

7

Employees

LEARNING OBJECTIVES

- Create a job description
- Identify the tax-filing requirements, payroll requirements, and policies related to employee hiring
- Distinguish between an employee and an independent contractor
- Discuss the need for workers' compensation and other benefits
- Create ethical policies related to hiring, managing, and dismissing employees

Case Study: Time to Bring On a Staff



Willa knows its time to hire employees to help her run Cone Crazy.

What does this mean, really?

She begins to research the legalities associated with having a staff.

Hiring Employees

- Know what you need
 - Tasks
 - Administrative duties
 - Physical requirements
 - Credentials
 - Schedule
 - Paid hourly or by salary
 - Compensation



**Cone Crazy
We're Hiring!**

Job Title: Ice Cream Shop Server
Location: Anytown, USA
Terms: 3 positions available (1 for 40 hours/week, 2 for 30 hours/week)
Salary/Rate: \$16/hour
About Us: Cone Crazy is a new **soft-serve ice cream shop** specializing in creative flavors that change daily. Find us daily at our shop from 12-9PM and look for us soon at local farmers markets!

Our Ideal Candidate:

- Must have a positive attitude and enjoy making people smile
- Weekends and holidays required, depending on position
- Ability to work as a team member and be independent
- High-school diploma required. Some college experience preferred

Responsibilities:

- Manage and maintain the ice cream machine
- Maintain the register
- Keep shop stocked and cleaned
- Manage one's own hours and schedule
- Assist owner with administrative duties as required

Contact Willa to Apply
willa@conecrazy.net

Beyond the Job Description

- Must have an EIN
- Must pay federal and state (typically) payroll tax
- Employees must be true employees (not contractors)
- Determine pay periods
 - Biweekly, monthly
 - Depends on revenue
- File taxes quarterly
- Accounting services
 - In house, outsourced
- Retain records
 - 3 years while employed + 1 year after separation

Employee vs. Independent Contractor

Employees

- Hired for a specific assignment/job
- Work on company hours
- Use company tools, supplies, and equipment
- Follow company procedures
- Are eligible for FMLA, workers' compensation, and unemployment insurance
- Pay half the associated Social Security and Medicare taxes
 - Employer pays the other half

Employee vs. Independent Contractor (cont.)

Contractors

- Truly independent
- Hired for a specific assignment/job
- Agree to terms (contract)
- Set their own schedule
- Use their own tools, supplies, and equipment
- Determine their method of performing the assigned work
- Are 100% responsible for payroll taxes (Medicare, Social Security, income)

Employee vs. Independent Contractor (cont.)

- Independent contractor
 - Uses Form 1099
- Employee
 - Uses the business's EIN



Employee Benefits

| FICA TAX RATES AND WAGE LIMITS | | | |
|--------------------------------|-----------------------|-----------------------|--------------------|
| FICA Tax | Employee Tax Rate (%) | Employer Tax Rate (%) | Wage Limit in 2025 |
| Social Security | 6.2 | 6.2 | \$176,100 |
| Medicare | 1.45 | 1.45 | N/A |
| TOTAL | 7.65 | 7.65 | |

Employee Benefits (cont.)

- Social Security and Medicare
 - Employer covers 50% of cost
 - Per the FICA (Federal Insurance Contribution Act)
- Unemployment insurance
 - 100% paid by employers
 - Per the FUTA (Federal Unemployment Tax Act)
- Workers' compensation
 - Employer chooses the policy
- Protected leave
 - 12 weeks unpaid leave for birth/adoption, sick employee, sick family member
 - Per the FMLA (Family and Medical Leave Act)

Employee Policies

FLSA (Fair Labor Standards Act)

- Established in 1938
- Policies cover:
 - Minimum wage
 - Overtime
 - Child labor laws
 - Safety requirements
 - Healthcare coverage
 - Whistleblower protection
 - Family and medical leave
 - Discrimination protection

Required Policies

- Federal minimum wage: \$7.25
- Overtime
 - Exempt (salaried, no overtime)
 - Non-exempt (hourly, at least 1.5 times rate for overtime)
- Child labor
 - 16 and under restricted to limited hours
 - 18 and under restricted from high-risk jobs
- Safety
 - OSHA (Occupational Safety and Health Administration) limits hazards from chemicals, machinery, and physical environments

Required Policies

- Healthcare coverage
 - Affordable Care Act requires medium- and large-sized firms to provide health insurance to their employees
- Whistleblower protection
 - Allows employees to register complaints
- Discrimination protection (sex, creed, color, age, disabilities, national origin, genetic information, veteran status)



Optional Policies

- Work hours, holidays, time off
 - Flex vs. scheduled
- Personal spaces
 - *Your desk is not private*
 - *Your bags are not private*
- Dress code
 - *Shirts and shoes*
- Office equipment
 - *You get a computer, but it doesn't go home*
 - *You don't get a cellphone*
- Personal pets
 - Make the policy clear



CHAPTER SUMMARY

- Take time to determine the type of hire you need (employee, contractor) and create a complete job description.
- A business owner with employees must have an EIN, file payroll and taxes, and insurance; rules vary depending on the type of hire.
- Hire an independent contractor for specific tasks that have a narrow focus and/or specific end date; hire employees when you need workers continually and need them available on a specific schedule.
- Employers must provide benefits to employees: taxes, insurances, workers comp, family leave, and more.
- Consult the FSLA for assistance in creating ethical policies for your staff, including providing additional benefits.