

Employing for the First Time

Is your organisation considering employing a worker for the first time, to carry out some of the functions carried out so far voluntarily? If so there are a number of things you should consider.

There are likely to be a wide range of implications you have not considered.

Of course it will make your life easier having someone to carry out the tasks that need to be done, but employing someone gives you a whole new set of management and legal responsibilities.

This brief guide is intended to help you understand what you are taking on, help you make decisions about your actions, and to help you plan the process. It is not intended to give you a full account of your roles and responsibilities as an employer in all circumstances, but does supply you with the information you need to get going, and where to get help.

From an organisational point of view, depending what you are employing them to do, employing staff can change the culture of an organisation. So far your work has been done by volunteers, in future some of your work will be done by paid staff. There are advantages and disadvantages to this:

Volunteer trustees	Paid Staff
Don't get paid	Get Paid
Choose the work they do and the hours they do	Do the work they are paid to do
Bring enthusiasm and commitment	Bring Expertise
Can come and go as they please	Do the hours they are paid for
Cost little (but not nothing)	Cost a lot (comparatively)
Are flexible	May only do what their job description says

That's not to say that some volunteers do not bring expertise, or that paid staff are not enthusiastic and committed, or will not voluntarily do more than they are asked – but they do not have to, and this contrasts the nature of the relationship between the organisation and the individual. While you might have an expert volunteer on your committee in a specific work area, you can buy in other expertise that you need via paid staff, and buy in work that will not get done any other way. Of course, it may be that the quantity of work is the issue: you may simply not be able to cope with the quantity of work any more.

Why are you employing a worker?

- To carry out work the organisation has not currently got the expertise for
- To carry out work the organisation has not got the capacity to do
- To enable the organisation to expand and develop
- Other: _____

OK, so you have decided you need to appoint a worker. The next thing you need to be clear about is what exactly you want them to do. Are you looking simply for an administrator? Or for a specialised worker? Or a manager to take forward and develop your project?

Be sure of what you want and write down all the things you want the worker to do. But be sensible, if you need to employ a clinical psychologist, for example, you cannot expect them to do the cleaning.

Write down everything and consider:

1. Can one worker do all of this? (You might need more than one worker– but again take care – see costs and funding below)
2. How many hours a week should they work? (For guidance, a full time worker in the voluntary sector is usually employed for 35 hours a week)
3. What responsibilities would they have?

Employment Status

It is important to consider whether the person who you want to recruit will be an employee of the organisation, or will be self-employed (i.e. 'freelance').

For you, you should consider whether you wish to control exactly how the work is done, in terms of how and where and when.

The questions below should help you work this out.

Do you want to, as the employer:

- Have a duty to provide work?
- control when and how it is done?
- supply the tools or other equipment needed to do it?

Then the worker should be an employee.

If, on the other hand do you want a situation where:

- the worker can decide whether or not to accept work?
- The worker can decide how and when to carry it out?
- The worker is free to do the same type of work for more than one employer at the same time?

Then this points towards the person being self-employed

Put as simply as possible, if the situation is that you are obliged to provide work, and the worker is obliged to do it, then an employment situation exists, and all the rules and guidance associated with this applies. An employee has an entitlement to certain rights. Many of these will be set out in the employee's contract (statement of terms and conditions of employment) and in other documents and policies. See more about this below.

Cost

The next thing you need to consider is how much it costs to employ someone.

The first element of cost in terms of employing a worker is pay.

One of the most difficult things to decide is how much to pay a worker. There are several things that should effect the decision on pay rates.

For most jobs there is a market rate: how much is generally paid for specific types of workers. One method of checking the 'going rate' for any job, is by checking with other organisations, and checking job advertisements in publications such as the *Guardian* or *Third Sector*.

For workers in particular sectors there are often different pay rates set out in pay scales. The pay rates in these scales are determined nationally by national negotiations between employer and employee representatives. The one most commonly used by the voluntary sector is the Local Government Pay Scale, commonly known as the NJC (short for National Joint Council – for Local Government Employees).

To help determine what the correct rate there is a system known as Job Evaluation. This looks at all the factors that make up the job, and comes up with an appropriate pay level. LVSC's PEACe (See Appendix) service offers a Job Evaluation system that does this, using the NJC pay scales. It is especially designed to fit in with the type of work voluntary sector organisations do.

Other costs

Having said that, just because, say, an employee's wages are £200 a week, that is not their full cost. You also need to consider the following costs:

- Administration of pay: Employers have to deduct tax and national insurance and pay it to Inland Revenue. You can do this yourself, but it is time consuming and quite difficult, or you can pay an agency to do it for you (for example an accountant) who will usually charge you a few pounds a month.
- Employer's national Insurance: There is a complicated formula for what has to be paid by employers (which you can find at <http://www.hmrc.gov.uk/rates/nic.htm>, or ask your payroll administrator to work it out for you), and it works out at about 10-11% on top of the wages.
- Heat, light etc: If someone's working for you, they're going to be using electricity.
- And telephones, and stationery, and postage, and photocopying...
- Cover: Do you need to put some money aside for when the person is on holiday or off sick to cover their absence?
- Insurance: you will need to take out Employers' Liability Insurance. By law, all employers must insure against their legal

liability for injury, disease or death to employees sustained by them and arising from their employment.

- Just in case something goes wrong: It is good advice to always keep some money in reserve in case you need some funds to pay for things when they go wrong: for example, if you have to make the worker redundant (see below).
- Recruitment: have you put aside money to advertise the job?
- Managing the worker: there are likely to be costs involved in managing a new worker, whether administrative or practical
- Staff development: You should always budget some money for training of workers, so that they can carry on doing the job to the best of their potential.

It is advisable to use the process known as Full Cost Recovery when budgeting for a new post.

What is Full Cost Recovery?

Full cost recovery is a sensible way to start budgeting for the costs of any new post. The principle is one of recovering or funding the total costs of the post, (or project or service) to include a relevant proportion of all organisational costs. Whereas it is clear that any post has costs directly associated with it, it is less obvious that it also draws on the rest of your organisation. For example, it can occupy some of an organisation's Trustees' time, and some of an organisation's central support functions' time (such as finance and IT – if you have it). Therefore the total cost of each post includes part of the costs of running the organisation. All of these costs are necessary in order for any project or service to run effectively and efficiently, and to ensure an organisation has the funds to operate.

The full cost of an organisation is calculated from the direct costs of *all* projects and services plus *all* overhead costs. Therefore, the full cost of *each* project should be calculated from the direct costs of the project plus a relevant portion of overheads. Calculating the full costs of projects is the first step towards recovering, or funding, the full costs of the organisation.

All this is simpler for a new employer with a much less complex set up, but it is an important principle to remember, especially in relation to any future new posts you may want to create. Even in this case you should consider how much of the organisation's existing costs you are allocating to your new post's budget.

Fill in the table below. Be sure to allocate all costs relating to the post 100% to the post in column2 (Such as the worker's salary), and a sensible proportion of other costs, baring in mind who pays for that activity now.

Sample Budget Sheet

	Column1 Organisation Budget	Column2 Post Budget
Worker's salary		
Employer's National Insurance		
Staff Training/Conferences		
Volunteer Training etc		
Trustee Training etc		
Salary Administration		
Travel etc		
Volunteers		
Organisation Awayday		
Office costs		
Light & Heat & water		
Repairs & maintenance		
Cleaning & Hygiene		
Insurance		
General Office costs		
Service costs		
Telephone & Fax		
Postage		
Printing & Stationery		
Pubs, subs, software		
Equipment		
Couriers		
Photocopying		
ICT Services		
Website		
Other Costs		
Other service costs		
New project costs		
Other costs		
Rent		
Service Charge		
Audit & Accountancy		
Executive Committee		
AGM & Annual Report		

Bank Charges		
Total		

Total budget for post (Sum at bottom of column 2) £_____

Fundraising

Whilst it is quite possible that carrying out the exercise above has made you realise how much more money this enterprise is going to cost than you imagined, it should have, at least, provided you with an outline budget to use for funding applications you may need to carry out, and a budget for your organisation. The principles of full cost recovery are now recognised by most funders, and all funders will require you to provide an accurate detailed budget for both the project you are applying for them to fund, and for the entire organisation.

Contracts, Policies and Procedures

Whilst you might have an existing equal opportunities policy, you will need a new range of policies and procedures that cover employment issues. These should include a contract of employment (officially called a 'statement of terms and conditions of employment'), which will cover many of the issues that may arise. A sample contract of employment, and other policies and procedures, and guidance, is available from PEACe at www.lvsc.org.uk/peace .

A check-off list of the policies and procedures you are going to need is set out below.

Our advice is you need ALL of the policies and procedures listed below, but those that you must have by law are marked with a *.

Policies and Procedures

- Contract of Employment (Statement of Terms and Conditions of Employment) *
- Equal Opportunities Policy
- Health & Safety Policy (* if you have 5 or more employees)
- Recruitment Policy
- Probation Procedure
- Sickness Policy/Procedures
- Training and Development Policy
- Appraisal Procedure
- Supervision Procedure
- Leave Policy
- Confidentiality/Data Protection Policy
- Disciplinary Procedure *
- Grievance Procedure *
- Harassment and Bullying Procedure *
- Maternity/Paternity/Parental/Adoption Policies/Procedures

Recruitment

You will note on the list above that it is advisable to develop a recruitment policy. Below is some basic guidance. A full guide to recruitment is available from www.lvsc.org.uk/peace .

Recruiting new staff members is not as straightforward as it sometimes seems. There are many things to consider to ensure the best person is employed to do the job, and to be sure this is done legally. The process requires commitment from management committee members to create a range of documents to enable the procedure to work.

The range of documents you will need to send out to applicants, includes the following:

- the job application form - the form used should reflect the requirements of the job should not be too complicated, and should allow candidates space to express themselves.
- the job description
- person specification
- other useful details about the organisation and project or service that applicants might find helpful and interesting.

Using application forms rather than receiving CVs or simple letters of application makes it easier to judge applicants against each other, and helps with choosing the best ones.

As well as creating all the documents, someone in the organisation is going to need to administrate all this:

_____ is photocopying Application Packs

_____ is sending out Application Packs

_____ is collecting Applications received

_____ is photocopying Applications forms for the panel

_____ is organising the interview dates/venue etc

Shortlisting and Interviewing

Management Committee members will also need to put together a panel, and that panel will have to commit themselves to carrying out shortlisting and interviewing candidates, and to putting together questions for the candidates for the interview. Sometimes you might feel it is necessary to formally test applicant's skills or knowledge. If you do this you need to be sure you do it carefully and fairly, making sure everything is relevant and does not discriminate. If the committee has not got the experience in recruitment it might be that training may be necessary, and/or an external adviser is brought in to help.

All in all, you should be aware that the recruitment process is time consuming and involves a commitment of time by an organisation's trustees.

CRB Checks

If the post the organisation is recruiting to involves the employee working with children or other vulnerable people it is the organisation's responsibility to ensure that the person recruited is suitable. The Criminal Records Bureau (CRB) exists to help check this. The role of the CRB is to reduce the risk of abuse by ensuring that those who are unsuitable are not able to work with children and vulnerable adults. This check can be done via an umbrella body. For details of this and how to proceed go to the CRB website at www.crb.gov.uk or call **0870 90 90 811**.

Work Permits

All the staff that an organisation employs have to have a legal right to work in the UK. The law says it is the employer's responsibility to check that people it recruits have the appropriate rights. This is done by checking that applicants have the correct documentation. Details of what documentation is acceptable is available from the following Government website:

www.employingmigrantworkers.org.uk/

or by telephoning the **Employers' Helpline** on **0845 010 6677**

Supervision

All staff should receive regular supervision. This means that an organisation employing a worker for the first time will need to commit some time and energy into supervising the employed worker. At the beginning of their employment this will involve special effort to ensure their proper induction and support. Supervision should be carried out in regular, scheduled, structured meetings to discuss work-related issues by the committee member allocated the role of manager. It is not unusual, (but not compulsory) for this role to be taken by the Chair.

Being a good manager is not easy. What it involves is committing the time to supporting and listening to workers, to understanding the jobs of the workers supervised, and spending the time trying to help, and sort out any problems that arise. Managers are responsible for setting realistic targets, for monitoring progress, and for coming up with solutions to problems as they arise.

Supervision is a useful process that will allow the organisation to monitor the worker's progress, and plan for future development.

All supervision sessions should be properly recorded. Managers should take notes of meetings and these should be shared and agreed with the worker concerned, and then placed on file.

An organisation may need help in giving the appropriate management support needed, in which case they could look outside their organisation - either for advice, support, or training, or for someone to carry out non-managerial supervision - i.e. someone who can give appropriate advice and support to a worker but who is not their line manager.

Supervision will be carried out by _____

Supervision will take place on the 1st/2nd/3rd/4th (delete as applicable) _____ day of every month

Insurance

As a new employing organisation you will need to get new insurance. This is called Employers Liability Insurance and is a legal requirement. You should check with your insurers whether you need any other insurance. For example, if you are employing someone to give advice, you should have Professional Indemnity insurance to cover you against any legal claims that could potentially arise.

Employment Responsibilities

Generally, employing someone could make your life a whole lot easier, but without question does land you with a whole new set of responsibilities. Often voluntary organisation management committees choose to set up a sub-committee to take responsibility for employment issues, and you may find that this works for you.

General guidance for small voluntary organisations is available from www.lvsc.org.uk/peace, as is specific expert guidance on a whole range of more complicated employment issues, and, as noted earlier, model contracts and procedures. A telephone helpline is available on Tuesdays, Wednesdays and Fridays for voluntary groups in London on 020 7700 8147.

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LVSC's Personnel, Employment Advice and Conciliation Service

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