

Paid staff on your volunteer board?

by Bradley M. Pinsky

Should your corporation permit paid employees to serve on the board of directors? There are different views on this issue. On the one hand, permitting the paid staff to serve on the board of the corporation is a bad idea because the board hires and fires the paid staff. Thus, the paid staff would have a vote regarding their own employment, including salary, benefits, and whether or not they should be promoted, or even fired. Even though the board could simply excuse the paid staff from these decisions, think about another problem. The role of the board of directors is to make purchases. The more purchases a corporation makes, the less money the corporation has to pay staff. Thus, the paid staff may have a vested interest in ensuring that the corporation does not spend money that could end up in their pockets. Be aware that very few not for profit corporations permit the paid staff to serve on the board of directors. Most corporations recognize that it is simply a bad idea.

Another problem with having paid staff on the board is that the corporation might have to pay them for their time for serving on the board. There is a solution to this problem if a corporation desires to have staff on the board. The corporation can create a new type of membership and provide for this membership in the bylaws. The bylaws would permit paid persons to hold this membership and permit these members to serve on the board. Make sure that these special members cannot do anything a paid person can do (such as take shifts or respond to emergencies), so that there will be no question that the paid employee should not be paid for his time while acting as this new type of member. The corporation can even restrict this type of membership to paid personnel only, so that other persons cannot apply.

There are scenarios when permitting paid members to serve on the board can be positive. Consider certain village fire departments. If the village actually employs the paid employees, and not the corporation, the corporation may benefit from the experience of the paid employee. However, in this case the corporation does not pay the staff and there is no conflict; as the paid employee cannot benefit regardless of the financial decisions made by the board.

Finally, remember that the corporation may permit ex-officio directors and thus permit paid employees to have a voice, but not a vote in the management of the corporation. However, if paid employees are permitted to attend board meetings, make sure the corporation takes steps to prevent them from making a claim that they should have been paid for their attendance. This can be done by clearly defining their duties and restrictions in a job description, and by creating a class of membership that permits them to attend board meetings as a volunteer member.