YOUR FIRST HIRE: WHEN AND HOW

The signs you're ready to hire, what an employee really costs, and the steps to hire legally and well.

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AT A GLANCE

- Hire when you're **turning away work, falling behind on quality**, or spending most of your time on tasks someone else could do.
- An employee costs **more than their wage**: payroll taxes, workers' compensation, and sometimes benefits and training.
- Decide first whether you need an **employee or a contractor**. See **O-02 Employees vs. Contractors**.

WATCH OUT

Employment laws differ by state, city and country. Check your local rules on wages, hours, breaks, paperwork and posters, or ask an HR advisor or employment lawyer.

Why it matters

The right first hire frees you to grow the business. The wrong one, or hiring too early, can drain your cash and time. Hiring also brings legal duties you need to get right from day one.

Signs you're ready

- You regularly turn away customers or orders.
- Quality or response times are slipping.
- You spend hours each week on tasks that don't need you.
- You have steady sales and can cover the cost for at least 6 months. See **M-16 12-Month Cash Flow Forecast**.

What an employee really costs

EXAMPLE

Grace hires a part-time kitchen helper at **$18 an hour, 30 hours a week**.

Cost	Per year (estimate)
Wages: $18 × 30 hours × 52 weeks	$28,080
Employer Social Security and Medicare (7.65%)	$2,148
Federal and state unemployment taxes (varies by state)	About $500
Workers' compensation insurance (varies by state and job)	About $600
Total	**About $31,300**

That's about **12% more than the wage** before any benefits, equipment or training time. Grace checks that the extra sales from the hire will cover it.

Step by step

1. **Write down the job**: tasks, hours, skills needed and pay. See **O-04 Writing Job Posts and Interviewing**.
2. **Decide employee or contractor.** See **O-02 Employees vs. Contractors**.
3. **Get an EIN** and register with your state for payroll taxes and unemployment insurance.
4. **Get workers' compensation insurance** where required.
5. **Set up payroll.** A payroll service handles withholding and filings. See **O-03 Payroll Basics**.
6. **Recruit and interview.** See **O-04 Writing Job Posts and Interviewing**.
7. **Complete hiring paperwork**: in the US, Form W-4 for tax withholding, Form I-9 to verify the person can legally work in the US, and your state's new-hire reporting.
8. **Post required workplace notices.**
9. **Onboard well**: a written first-week plan, training, and clear expectations. See **O-05 Managing Your First Team**.

Common mistakes

- **Hiring friends or family** without clear roles and expectations.
- **Paying "off the books."** It's illegal and risky.
- **Skipping workers' compensation.**
- **Hiring without a written job description.**
- **No training plan.**

Your checklist

- ☐ Confirm you're ready to hire
- ☐ Calculate the full yearly cost of the role
- ☐ Write the job description
- ☐ Register for payroll taxes and get workers' compensation
- ☐ Set up a payroll service
- ☐ Prepare a first-week onboarding plan

Key words, explained

Word	What it means
Payroll taxes	Taxes withheld from and paid on employees' wages.
Workers' compensation	Insurance covering employees hurt at work.
Form W-4	Tells you how much federal tax to withhold.
Form I-9	Verifies a new hire can legally work in the US.
Onboarding	Bringing a new hire into the business and training them.

Where to go next

- **O-02 Employees vs. Contractors**
- **O-03 Payroll Basics**
- **O-04 Writing Job Posts and Interviewing**

IMPORTANT
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