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Staffing your business

A guide for small business operators and those thinking about starting their own business in Tasmania.





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“People are like teabags; they never know their strength until they’re in hot water.”

Anonymous

Overview

Apart from your vision, drive, energy and managerial talents as a business owner, productive employees are perhaps your most valuable asset. But finding and keeping the right staff can be a major challenge in business.

This guide covers the key elements in staffing your business. It highlights what it actually costs to hire someone and summarises the options you have when facing this decision. Your role as an employer is then examined with particular reference to the hiring and firing functions. Finally, practical tips on how to delegate effectively are offered. Delegation is an important part of the staffing function and can be a real problem where a business owner may be concerned about losing control.



Readers are advised:

- *The purpose of this guide is to provide general introductory information.*
- *The guide does not purport to contain all the information that would be relevant to any particular business opportunity.*
- *The guide is provided to interested persons on the basis that they will be responsible for making their own assessment of that opportunity with the assistance of the information provided.*
- *All figures contained in the guide should be regarded as estimates only based on general samples and may be subject to error.*
- *The information in the guide should not be relied upon in substitution for professional advice and individual investigation.*
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Hiring an employee: what will it cost you?

Before you employ someone, it is important that you do your sums – what costs will be involved, what productivity gains will there be and what the effects will be on your bottom line.

The cost of taking on an employee is not just their wages. You also need to take into account on-costs in the form of superannuation, workers' compensation insurance, annual leave, long service leave and leave loadings. These can add 25 per cent to 30 per cent to wage costs. You should also factor in the cost of protective clothing, tools, plant and equipment and their work station, as well as the time you will be required to spend in supervising the employee.



“You need to realise that no one is as passionate about your business as you are.

“As owner of the business, you will therefore need to encourage and motivate your staff, praise their efforts and encourage development of a can-do attitude and pride in a job well done. These traits are crucial to your business success.”

Kerry Booth, Proprietor, K & K Enterprises
Launceston

What type of employee will best suit your needs?

So the numbers are looking promising. You now need to think about the type of employee that will best meet your requirements.

Here's an action checklist to get you started:



Checkpoint

<input checked="" type="checkbox"/>	Your response
<input type="checkbox"/> Do you need someone for a one-off short-term project or in an ongoing capacity?	
<input type="checkbox"/> Would it be viable to get the job done using an outside contractor?	
<input type="checkbox"/> What specific tasks do you require the person to perform?	
<input type="checkbox"/> Does the person need to have specific formal qualifications to undertake the task? (eg: motor mechanic, accountant etc.)	
<input type="checkbox"/> How many hours per week do you anticipate needing someone?	
<input type="checkbox"/> Should you take on an apprentice or trainee?	
<input type="checkbox"/> How much can your business afford to pay?	

A range of employment options are available, including full-time, part-time, casual, fixed term, apprentice or trainee and sub-contractor. You can weigh up the advantages and disadvantages of each using the following table as a guide:

“You need busy staff – busy serving customers, not busy being busy,”

Patricia Dottori, Principal,
Patricia Dottori & Associates, Hobart

Employment option	Advantages	Disadvantages
Full-time employees	<ul style="list-style-type: none"> Commit to certain number of hours per week Become highly skilled and familiar with business routines Provide reliable back-up for you Develop loyalty to your business 	<ul style="list-style-type: none"> Costs Potential difficulties over their dismissal
Part-time employees	<ul style="list-style-type: none"> Commit to set number of hours per week Cost less than full-time employees 	<ul style="list-style-type: none"> Commitment to your business could be open to question You may need to work hard at developing their sense of belonging
Casual employees	<ul style="list-style-type: none"> Can cover short-term peaks in workload Offer you maximum flexibility Paid on basis of hourly or daily rate Generally not eligible for entitlements applicable to permanent employees 	<ul style="list-style-type: none"> Wage loadings usually apply to compensate for loss of permanent entitlements Are likely to be the least committed of all employees
Fixed-term employees	<ul style="list-style-type: none"> Can be engaged for special project work Useful to cover employees who are on long service or maternity leave 	<ul style="list-style-type: none"> Usually accrue entitlements on a pro rata basis If employment is terminated before contract expires, employee may have right to sue you to recover wages for the balance of the term
Apprentices and trainees	<ul style="list-style-type: none"> Apprentices train to do the work of a tradesperson; trainees train to do the early stages of traditional trade occupations Grants and incentives are available to encourage you to take up these options 	<ul style="list-style-type: none"> Long-term commitment usually required on your part to take up an apprentice Traineeships may be for only 12 month terms
Sub-contractors	<ul style="list-style-type: none"> Can meet a specific need in your business Useful option where special expertise is required Eliminates overheads associated with direct employment 	<ul style="list-style-type: none"> Strictly defined by law to prevent employers avoiding legal responsibilities to their employees Consequences of getting the contractual arrangements wrong can be serious

Your role as an employer

Managing employees is a key area of risk for any business due to the extensive number of regulations which must be satisfied. It's an area where you need to seek professional advice from your industry association, chamber of commerce or legal adviser.

As an employer, your responsibilities include the need to:

- determine whether an award, industrial agreement or enterprise agreement applies to your employees and to pay in accordance with their provisions;
- contribute to your employees' superannuation at a prescribed minimum rate;
- have workers' compensation insurance in place;
- maintain time and wages records for each employee;
- meet taxation obligations relating to group tax, payroll tax and fringe benefits tax;
- take steps to prevent discrimination against employees on a range of grounds;
- maintain the workplace in a safe and healthy condition; and
- terminate employment where it becomes necessary, in a manner that is fair and complies with legislation.



“When you hire employees for your business, they get to know you personally as the boss. You work alongside them, you’re their friend and their mentor and you share in their triumphs and disappointments both within and outside the business. You have to be prepared for that sort of commitment. It also highlights the importance of getting the hiring decision right.”

Steve Davis, franchise owner

Bob Jane T-Marts, Launceston

Hiring employees

Your goal is to hire employees who will be productive and add value to your business. Here's a summary of the key steps required to achieve this goal:

Step	How to do it
1. Prepare a job description	<p>Define the job responsibilities.</p> <p>List the duties, tasks and activities to be performed. Wherever possible, make them measurable.</p> <p>Determine the level of competency required.</p> <p>Identify the essential (minimum) as well as the desired personnel requirements.</p> <p>Prepare a list of selection criteria. This is a list of the key criterion which applicants must address in their formal application. The same criterion will be used to determine the best applicant for the job.</p> <p>Research the wages and conditions of employment applicable.</p>
2. Access recruitment sources	<p>Compile your job advertisement, taking care to avoid any suggestion of discrimination.</p> <p>Arrange placement of advertisement in media suited to the type of job and your budget. Options include newspapers, your website, employment agencies, community bulletin boards, trade and professional journals etc.</p>
3. Prepare to interview job applicants	<p>Prepare a shortlist – keep in mind your selection criteria.</p> <p>Choose a suitable venue for the interviews that offers privacy.</p> <p>Prepare a series of questions you intend to ask – relate to job description and selection criteria.</p> <p>Schedule the interviews – allocate sufficient time to each applicant and inform applicants of anything they need to bring to the interview.</p>
4. Conduct interviews	<p>Introduce yourself and any other interview panel members.</p> <p>Pose broad questions at start to help applicant relax and feel comfortable with you.</p> <p>Ask your series of questions.</p> <p>Let the applicants do most of the talking.</p> <p>Outline the terms and conditions of employment you are offering, including rate of pay, working hours etc.</p> <p>Ask for referees to be nominated.</p> <p>Give applicants opportunity to ask questions.</p> <p>Close interview by indicating when decision will be made.</p>
5. Appoint successful applicant	<p>Check with referees</p> <p>Make choice of successful applicant by listing reasons for your selection on paper and matching against selection criteria.</p> <p>Notify all applicants.</p> <p>Issue letter of appointment covering start date, award or agreement under which the person will be employed, probationary period if applicable, leave arrangements, hours of work, remuneration etc.</p>

Dismissing employees

If you are an employer, it is likely that you will be faced with terminating an employee's services at some stage. This could be due to a downturn in business, the result of restructuring, poor performance from the employee over a sustained period or gross misconduct. Dismissal is a major decision and it is recommended that you obtain professional advice from your solicitor or employer association before you act.

You can only terminate an employee if there is a valid reason based on the employee's capacity to do the job, the employee's conduct or behaviour or the operational requirements of your business. The termination must not be seen to be harsh, unjust or unreasonable.

Here are five practical tips to observe when faced with the termination of an employee:

- Join an employer body if your employees are covered by an award. You will be able to draw on its invaluable experience and advice in the interpretation of awards and the handling of disputes.
- Give warnings and undertake counselling with employees before dismissing them. An individual may not be aware of their shortcomings and should be advised that immediate remedial action is required.

You should always diarise these warnings and counselling sessions to protect yourself from the possibility of wrongful dismissal proceedings at a later date.

- Avoid dismissing people for reasons other than work performance or redundancy. Where other reasons apply, you must have evidence such as witnesses.

- Document! Document! Document! The more evidence you have that all required steps in the dismissal have been followed, the safer you are.
- Where dismissal occurs, communicate verbally and in writing with the employee, giving clear reasons for the termination and outlining the employee's termination package.



Delegating effectively

Delegation is the assignment of authority and responsibility to another person for carrying out certain activities. It is an important part of building a winning team but can be a problem in businesses where an owner may be afraid of losing control. Your business could have been built from scratch and it is natural that you take pride in the fact that you have performed all tasks of running the business yourself. But as the operation continues to grow, it will become necessary for you to delegate some tasks to concentrate on what's really important.

So, how do you delegate effectively? Here are some practical dos and don'ts:

Dos

- encourage the free flow of information within the business
- focus on results
- keep lines of communication open
- give a thorough briefing when handing over tasks
- delegate appropriate authority
- establish firm and realistic deadlines
- delegate the entire task to one person
- encourage questions to clarify the task
- give advice without interfering
- make sure the person has all the resources necessary to perform the task
- build controls into the delegation process
- keep an eye on progress
- give the employee full credit for his or her accomplishments
- make delegation part of the planned growth of your business.

Don'ts

- do not hoard information
- do not do all the talking
- do not leave timeframes vague
- do not allocate tasks without the necessary resource support
- do not delegate half a task
- do not fail to point out pitfalls
- do not seek the glory
- do not look for scapegoats
- do not impose controls as an after thought.



Summary

- Before you employ someone, work out the total costs involved relative to productivity gains and the impact on your profits.
- A number of options are available when you need staff, including employment on a full-time, part-time, casual or fixed-term basis, as well as apprentices, trainees and sub-contractors.
- Your responsibilities as an employer relate to minimum employment conditions and industrial awards, taxation and occupational health and safety.
- Hiring the 'right' employees is best achieved if you follow a plan involving preparation of a job description, accessing appropriate recruitment sources, preparing for interviews, conducting interviews with applicants and making your choice based upon selection criteria and the best person for the job.
- You can only terminate an employee if there is a valid reason based on the employee's capacity to do the job, the employee's conduct or behaviour or the operational requirements of your business.
- As your business grows, it will become necessary for you to delegate some tasks to concentrate on what is important.
- As managing employees is an area of risk for any business due to the extensive number of laws and regulations which must be observed, be prepared to seek professional advice.

Resources and contacts

- Australian Taxation Office, www.ato.gov.au
- Department of Employment, Workplace Relations and Small Business, www.dewrsb.gov.au/smallbusiness
- Tasmanian Department of Education – Office of Post-Compulsory Education and Training
www.opcet.tas.gov.au
Telephone 1800 655 846
- Federal Government's apprenticeship website, www.newapprenticeships.gov.au
- Law Society of Tasmania,
www.taslawsociety.asn.au,
28 Murray Street, Hobart Tas 7000
Telephone 6234 4133
or the legal firm of your choice
- Tasmanian Chamber of Commerce and Industry,
www.tcci.com.au
30 Burnett Street, North Hobart, Tas 7000
Telephone 6234 5933
- Department of Economic Development, Tourism and the Arts
Business Point
1800 440 026
www.development.tas.gov.au