

The Entrepreneur's Guide to Hiring Employees in California:

11 Costly Employment Law Mistakes Every Growing Business Should Avoid

Inside This Guide

Hiring employees is one of the most exciting milestones in building a business.

It's also one of the easiest times to make expensive legal mistakes.

California employment laws are among the most complex in the country. A single hiring decision can affect your company's taxes, intellectual property, confidentiality, employee relations, and exposure to litigation.

Fortunately, many of the most common employment law problems are entirely preventable.

This guide highlights eleven mistakes we frequently see entrepreneurs make and explains practical steps you can take to avoid them.

Whether you're hiring your first employee or expanding an established team, our goal is to help you build your business with confidence.

Before You Hire Your Next Employee...

- ✓ Determine whether the worker should be an employee or an independent contractor.
- ✓ Prepare an employment agreement.
- ✓ Protect confidential information and intellectual property.
- ✓ Update your employee handbook.
- ✓ Review payroll, wage-and-hour, and paid leave requirements.
- ✓ Train supervisors on workplace policies.

- ✓ Consult an employment attorney if you're unsure.

The remainder of this guide explains each of these topics in greater detail.

Employment Law Timeline for Growing Businesses

Employment law isn't just about hiring your first employee. As your business grows, your legal responsibilities evolve as well. This timeline highlights some of the key employment law issues businesses should consider at each stage of the employment relationship.

Before You Hire

- ✓ Determine whether the worker should be classified as an employee or an independent contractor.
- ✓ Prepare employment agreements.
- ✓ Protect confidential information and intellectual property.
- ✓ Understand applicable wage-and-hour requirements.

During Employment

- ✓ Maintain an up-to-date employee handbook.
- ✓ Document important employment decisions.
- ✓ Train managers on workplace policies.
- ✓ Periodically review your employment practices as California laws change.

When Employment Ends

- ✓ Plan employee separations carefully.
- ✓ Comply with final pay requirements.
- ✓ Protect confidential information and company property.

- ✓ Conduct an orderly transition.

The remainder of this guide explores each of these topics in greater detail.

About Bend Law Group

Since 2010, we have helped more than 7,000 entrepreneurs and business owners start, grow, protect, and transition their businesses.

We believe entrepreneurs deserve practical legal advice that supports their business goals - not just explanations of the law.

Our attorneys regularly advise clients on:

- Business formation
- Employment law
- Commercial contracts
- Intellectual property
- Commercial real estate
- Outside General Counsel services
- Financing
- Mergers and acquisitions

The longer we work together, the more valuable our advice becomes because we take the time to understand your business, your goals, and your approach to risk.

Mistake #1

Waiting Too Long to Speak with an Employment Lawyer

Many founders don't contact an attorney until after an employee files a complaint or a legal issue arises.

Unfortunately, by then the options are often more limited - and more expensive.

The best time to seek legal guidance is before you hire your first employee, implement workplace policies, or make significant employment decisions.

What You Can Do

- ✓ Consult an attorney before hiring key employees.
- ✓ Review employment documents annually.
- ✓ Update policies as your company grows.

Mistake #2

Misclassifying Workers

Should this person be an employee or an independent contractor?

This is one of the most common (and costly) mistakes California businesses make.

Improper classification can lead to:

- Government audits
- Back wages
- Payroll taxes
- Penalties
- Employee lawsuits

California's worker classification rules are significantly more restrictive than those in many other states.

Questions to Ask

- Who controls how the work is performed?
- Is the worker performing work central to your business?
- Does the worker operate an independent business?

Key Takeaway

Worker classification decisions should be made before work begins - not after problems arise.

Mistake #3

Relying on Generic Employment Agreements

Employment agreements downloaded from the internet rarely reflect your company's needs.

Proper agreements can address:

- Confidentiality
- Intellectual property ownership
- Compensation
- Bonuses
- Employee expectations

Every growing business should periodically review its employment agreements.

Mistake #4

Forgetting About Intellectual Property

Many entrepreneurs assume the company automatically owns everything employees create.

That's not always true.

Without properly drafted agreements, ownership of software, inventions, marketing materials, and other intellectual property may become disputed.

This is particularly important for:

- Software companies
- Product companies

- Creative agencies
- AI companies
- Consultants

Mistake #5

Operating Without an Employee Handbook

An employee handbook does much more than explain workplace rules.

It helps establish expectations, communicate company policies, and demonstrate your commitment to legal compliance.

A handbook should evolve as your company grows.

Key Takeaway

An employee handbook should evolve alongside your business, not remain unchanged for years.

Mistake #6

Failing to Document Employment Decisions

Many employment disputes aren't caused by bad decisions.

They're caused by poor documentation.

Examples include:

- Performance issues
- Promotions
- Discipline
- Leave requests
- Accommodations

- Terminations

Consistent documentation helps protect both employees and employers.

Mistake #7

Ignoring California's Changing Employment Laws

California employment laws change frequently.

Requirements relating to:

- Paid leave
- Harassment prevention
- Wage statements
- Employee notices
- Workplace accommodations

continue to evolve.

Businesses should review employment practices regularly rather than assuming prior policies remain current.

Mistake #8

Mishandling Employee Terminations

Terminations often create the greatest legal exposure.

Before terminating an employee, consider:

- Documentation
- Final wages
- Company property
- Confidential information

- Separation agreements
- Transition planning

A thoughtful process can significantly reduce future disputes.

Key Takeaway

Thoughtful planning before a termination can significantly reduce legal risk afterward.

Mistake #9

Treating Employment Law as a One-Time Project

Many founders prepare employment documents once and never revisit them.

As businesses grow, employment practices should grow as well.

Questions to revisit include:

- Have compensation plans changed?
- Have employees become managers?
- Are policies still current?
- Has the business expanded into new states?

Employment law should evolve alongside your business.

Mistake #10

Trying to Solve Everything Yourself

Many founders successfully handle countless aspects of building their businesses on their own. Employment law, however, is one area where a seemingly minor decision can create significant legal and financial consequences.

Seeking legal guidance at key milestones, rather than after a problem develops, can often save substantial time, money, and stress.

Mistake #11

Failing to Protect Confidential Information Before the First Day of Work

One of the most common mistakes I see is founders waiting until after someone starts working to think about:

- Confidentiality agreements
- Proprietary information agreements
- Invention assignment agreements
- Return-of-property obligations
- Restricting access to sensitive information

Without these agreements in place before or at the start of employment, businesses may face disputes over ownership of valuable intellectual property and confidential information. Taking the time to address these issues early can help avoid costly problems later.

Employment Law Checklist

Before hiring your next employee, ask yourself:

- ☐ Have we determined whether this person should be classified as an employee or an independent contractor?
- ☐ Do we have an up-to-date employment agreement that protects our business?
- ☐ Have we addressed confidentiality and intellectual property ownership?
- ☐ Does our employee handbook reflect current California employment laws?
- ☐ Are our payroll, wage-and-hour, and paid leave practices compliant?

- ☐ Have managers received the training they need to properly supervise employees?
- ☐ Do we have consistent procedures for documenting performance, discipline, and other employment decisions?
- ☐ Are all required workplace notices and postings in place?
- ☐ Have we reviewed our employment practices within the past year?

When Should You Call an Employment Lawyer?

Many employment issues are easier, and less expensive, to address before important decisions are made.

Rather than waiting until a problem arises, consider speaking with an employment attorney if you are:

- ✓ Hiring your first employee
- ✓ Bringing on an executive or key employee
- ✓ Unsure whether someone should be classified as an employee or an independent contractor
- ✓ Preparing or updating an employee handbook
- ✓ Updating employment agreements or workplace policies
- ✓ Planning an employee termination or layoff
- ✓ Responding to an employee complaint
- ✓ Expanding your workforce or growing into new states

Seeking legal guidance early can often help prevent costly disputes, allowing you to focus on building your business with confidence.

Employment Law Is Just One Part of Growing a Business

Hiring employees often creates other legal needs.

Growing companies frequently need assistance with:

- Protecting intellectual property
- Negotiating commercial contracts
- Leasing office space
- Raising capital
- Corporate governance
- Outside General Counsel services
- Buying or selling a business

Many Bend Law Group clients begin working with us while starting their companies and continue relying on us throughout every stage of their business's growth.

Build Your Team With Confidence

Hiring employees is one of the most important investments you'll make in your business.

With thoughtful planning and practical legal guidance, you can reduce unnecessary legal risk while creating a stronger foundation for long-term growth.

Whether you're hiring your first employee or managing a growing workforce, Bend Law Group is here to help.

[Schedule Your Consultation](#)