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Hire Right the First Time

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Entrepreneurs and owners of small businesses are accustomed to doing everything it takes to move their business forward. But there comes a time when even the most efficient entrepreneur must call in help. For most startups and small businesses, hiring workers is the only path to growth.

Many early-stage entrepreneurs outsource work or find contract employees among friends and family. Even if a first employee is a friend of the owner, the business is subject to the laws governing employee-employer relationships as soon as the first paycheck is written. If the business thrives, the first employee will be one of many workers hired in the life of the business.



That's why it pays to learn the rules and set up the appropriate systems when the first employee is hired. A systematic approach makes it easier to hire future employees and allows the owner to focus on the candidate rather than the rules.

EIN and W-4

Business owners need an employer identification number, or EIN, from the Internal Revenue Service before hiring employees. The EIN is free and can be obtained online at www.irs.gov.

Each employee must fill out a W-4 form detailing how much should be withheld from her paycheck to cover her income taxes. The form can be found on the IRS website.

Form I-9 and E-Verify

Employers and employees are required to complete a Form I-9 for each individual — including citizens and noncitizens — hired for employment in the United States. The form helps the employer verify the worker's identity and authorization to work by requiring the employee to present government-issued identification such as a social security card or passport. Employers are required to attest to having examined the documents by signing the Form I-9.

Employers do not file the form with the government, but they are required to retain it for three years after the date of hire or for one year after the employee is terminated.

The form is also used to verify the worker's immigration or citizenship status with the U.S. Citizenship and Immigration Service (USCIS) at www.uscis.gov/e-verify. While the use of the online E-Verify system isn't mandatory, it's the best way employers can ensure their workforce is legal.

Employers must use the version of Form I-9 that's in effect at the time of hiring. The current form was revised in 2013. The version date can be found in the lower left-hand corner of the form.

In New Mexico, employers must also report new employees to a state directory at <http://newhire-reporting.com/NM-Newhire/Default.aspx>.

Workers' Compensation Insurance

Unless the employee is a private domestic worker or a real estate salesman, employers must secure workers' compensation insurance. Premiums depend on many things, including the type of work and dangers involved, the number of employees and the company's total payroll expense. Low-cost premiums can sometimes be obtained through an industry association. Though not recommended, an employer can opt to self-insure by setting aside money to cover losses.

Business owners can learn more by attending WESST's "Hiring Your First Employee" workshop on September 23 from 11:00 a.m. to 1:00 p.m. at the WESST Enterprise Center, 609 Broadway Blvd. NE in Albuquerque. The workshop is the first in a series of three that address the basics of labor law, interviewing, hiring and performance management. For more information or to register, visit <https://www.wesst.org/training-event/hiring-your-first-employee/>.

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