ipse Pricing Log in

‹ **Growing your self-employed business**

Advice ✓ Free to All

# Taking on your first employees when you’re self-employed

Taking on an employee requires commitment, but means you gain a dedicated person available to work across your business during their contracted hours.

Growing your self-employed business Business finance Productivity

10 minutes

Share

Your time is likely to be the biggest limiting factor when it comes to growing a self-employed business. Taking on more work or larger projects inevitably requires more hours, and often also increases the amount of admin involved. But taking on your first employees can be intimidating when you’re self-employed.

Many freelancers and businesses start by outsourcing specific tasks. It’s a great way to lessen some of your burdens and responsibilities, especially when it can be quicker and easier to hire a specialist in areas that you’re not confident with, or don’t enjoy.

Taking on a part or full-time employee requires a bigger commitment, but means you gain a dedicated person available to work across your business during their contracted hours.

## Outsourcing and subcontracting

If you're not confident your business can support a permanent employee, or need some temporary short-term help, then using contractors and freelancers can be a lifesaver.

While it may be more expensive on an hourly basis than taking on an employee, you should be able to find a specialist in whichever roles you need help with (the **IPSE member directory** could be a good place to start). And that reduces the amount of training and instruction which might be required.

A lot of employment laws and regulations don't apply when you're hiring freelancers, so it's less complicated to bring someone in. But you will need to ensure you comply with the rules regarding **IR35** to avoid any potential issues. And you may have to register as an employer with HMRC if you're using subcontractors for construction work.

And if your business suffers a sudden drop in demand, then you don't have an ongoing commitment to pay wages and other staff costs. It's always good to try to be upfront and honest with any freelancers or subcontractors if you're going to be reducing their hours or pausing any work, especially if you hope to use them again in the future. But most will understand that revenue can ebb and flow over time, and will try to be flexible.

Aside from the higher hourly costs, the only downsides of freelancers compared to permanent employees is that they will typically only work in their specialist area, and flexible employment works both ways. They might have other client commitments once a project has ended, leaving them unable to work for you.

### A quick checklist for outsourcing or subcontracting for the first time

Bringing in additional resources as they're required will allow you to grow your business. But it can be easy to overlook basic steps which can ensure things run more smoothly. The checklist below isn't exhaustive, but some of the things you should make time to cover include:

- Does your existing client agreement allow you to outsource or subcontract any work? Do you need to let your client know your plans?
- Setting out a freelance/outsourcing contract, including rights to the finished work and payment agreements
- Make sure you have all the contact details you need.
- Establish clear tasks, responsibilities and how to communicate with clients if required
- Make sure they're able to access or provide any required software or equipment, and that any onboarding documents are provided (e.g. style guides and design rules, project management tools, access to online storage etc)

- Check that deadlines and milestones are clear, and have a process in place if there's a chance any delays will occur, so you can manage your clients effectively
- Allow time for advice and support. If you're working with someone for the first time, they'll most likely need a little extra help in ensuring they're delivering what you expect – and by investing in a little guidance, they'll know exactly what to do if you hire them again.
- Paying a fair rate on time will encourage loyalty and mean the good subcontractors will prioritise working with you again in the future.

## Why take on a permanent employee?

By employing someone on a permanent part or full-time basis, you know you'll have a guaranteed resource for those contracted hours. That means you can take on more client work with confidence, without having to check if your usual freelancer has any capacity this month.

It also adds flexibility. If you're hiring a subcontractor, they'll generally be a specialist in a specific area. When you have an employee available, you can ask them to take on other tasks as needed, although obviously if they're hired to be a designer and constantly being told to staff your reception desk, you may find they look for a different job fairly quickly.

With a permanent employee, it's also a better investment to provide training and education in their core area, and other parts of the business. This means you'll benefit from more expert staff, and they'll also be able to cover you if you're ill, on holiday, or otherwise unavailable.

It's quite likely you'll be hiring someone to compliment your skills, so they may well be able to pass on their own knowledge over time. And depending on your management style, they might also offer useful insights into business or client problems, or useful second opinions on your plans.

And while there are costs involved, including wages, holiday, pensions, sick pay and maternity pay, there are also some benefits and support, including Employment Allowance exempting the first £5,000 of contributions to pay Employer National insurance.

Even after taking those extra costs into account, it's typically cheaper to employ someone full or part-time than paying a freelancer or sub-contractor for the same number of hours. If you're essentially outsourcing a permanent role on an ongoing basis, then it's definitely a good idea to consider taking on an employee. Especially if you could find yourself breaching IR35 rules as a result.

## Laws and regulations when becoming an employer

When you become an employer, there are specific legal requirements and obligations that you will need to cover. These can seem intimidating, but aren't any more complicated than running a solo business or outsourcing.

The first requirement is to register as an employer with HMRC. You may already have done this as the sole director of a limited company.

You'll also need to decide how you'll pay your staff, either by using a payroll provider or doing it yourself to operate PAYE. Salaries will need to be at least the National Minimum Wage or National Living Wage depending on the age and status of your staff. And you can find the latest figures from the UK Government, here, along with more guidance on how they are applied.

As an employer you'll need to provide a minimum of 20 days holiday plus bank holidays (28 days total) for a full-time employee. You also need to offer the required amount of Statutory Sick Pay and Maternity Leave, along with providing a workplace pension after 3 months with a minimum contribution of 3% of the employee earnings. Staff are eligible if they're aged between 22 and the state pension age, earn at least £10,000 per year, and normally work in the UK.

It's also pretty much guaranteed that you'll need to take out employer's liability insurance, as there are very few exemptions (for example, a family business which isn't a limited company). You'll also need to make sure the certificate of your insurance is displayed to your employees physically or digitally. You can be fined up to £2,500 for any day which you don't have suitable insurance, so it's worthwhile getting qualified legal advice if you have any uncertainty.

You also need to ensure you comply with all relevant health and safety laws. While businesses with less than five or ten employees aren't required to necessarily have a written policy or an accident record book, every workplace needs to have a suitably stocked first aid kit and adequate facilities such as toilets and running water. You can find detailed information on the Health and Safety Executive website.

## Mandatory requirements when advertising and hiring for a role

There are lots of ways to find suitable applicants, whether you already know a likely candidate, advertise online, or work with a recruitment agency. Whichever route you choose, there are certain laws and requirements which you need to be aware of.

You need to avoid discrimination in any job advert or interview. You're not allowed to state or imply that you can't cater for workers with a disability, and should only use phrases like 'recent graduate' or 'highly experienced' when they're actual requirements of the job.

When recruiting, you can't ask about 'protected characteristics', which include whether they're married, planning to have children, religious beliefs or sexual orientation (you can check the full list, **here**). You can only ask about health or disability if there are necessary requirements of the job that can't be managed with 'reasonable adjustments', or you're using positive action to recruit someone with a disabled person, and you can find more guidance on discrimination in recruiting, **here**.

You will need to check that an applicant is eligible to work in the UK, which requires a current or expired passport for British and Irish citizens. You'll need other documentation for candidates from other countries, depending on the date they came to the UK, and you can find full details on **the Gov.uk website, here**.

Roles which involve working with children, vulnerable people or in the security sector will also need a Disclosure and Barring Service (DBS) check. And if you carry out searches for criminal records, you'll need to have a policy on employing ex-offenders which can be presented to an applicant if they ask for it. Different rules apply in both Scotland and Northern Ireland.

You can only ask for a health check if it's a legal or job requirement, such as eye tests for drivers or if your insurance requires that information for specific roles.

And with all information regarding applicant information, you'll need to follow the **relevant data protection rules**. Which also applies once you've hired someone.

Once you've picked a candidate, you need to provide your new staff member with a written statement of employment, including the key conditions of their job. Details include pay, hours, holiday, work locations, details of any probation period etc.

On the first day of employment, you also need to provide information about sick pay, paid leave, and notice periods.

## Helping your new employee start work

Spending some time and effort to help your new employee settle in and start working effectively benefits everyone involved.

Set out an induction and onboarding plan which will help your first staff, and any subsequent hires, get to grips with your business.

A lot of the areas to cover will be specific to the type of business you run, and their main role in your company. But it's important to cover topics such as workplace access and facilities, emergency procedures, and what's expected when dealing with clients or suppliers.

You should also ensure they have a suitable workspace prepared, and access to any equipment or software required. Along with the training and instruction to use them effectively.

Taking on your first employee is likely to be a learning experience for both of you, so it's important to listen and encourage them to share concerns or issues early on. Not only can you decide on the best solution before anything becomes a problem, but it will also help you with any subsequent hiring and onboarding if your business continues to expand.

Advice

Free to All

**Self-employed insurance jargon busted**

Insurance for the self-employed

Legal

+3 more

Everything freelancers, contractors and the self-employed need to know about insurance terms, from policy wording to income protection.

IPSE 7 minutes

Advice

**Late payment guide: l rights and process for claiming a late payme**

Financial wellbeing when self-employ

Protecting your business +2 more

Late payments can affect businesses anc livelihoods. Here's a guide to what you'r to and how to recover any payments ow

IPSE 13 minutes

Read more

Read more

Join us

Membership

Benefits

Pricing

Member stories

Resources

Advice

Downloads

Incubator programme

Freelance Corner podcast

Campaigning

Campaigns

Research

More

Events

News & Opinions

About

Contact

## Join our newsletter

Your Name

Email Address

I agree to be sent specially curated emails about the latest news and products from IPSE. *

I'm not a robot

reCAPTCHA

Submit

Privacy policy

Terms & conditions

Cookies policy

Data protection