



What Startups Need to Know about Their First Employees



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Congratulations! Your startup has found its footing and you're ready to hire your first employees. What should you consider? Cost, certainly. But you also need to think about the legal aspects of the process.



Startup Hiring Costs

Hiring your first employee involves more than just determining the salary or wage. You also need to consider the cost of advertising, drug screening, [background checks](#) and pre-employment assessments as

well as the time cost of reviewing résumés and conducting pre-screening calls and interviews.

From advertising to assessment, you could be looking at an average of 42 days and \$4,129 per employee, according to a report by the [Society of Human Resource Management](#). And don't forget the cost of benefits. The [U.S. Bureau of Labor Statistics'](#) latest Employer Costs for Employee Compensation news release shows that benefits now make up \$11.48 (31.4%) of the average wage of \$25.12 per hour.

Once an employee is on board, the cost of orientation time must be considered as well as training time and materials.

According to [Statista](#), "Smaller companies in the U.S. have been increasing their investment in staff training over the last three years, with the average number of training hours provided annually per employee increasing from 43.2 in 2017 to 49.8 in 2019 ... with midsize companies providing an annual average of 33.9 hours and large companies 38.8 hours per employee." Factor in the hourly rate of the trainer and trainee as well as materials cost and you're looking at several thousand dollars per employee on top of recruiting costs.

Hiring Best Practices

[Hiring](#) requires more than just writing up job descriptions and advertising. Before you get to that point, a few legal steps must be taken, says Ashlee Campbell, founder and CEO of Orlando-based [Summit Collaborations Marketing Agency](#).

Brian Cairns, CEO of New York City-based [ProStrategix Consulting](#) agrees. Among the startup legal to-dos Cairns lists are:

- Get an Employer Identification Number (EIN) with IRS [Form SS-4](#).
- Register with your state labor department to pay state unemployment compensation taxes. For information, select your state on the [U.S. Department of Labor](#) (DOL) website.
- Get workers' compensation insurance (required in most states). Visit the

DOL [Workers' Compensation](#) website for more information.

- Post required state and federal notices of workers' rights. Find federal poster information at the DOL [elaws FirstStep Poster Advisor](#) page and state information at the DOL [State Labor Offices](#) page.
- Prepare an employment contract with the necessary non-compete and non-disclosure language.

Other to-dos include:

- Set up your payroll system to withhold income and Social Security and Medicare taxes. Read IRS Publication 15, Circular E, [Employer's Tax Guide](#), for information on federal withholding. For state information, visit the [IRS State Government Websites](#) page. (If you pay wages of \$1,500 or more in any quarter in which an employee worked in 20 or more different weeks, you'll need to report that with [IRS Form 940](#).)
- Report new hires and rehires to the U.S. Office of Child Support Enforcement (OCSE). Within 20 days, federal law requires you to report basic information to the state in which your employees work. Some states require the information sooner. For information, visit the [OCSE](#) website.
- To review what you need to do to prepare your worksite and administrator, visit the [Occupational Safety and Health Act](#) website.

Also don't forget to have employees fill out IRS [Form W-4](#) so you can withhold the correct amount of taxes and the U.S. Citizenship and Immigration Services [Form I-9](#) to prove eligibility to work in the United States.

"Almost more important is making sure you have standard operating procedures for your employees," Campbell says. "Having an employee handbook [and] onboarding process will help your new employees get acquainted with your company, your goals and your culture."

As a startup employer, it's incredibly important that you set yourself up for success. If you put in place all federal and state requirements and consider the true cost per hire up front, you are more likely to have a smooth hiring process.

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