

Staff – why to bring them on and what to do?



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Are you turning away clients because you don't have the capacity to get work done? Nervous about taking on new staff to help you out? Have you had a bad experience with staff in the past? If the answer is yes to any of these questions then you are not alone. There are a number of considerations that you need to have before bringing in staff.

What am I building this business for?

I often have business owners who ask for advice because they are turning clients away. They are doing this because they don't have capacity to do the new work. The way around this maybe to bring on new staff. Before you begin to consider this process 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 consider but is something that every business owner should consider before bringing on staff.

If you want a lifestyle business where you work for a set number of clients and do not want the stress or

hassle of employees then be happy where you are. You might be turning away work but the extra work that you need to do managing staff may not be for you. There is nothing wrong with that approach. If you want to build a business that can service more clients then you need to consider bringing on staff.

You should also consider the type of staff member that 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. It is tough to set out any specific criteria for determining the best staff member. If you don't have any experience in hiring people then you will need help. There are consultants whose job it is to find the right person to work in your business. Before you engage with them make sure that you agree with their selection criteria.

What do you need to know about bringing on staff?

Difference between employees and contractors

One of the biggest mistakes that business owners

make is failing to understand the legal distinction between employee and a contractor. 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. Important factors include:

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

What does this mean for your 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 but you have no guarantee that they can do the work for you. For example if you have a lot of work coming up in a month or two then you may want to engage a contractor to help out for a short period of time. If you know that you are going to be doing a lot of consistent work then an employee will 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, out of what you pay them they pay their own tax and superannuation. If you bring on an employee then you need to 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 that you pay for insurance.

Obligations to your client

If you bring the person on as an employee they are part of your business so you are liable for the

work that they do. If you bring the person as a contractor a lot will depend on where the person is and what the relationship is. If your contractor does something incorrect then generally you are still liable for any loss suffered from your client but can recover that 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. If you want your contractor to be liable for the work directly with your clients then they have to engage them directly and not through your business.

What are other considerations for expansion?

You need to dedicate a portion of time that you would ordinarily spend in your business, on your business. This can be a scary prospect for a lot of business owners who are great technicians in their industry but may have never managed staff. If you decide that you want to expand and bring on employees it is important that you consider the impact that this will have on your business. No matter how good you are at doing the work of your business or how well your business is doing there will be a dip in your business. Whether that is financial, in the time that you need to spend in your business, in the time that you do spend on your business, there will be a detriment. That is normal and you should not be scared by it. When you are expanding your business and bringing on employees you are building a business that will be better in the long term. Don't be scared by this fact, embrace it and know that you will have a better business in the future if you spend the time on getting this right now.

There are important considerations when bringing on staff and expanding your business. You need to be in the right mindset, know that there will be some hurdles that you will have to get through but know that you are not alone. All business owners that have sort to expand have gone through similar experiences, there is a way out of it and your business will be better for it in the long term.