractor. As those of you working in payroll, or with clients who hire both employees and contractors will know, there are specific rules and criteria for determining this. There is no set-in-stone distinction between the two but generally an employee works exclusively for your business while a contractor has no guarantee of work.

continued on page 19

continued from page 13

Important factors include:

- The 80/20 rule – if the person spends more than 80 per cent of their working hours in your business then they are an employee.
- Is there a guarantee of work? If there is, then that person is generally an employee.
- Who supplies the tools needed to do the work? If it is the person doing the work, then they could be considered to be a contractor.

Take some time to think about the kind of people you want ... All too often I speak to business owners who lament bringing on a staff member that didn't work well in the business.

There are other factors that may be taken into consideration but these are the major factors for a professional service business. Whether you bring on employees or contractors, you will need to go back to what you are trying to achieve in your business. Contractors can be great to help out in particular times of need – for example, if you have a lot of work coming up in a month or two, you may want to engage a contractor to help out for a short period of time. If you know that the workload is going to be fairly consistent, then an employee may be a better option for your business.

The legal obligations of hiring employees are more onerous than hiring contractors. When you employ a contractor, you are employing someone on a temporary basis and they pay their own tax and superannuation.

If you hire an employee, you collect all of their tax and pay their superannuation obligations that relate to their work with you. Whether you bring on an employee or a contractor, they are generally both brought under the WorkCover insurance requirements, so you will need to include their wages in any amount you pay for insurance.

The buck stops with you

If you bring someone in as an employee, they are part of your business and you are liable for the work that they do. If you bring someone in as a contractor, a lot will depend on where that person is based and how they interact with your clients. If your contractor does something incorrect, then generally you are still liable for any loss suffered by your client but you can recover that loss from your contractor (you will need to make sure that they are appropriately insured).

While there is no legal requirement to advise clients that others are doing the work and you are approving that work, from a commercial business perspective you should inform your clients of your arrangements.


Short-term pain for long-term gain

Training and managing new staff can be time consuming and challenging. This can be a scary prospect for a lot of business owners who are great technicians in their industry but may have no experience managing staff.

If you decide that you want to expand and bring on employees, however, you will need to dedicate a portion of your time to training and managing them. This is time that you

would otherwise be spending on work for your clients, and as a result you may find there is a short-term dip in your billable hours.

You will need to dedicate a portion of your time to training and managing ... and as a result you may find there is a short-term dip in your billable hours.

That is normal and you should not be scared by it. Keep in mind that when you are expanding your business and bringing on employees, you are building a business that will be better in the long term. Embrace this, knowing that you will have a better business in the future if you spend the time on getting it right now. 



JEREMY STRETEN

Jeremy Streten is a lawyer and the author of the *The Business Legal Lifecycle*, a guidebook designed to help business owners understand what they are doing in their business from a legal perspective and give them a plan for the future. For more information, visit businesslegallifecycle.com or email Jeremy@lifecycle.com or jeremystreten.com.

continued from page 6

“In all the circumstances we are of the view that the reductions in public holiday penalty rates should take effect on 1 July 2017, without any transitional arrangements. It is necessary to vary the Fast Food, Hospitality, Restaurant, Retail and Pharmacy Awards in the manner proposed to ensure that those awards achieve the modern awards objective.

“Draft variation determinations in respect of the public holiday penalty rate provisions in the Fast Food, Hospitality, Restaurant,

Retail and Pharmacy Awards will be published shortly. Interested parties will have seven days to comment on the draft variation determinations before they are finalised.”

Minimum wage increase

The FWC has lifted the minimum wage by 3.3 per cent, or \$0.59 an hour to \$18.29 an hour. The decision comes with inflation at 2.1 per cent in the year ending March 2017. This will see Australia's lowest-paid workers

get a pay rise of \$22 a week, with the national minimum wage increasing to \$694.90 from 1 July 2017.

Commission President Iain Ross said the decision to hand down the largest minimum wage increase in years was based on subdued inflation, strong company profits and fresh doubts over the link between minimum wage rises and negative employment outcomes. 