

Chapter 8

Employees

Most nonprofit corporations employ staff to assist in carrying out the mission and activities of the corporation. The nonprofit director should have a basic understanding of the legal risks and obligations that go with having employees.

Although some nonprofit corporations may rely solely on volunteers to accomplish their missions, most nonprofit corporations employ paid staff to carry out at least some of these activities. The size of the staff can vary from a single part-time employee in a small, grassroots organization to a staff of a hundred or a thousand full-time employees. All nonprofit corporations generally must comply with federal and state employment laws. Some legal requirements may vary depending on the number of employees.

Nonprofit corporations often have the employment relationship with the chief executive defined by a formal contract, which should be approved by the board of directors or a committee of the board. In addition to being aware of the terms of the contract, directors should be aware of the law applicable to that employment relationship. The board of directors may also approve policies and employment terms applicable to other employees. In addition, because a significant number of the lawsuits generally brought against nonprofit directors and officers involve employment-related matters, it is important for directors to have a basic understanding of the range of legal requirements and potential liabilities that may arise in connection with employees. It is becoming more common for nonprofit corporations to obtain employment practice liability insurance. This chapter will outline some of the considerations and general legal requirements for nonprofit corporations that hire employees.