



## Employment. Or not?

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Hi, welcome to your Checklist Contracting for nonprofits. You're here because you're intrigued for some reason by this checklist. And I'm going to explain you in this short video, what is the background of this checklist. Why did I, and professor Barend Barentsen make this checklist for you? What do we think is important in this? So this is one of the two pages of the checklist that you can download where you are watching this video.

And I am Suzanne. And if you have any questions about the checklist, please do not hesitate to contact me. This is my email address, and I'm very eager to hear from you also if you don't have any questions, just to hear from you, how the checklist works for you. What new insights you got from it and how in practice it is helping you.

So please, if you have a moment, even if you don't have a question, feel free to drop me a short message on my email box. So, first of all, I wanted to explain to you, why did we make this checklist for you? What is this going to help you solve? Well, first of all, you are probably doing a lot of work as a nonprofit, and there's always more work to be done. And maybe you are growing. Maybe you just got a new project grant, or maybe you got some extra donations, so there's a lot of work to be done. And there might be a point and that point might be just now that you need extra hands, that you realize that you need extra people to help you somehow.

And you're wondering how can I set that up? Because if you are depending for example, on project money, there is limited time because a project has a specific duration so beyond that project period there, there is no guarantee of any money. You'll have probably a limited budget with this project. And of course in the project, there is money for specific positions.

So there is limitation in the role that you can contract. Even if you are not depending on project money, but if you have donations, probably the same is true that you have limited budget and limited time in the sense that you might not be sure how much donation income you will get next month or next half year or next year. So there are limitations put on you by, by the income that you have guaranteed. And the earmark that the income has. So for what it was intended to be used by the person or organization who gave it to you. And there might be limitations in terms of the roles. So if you have a project, you can probably pay a project coordinator, but there might not be budget in a project budget for a finance person or a bookkeeper. That might simply not be there.



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So there are trade-offs to be made and you need to decide how you can use that money and what kind of extra hands you can bring on board in your team for that. So that is the choice that you have at some point. And then, well, if you're looking at bringing in professionals, of course, I'm not now talking about volunteers or students or interns, but if you're looking at bringing in professionals into your team in a professional capacity, then the rough choice is that you can either have somebody as an employee on your payroll, or you can hire an external contractor or a consultant or a freelancer. Those are also all the same terms, terms for the same thing I should say. So payroll, an employee on the payroll, is somebody who becomes part of the organization, they're on your payroll, they're your employee. And you pay for their salary and other items like pensions, maybe travel costs, maybe some other things like you have to reserve, maybe social insurance and things like that. You have to set up facilities for them so that they're able to work in your office. You have to set up also procedures and mechanisms for managing them as part of your staff.

So you need to set up your performance appraisals and your staff file. Your staff filing needs to be correct, et cetera. So basically, you need to follow the other checklist on staff file completeness, and you are basically responsible for this person. You are the boss or organization is the boss of that person. And you're responsible for paying their monthly salary. You are responsible for the safety of them in the workplace, et cetera, et cetera. So this is one situation where you have somebody inside of your organization, whether part-time, or full-time, doesn't really matter, but they are your responsibility. The alternative is to hire an external contractor, as I said, a freelancer or consultant, somebody who's more flexible.

So you can probably hire them at short notice and also say, Oh, well maybe next week, I don't need you anymore. They are taking care of all their administration and taxes and so on by themselves. They have likely their own facilities like their own laptop, probably, their own head set. They also will probably take care of their own basic costs as part of their company costs.

They are not the face of your organization. There are hired people. So they are not going to be representing your organization under most common circumstances. And the only disadvantage or one of the disadvantages is that the price is probably higher. Because they need to charge you a certain price per day that gives them also enough money to pay for their taxes and also to cover the days that nobody's hiring them.



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So they need to build a buffer for themselves and you are paying the price for that. And that's something that you're not doing for your employee, but probably it's easier to end the contract with them. And probably they're also used to being hired for, let's say, 10 days, two months, half a year. And it's probably much more difficult to find an employee who's going to leave paid employee position somewhere else to be just part of your organization for two months.

So those are the rough choices that you have when you are thinking about bringing in a professional to take care of some of the work that you have in your organization that needs to be done in the frame of a project or otherwise. And so those two options, it seems that the option of an external contractor is the most attractive. And it seems certainly the easiest and a lot of organizations feel that this is probably the best way to go.

And that might be the case in your case, too. But I just want to highlight some dilemmas for you. Some things that I think you should consider and think about before you decide, what is the best scenario for, for you and your organization in the short term and in the long term. Just there's no right or wrong. We are just looking at a specific situation at a specific moment in time in your organization, where you need to make a choice about what kind of contract arrangements you want to make with somebody who's going to help you get all the work done. So one of the dilemmas that you need to take into consideration is to think about limiting risks and limiting costs. And it might not be the same solution that is limiting both the risks and the costs, of course, because I just highlighted that usually external contractors are a bit more expensive if you calculate price per day, compared to an employee. But of course the risk is less because it's easier to ask them to start tomorrow and then ask them to step away next week. That is something that is not so easy with an employee, because maybe you need to follow certain procedures in order to terminate a contract of an employee.

So that is something that makes it a bit more risky. If you have to contract an employee for one year and you have project funding only for nine months, then you run a risk that maybe you have an employee at a moment when you don't have income to pay for the cost of that employee. If you are contracting with an external contractor, then that's much more flexible and easy to make sure that those terms match, that when the moment when the money runs out, that also the contracts of the consultant is ended. And so that is something to think about, but also think about risks and costs are not only a monetary, right?



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It's also about expectations and about image and about how you feel about a person who is a hired gun versus a person who is totally embedded in your organization and who feels part of the organization and who has likely more loyalty to the organization.

An external contractor very often is working also for other organizations at the same time. So they might not even be available exactly those moments that you want them to be. Whereas your employee is your employee, yes, they should be there for the whole time that you are contacting them for. So they are, they might be more reliable, employees, and they might be more loyal.

And that might also limit risks to a certain extent and might also limit costs in a way. So that is something to think about. What does it mean if I have an external person versus an internal person. That also depends, of course, for the certain position that you're hiring them for, there are positions where maybe it feels less risky to bring in an outsider who is maybe not so loyal to you, who maybe doesn't feel part of the organization.

And for some other positions, you might feel that you really need somebody who jumps into it with heart and soul and who you can also trust to act like the face of the organization to external parties. A second thing that you can think about is also ease of management and payment. So of course, hiring an external contractor is very easy in terms of management, because you do not really need to do performance assessments with them. You don't need to set up a development plan or education plan with them. Likely you do not need to set up user agreements with them, for the organization laptop that they're using. So there's a whole lot of administration that you don't need to do. And a whole lot of management stuff that you also don't need to do. And for payment, it's very easy because you simply pay their invoice and that's that, then you're done, then there's nothing else that you need to do. No taxes, no pension, no severance pay, no NSSF, and whatever. So that's very easy.

Now, on the other hand, of course you can say, well, an employee, yeah, you do need to do your performance assessment conversations with them, but that is also actually a chance that you can tell them to do things a little bit differently, that you would prefer it if they would do things in a certain way. So you can also give them more instructions compared to an external contractor.



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So that could also be ease of management that you actually have more sway over somebody in terms of how they perform and how you can help them grow and learn as part of your development plan for your team, for example. So those are different sides of the same concept, ease of management. And that is something that you really need to decide for yourself for that specific position and the specific situation that you are in, in this moment. Then also think about the perception, the perception internally and externally, if you bring in somebody who's part of the organization or somebody who is maybe perceived as an individual, more as an expert maybe, an external expert rather than a representative of your organization.

Or maybe by other team members, the person might not be perceived as an equal person in the team. So that is also something to think about and what that, what that means for the impact and the effectiveness that a person can have. Is it in that role desirable or possible to have an external contractor do it, or does it really not suit that role?

Maybe if you are going through a crisis period, it might be a logical to have an external consultant hired as your director, as your executive director. But if you want to portray that you are a stable organization, then maybe it is better to have the director be an employee because that creates more of a sense of stability compared to having a consultant as your director, for example.

And then the fourth thing that I want to highlight here as part of your dilemmas, or part of your thoughts that you should explore with yourself is the image of the organization. So what will it mean to the image of the organization? And I touched on that already under perception, if you have a person who is either an external contractor that may be your partners or other people know from other, other contexts as well, or whether you bring in somebody who's really part of your team

.So that is something that you need to consider and you need to look at all those areas: risks, costs, ease of management and payment, perception and image of the organization, and think about what it means in this specific situation for this position that you need extra hands for, for this period in time, considering your current financial constraints or budget constraints that you have.



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So this is something that you need to consider and you need to think about it every time that this, that this question pops up, right? Because the answer today might be different from the answer next month, especially if it also considers a different position.

So for this moment, write down your thoughts about those four areas. So maybe pluses and minuses or strengths and weaknesses, or maybe you would call it maybe risks or something, just write it down on a piece of paper and keep that somewhere safe and then go on to this list of what to do, your next steps. So first of all, describe what you want the situation to look like.

So describe for yourself what you're actually looking for. What kind of person are you looking for? What do you want them to do? What do you want their role to be inside the organization inside the project, towards external parties? How do you want them to be as part of the team? So describe as much as you can, what you would like the situation to look like for you to make it feel that it is contributing positively to, to the work that needs to be done and to the impact that you want to achieve through the work that you plan to do. And then look at your thoughts related to the dilemmas, and then think about, yeah, maybe in this situation, those dilemmas are not so important and maybe those are important. And then watch the two videos or at least one video by professor Barentsen to learn a little bit more about the responsibilities of employers towards employees, and to learn about how to use the checklist for contracting, which is based on an assessment of the real life situation on the ground, which is also impacting some of the risks that you might run by choosing one type of contract over another. But this is all going to be explained by professor Barentsen in his video. So I suggest you watch that and then follow the checklist.

And then based on your assessment of the situation on the ground as the checklist asks you to describe, combined with your thoughts about the dilemmas and bearing in mind what you would like the situation to look like, then decide what solution suits your situation best in this moment. That might also be that you decide to first hire somebody as a contractor, but that you want to agree with them, that this situation could change within a certain time if A, B and C happens, and you might want to ask them whether they are actually interested in that or not. So one solution, one decision, doesn't mean that you have to be stuck with that forever. And it doesn't mean that you'll have to be stuck with that for every following decision that you need to make in regard of that person or another person.



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It's just looking at this situation, your thoughts about the dilemmas right now, the ideal situation and the situation on the ground, and then make sure once you have decided, make sure that your situation on the ground is consistent with the solution that you choose. And by that, I mean that if you decide to hire an external contractor, then the consequence is that you cannot give them very detailed instructions.

You cannot do performance assessments with them and tell them you need to improve this - or. That is not the relation between a contractor and an external expert or consultant that you're hiring. That is the relation between an employer and an employee. So if you are deciding that in the current situation, it is, it makes more sense for you to hire somebody as a consultant.

Then you must treat them as a consultant. So that means that you expect them to make an investment in some of the things that they need to do to work. That means that you will expect them to decide how they will implement the job. You just give them the goal and some other maybe parameters, but you cannot give them detailed instructions.

You cannot also tell consultants that they need to be in your office from nine to five and so on and so forth. Yeah. So if that is a situation that you want to have, then you need to choose to have an employee instead of a consultant. And that is very important because in all systems of the law, the situation on the ground is very important for the final assessment of what is the best type of contracting.

And it may be for example, in the Netherlands, that if you put on paper that you're hiring somebody as a consultant, but if you're treating them really as an employee, then it might be that the tax office after all will decide that this person, in fact, in looking at the situation on the ground, was an employee rather than a consultant. That is something that would have great impact on on you after the fact. So it's better to be sure that once you make your choice, you are consistent in that, and that you understand the consequences of your choice and what that means in day to day relations between you and the team and that person. And so that is why it's really important to make sure that the situation on the ground is consistent with the solution that you choose.



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And the checklist will help you find your way in that. And professor Barentsen will explain all of this in much more detail and much better than I can, but I just wanted to share this with you to give you an overall background of what is the reason why we made this checklist for you. And the reason is that when I was working at nonprofits, I've been working in nonprofit sector for more than 25 years by now, I have very often come across this dilemma that we were not sure, when we needed to decide what kind of contract we wanted to offer, that we were not sure what would be the best solution. And we were not really sure how to come up with the best decision for us in that moment, in that specific situation. And that is why I thought that it would be very helpful to have a checklist so that you can understand how to make a choice, that you understand why you made that choice in that way for that specific situation. And that you also understand the consequences of that choice, even though, as I said, none of those choices needs to last forever, of course. You always are free to change your mind later on, but in the moment you make that decision, it's very comforting and reassuring to know that you understand perfectly what kind of decision you took and why you did it like that and what it means for you and the team and the person in practice. And the last thing I want to say about that is that very often I have seen that nonprofits make a choice to hire external contractors because it's less of a risk to them, but of course, then you are putting the risk on the shoulders of somebody else. Yeah, you are putting the risk on the person who is the external contractor, because they are then in a position that they are not sure about their income from one day to the next. And that might be something that you don't want to do actually. And if you are able to avoid it, maybe that is the choice that you want to make. And if you are not able to avoid it, as I've also seen in some smaller nonprofits that were just starting out and they simply could not afford to become an employer at that time, because that brings as professor Barentsen will explain to you, a lot of responsibilities and you cannot really oversee that all when you're just starting out and building your organization.

So those organizations had to start by contracting people as consultants, as experts, as external contractors. And then what they did, and what I helped them with was help those people that they wanted to hire, understand their position and help them with setting them up as consultants, how to register at the chamber of commerce, how to make their invoices, how to keep their administration, how to keep track of their time, how to keep track of their business investments and so on and so forth.





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So they invested with capacity building and knowledge sharing in those people because they understood that they were actually putting the risk that they were avoiding on the shoulders of other people, and they felt bad about it, but it couldn't be helped in that moment.

And it was also clear in that moment to those people who were hired as external contractors, that if there would be an opportunity to put some of those people on the payroll as employees, that the organization would choose to do that. And so they knew very clearly what they were working for. And in that sense, they felt already much more part of the organization rather than external experts that were just flown in to do a task and that's that.

So that is the last thing I want to share with you that this is also a social dilemma and not only about your organization and about you, but it's also a dilemma that touches on the other party involved, whether that is an employee or a contractor. And that is something that's good to know, because that also impacts of course, the image that your organization has in the outside world.

If you are perceived as an organization that is taking its responsibility in the moment that it's possible to do so, or whether you are perceived as an organization that's just trying to find the cheapest way always. And the easiest way always. I am now, of course exaggerating. But I think, you know what I mean. So that is what I wanted to share with you from my real life experience.

And I'm going to leave you in the capable hands of professor Barentsen to explain to you a little bit more about the legal background and legal concepts around employees and external contractors and what it means to be an employer as well. And I wish you much fun with watching those videos. And then I wish you good luck and inspiration when you are looking at the checklist and filling that out for this specific situation.



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And as I said in the beginning of this video, please, if you have any questions about the checklist, about your situation, contact me via this email address that you see here, because I'm really very eager to help you if I can. And of course I can contact professor Barentsen in case the question is beyond my experience and expertise. And as I said before, I'm also very eager to hear from you how this checklist has worked for you and how it has helped you take a decision that is whatever the decision is, of course not easy. Because it feels, especially in the beginning, if it's your first or second or third contract, it feels pretty scary to decide either way how to handle that. So I wish you good luck with that.

And let me know how this checklist helped you in that. And also maybe if you see something missing, then please let me know as well so that we can maybe add that on for the next generation of this checklist. For now, I wish you good luck and well done. You made it to the end of this video! I wish you good luck with the next videos and I hope to hear you or to see you in my email box soon.

Bye for now.