

On Your Terms Episode 128:  
How to Hire an Employee (Legally!)

**Sam Vander Wielen:** Hey there, and welcome back to On Your Terms. I'm your host, Sam Vander Wielen. I'm an attorney turned entrepreneur, and I'm here to help you legally protect your online business.

So, this week's legal Q&A comes from our listener, Laura, who asked, "I'd love to know about what needs to be in place to legally hire employees." So, Laura, I'm going to assume here for the purposes of your question that you mean employee-employees and not contractors, because sometimes people use the word employees, but what they mean is really contractors.

If you need a quick rundown on what the difference is between employees and contractors, I'm going to link down below in the show notes to a very important podcast episode that I did on what the difference is, because there's a huge, huge legal difference. And unlike what most people think, you don't just get to choose which one you want.

So, assuming that's the case that you meant a real employee, employee-employee, you would want to have a legally solid foundation for your own business first, I'd say. So, you'd definitely, first of all, want to have a properly registered business, probably an LLC or something higher so that you're personally protected in case something happens.

Second, you would want to look at business insurance. I mean, you should already have business insurance for your entire business just so that if something happens, but also you might want to look at getting something like coverage, like EPLI, it's Employment Practices Liability Insurance, that would cover you in case any lawsuits came as a result of you having employees.

And then, the third thing is that you want to look at the back end setup. So, before hiring, there's just a lot of back end steps, like getting payroll set up and getting additional forms of insurance, like worker's comp, for example, what state your employee is in when you hire them. That state might require additional types of insurance. So, there is a lot to navigate, honestly.

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I'm a lawyer - as you know, I'm a lawyer - when I hired my first employee, I got help, because on top of answering all my Ultimate Bundle members' questions every day, producing two podcasts a week, two fresh newsletters that I write every single week, and a million other things in between, doing all the content, all the writing, all that kind of stuff, I can't be my own HR too. That's too much because of all the steps.

So, when I started hiring, I actually hired Paradigm HR. I have an episode, actually, I did with the owner and founder, Kira. I'll link to that episode below. But I used Paradigm HR to help me. They actually have a really great program called Set to Scale that is for business owners like you who are trying to get things set up ahead of time. Like, maybe you're not quite ready yet, but you're starting to think about building a team, they have a great program for you that I will link to below that is an affiliate link for me, but I will share that with you in the show notes. So, Paradigm provides HR and operations support for small businesses like us, so that's why I went to them, and I had a really good experience.

So, once you're ready to onboard a new employee, at least legally speaking, here's generally what you would need. The first thing is that you would need an employee contract. You would want an employee contract that you're going to want to work with an attorney near you to get. That is not something you want a template of because they are highly state dependent. The second thing is that you would want an employee handbook with signed acknowledgment, meaning that there's a page that the employee has to sign and send back saying that they've reviewed and understood all the terms of the employee handbook.

Although, as I remember Kira, the founder of Paradigm, told me, an employee handbook is not required. So, that's where you go over the policies of the business and general procedures, like disciplinary actions, what the - let's see - ethos of the company is, all that kind of stuff, and maybe if you have a social media policy, you go over all of that stuff. But if you're not actually going to abide by it, then you shouldn't have it because it's not required. I follow it, or at least I definitely try to, so I follow it and that's

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why we have one.

The third thing that you would want is an offer letter. So, that's giving them the offer of the salary, whatever benefits are included, all of that with, again, signed acknowledgments, they send that back to you. The fourth thing is a form I-9, a W-4, their state higher tax form, so whatever state they're coming from is going to have their own tax forms. And, honestly, there are just many, many, many more forms than that. Too many for me to list here. Too many because it depends on what state they're in, and you're in, and all that kind of stuff.

The fifth general thing you have to do to onboard a new employee is payroll setup. So, I use ADP. I'm going to share a link below where you can get a discount if you need to set up payroll. It's an affiliate link for my company, but that's what I've used since 2018 even when it was just me on payroll. Because when you become an S-Corp - I became an S-Corp in, I guess, 2018. And when I became an S-Corp, you have to put yourself on salary. And so, even when it was just me and I didn't have any other employees, I had to go on payroll, start with ADP, and start paying myself. So, once I then added an employee, it was kind of easy because I already had ADP set up.

I would say though, honestly, if we were sitting down for coffee and we were talking about employee stuff, I know you would ask me about all the legal stuff, but I feel like I would be, more than anything, you have to take this time before you ever hire someone. Like, I wish I would have started this way earlier, because by the time you're ready to actually hire somebody, you're kind of too busy to take on this whole new thing. But you really need to spend time learning how to be a leader, learning how to be a manager, learning how to provide feedback, how to ask people how they like feedback, how to have nonviolent communication, all kinds of things.

I think providing structure, creating boundaries, this is one of the things that I feel back in the day my friends used to laugh about me. I had rules for my company and I had SOPs for everything, Standard Operating Procedures for everything before I ever had people working for me. And everybody was just like, "Isn't it just you? Isn't it just you?"

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And I'm so glad now, looking back on it, that that's what I started to do because by the time employees get here, you can't bring in people and be like, "Can you figure it out now?" It's like bringing people into your house and then just being like, "Can you figure out where to put everything?" And then, you're trying to live amongst everybody else's system. It doesn't work.

The best book that I actually found that was helpful to me for growing as a leader was actually the book *Radical Candor: Be a Kick-Ass Boss Without Losing Your Humanity*. It's by Kim Scott. I have a link to that that I'll drop below in the show notes just so you have it. But that was the book that I thought was the most helpful to me in terms of learning how to become a boss, and even if you have one person in the beginning. I mean, honestly, even when I hired my first VA, I wish I would have done a lot more of this work on myself. I wish I would have done it before I hired a VA. But I thought that book was pretty helpful, so I'm going to link to that below as well.

I would be so curious to hear from you where are you at in the hiring and team building process. Like, I would really want to know are you thinking about hiring your first VA? Do you already have a VA? Do you already have a team? Do you dream about having an employee? Maybe that's not even important to you.

And as always, by the way, I'm going to invite you to question. Don't just - because you hear this episode - be, "Oh, now I need an employee. I got to get ready for that." No, you don't. You know, I ran a perfectly successful business before it. I could not get it to where I ultimately wanted to go without it. It's too much for me to do at this level. I can't do it at this level by myself. But I could have run a perfectly nice business by myself. I don't know how sustainable it would have been for that long, but I did it for a while and I just wasn't going to be able to really grow and scale it.

And for me, personally - I don't know - it was very important for me to hire an employee. I've talked about this before, but it felt like a big accomplishment to me and it was something I really wanted to do. I wanted to have camaraderie. I wanted to have somebody on the team who was better at their skill than me, which is what I got. And I

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wanted somebody who was kind of in it with me, which is also what I feel. And so, that's been awesome. So, my experience has been very good. I've gotten very, very lucky.

I was just saying this to my operations director, Lindsey. I was like, my first contractor hire and my first employee are still with me. And I was like, I'm very lucky that my first, you know, turned out to be super, super good. So, I am just really, really grateful. But I think there's just a lot, like I see in the online business industry where people, they go into it thinking that the person is going to come in and work for their business and fix their business for them. And it's just funny from my perspective now, having some experience where I'm like, actually, it has so much more to do with us than the person that we hire.

So, I would encourage you to take a look at some of the resources. I'll drop everything that I've mentioned today in the show notes below. But I expect to hear from you. You better go send me a DM on Instagram, I'm @samvanderwielen. But send me a DM, answer my question. I want to know where are you at in the hiring building process, where are you at mentally with it, is that not something you want to do. I have no judgment. There's not a right or wrong way to do this, so I'm just genuinely curious where you're at with it. And if you're thinking about hiring somebody, is there anything you're confused about, concerned about? Let me know if there's anything I have to help. Any resources I have already, I'll send them your way.

So, thanks so much for listening and I can't wait to chat with you in the next episode.

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