



# Global employment guide for NGOs

How to stay compliant  
and on course when hiring  
mission-critical workers





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## INTRODUCTION

There's no question, nongovernmental organizations (NGOs) make our world a better place. Whether your mission is protecting the environment, providing resources to underserved communities, or distributing medicine and first aid—NGOs fill important societal gaps.

**Critical to your mission is the ability to hire people on the ground—all around the globe—with the right skills and passion to further the cause.**

But for many NGOs, adding workers in foreign countries is an HR and legal minefield. Even if you know who you want to hire, you must still navigate employment compliance risk, time and budget constraints, and lack of local HR resources.

This guide is based on our experience helping hundreds of NGOs overcome hiring challenges and add the workers they need to further their critical missions around the world. We'll walk you through:

- Obstacles to hiring in foreign countries
- Repercussions of hiring mistakes
- A nimble solution for global HR and payroll challenges

Additionally, we'll share anecdotes from NGOs we've worked with through the years.

## OBSTACLES

# What's standing in your way

**There are two major hurdles NGOs typically face when hiring in foreign countries:**

1. You lack a legal entity in the country for hiring employees directly
2. You lack local HR resources and expertise to guide you through unfamiliar labor laws and customs

## No entity? That's a problem

In order to directly—and legally—hire employees for a project in a foreign country, you must have a registered business entity. Sounds simple enough, but establishing an entity in a foreign country is often a lengthy and costly process. Namely:

- Legal and tax advisory fees can run into the tens of thousands of dollars. This doesn't include local real estate, banking and resident director costs, which many countries require.
- The process of establishing an entity can take several months, a timeline that doesn't even include hiring and onboarding new employees (which is kind of the point!).

For NGOs whose limited budgets rely on government grants, philanthropic foundations and private donors—sound familiar?—time and money are often better spent on furthering the mission, not on administrative activities like entity establishment.

### 3 TYPES OF ENTITIES



#### REPRESENTATIVE OFFICE

A bare-bones entity used primarily for administrative operations; parent company assumes full liability



#### BRANCH OFFICE

An entity that's an extension of the parent company; unlike a representative office, it can be used for conducting business in a country, but it usually requires a citizen or permanent resident to complete the registration



#### SUBSIDIARY

Operates and conducts business in a country as a separate legal entity, shielding the parent company from legal liability; often requires an in-country representative for registration

## Local HR and payroll complexity

Beyond the structural considerations like entity establishment are the human resource challenges of hiring internationally. Even if your NGO has decided to invest in entity setup in a country, you still must contend with the logistics of bringing on new workers and making sure you employ them in accordance with the local labor laws and customs. But that's hard to do without in-country HR and payroll experts who ensure your organization remains compliant.

Of chief concern is contracts. Should you hire workers as independent contractors or full-time employees? On fixed-term or indefinite contracts? Here are some things to think about:

### Independent contractor vs. employee

Hiring independent contractors for NGO projects can be risky, because although they vary from country to country, the laws governing employee classification generally have strict parameters.

For instance, if your NGO hires someone as an independent contractor, but they meet any of the following criteria, the local government may view the worker as a full-time employee, putting you at risk of misclassification.

- The contractor is paid for time worked rather than per project
- The contractor uses your tools or resources to complete a job
- The contractor only provides services to your NGO and does so for an extended period
- You manage the day-to-day work of the contractor

If you hire someone as an employee, the criteria above are to be expected from your worker; additionally, you'll be responsible for withholding various taxes required by the local government and provide the worker with benefits, both government mandated and socially expected.



## Independent contractor trouble in Africa

One of our NGO clients, whose mission is to help provide access to potable water, sanitation and hygiene education programs in African countries, was relying on independent contractors for work in Burkina Faso and Zimbabwe.

The NGO didn't have local HR guidance or expertise, so it was unaware that the contractors' monthly salary, manager and director titles, as well as their roles executing on all the operational needs of the project, would be a problem.

The local governments caught wind of how the contractors were being used and determined that the NGO misclassified the workers—they should have been hired as full-time employees.

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**Because of the NGO's noncompliance, it was hit with back taxes and penalties totaling \$150,000. (A crushing blow when compared with the \$20,000 cost for the NGO to build a**



## **Fixed-term vs. indefinite contracts**

Another contract consideration is what type you should offer your workers.

A fixed-term contract, also referred to as a limited-term contract, usually falls within the one- to three-year range. This type of worker contract could be a good option for your NGO if you have a set start and finish date within a country. But because many governments have stipulations for how and when a fixed-term contract can be used, it could also put you at risk of noncompliance if you don't follow the nuanced requirements to a T. Be aware of:

- How long a contract can last and whether (or how many times) it can be renewed
- What types of roles your fixed-term worker can hold
- The applicable benefits your NGO must provide as part of a fixed-term contract

An indefinite contract is exactly that: a contract that doesn't have a defined end date. For NGOs with complex, ongoing missions in a country, hiring workers on indefinite contracts could offer the flexibility needed to complete projects. The rules for what must be included in an indefinite contract vary from country to country, but an indefinite contract generally spells out:

- Wages and benefits
- Leave policies
- Probation and disciplinary processes
- Dismissal and termination

## Additional HR requirements to consider

Ensuring compliant contracts is only part of what makes international hiring a challenge if you don't have local HR and payroll resources. Hiring in foreign countries also means you should be knowledgeable about local employment customs. Consider:

### **PAY RAISES**

In some countries, employee raises aren't just at the discretion of the employer; both unions and the government may define how often and by how much wages are to be increased. If you're planning on hiring workers in Brazil, Colombia, Greece, Malaysia or Turkey, for example, it's important to understand that there are pay raise mandates from either union agreements or the government.<sup>1</sup>

### **EXTRA PAY**

Many countries require a 13th-month installment, usually equivalent to a month's salary. It may be a one-time payment, a holiday bonus, or spread across the year in multiple payments. Some countries that require a 13th-month installment include Argentina, Brazil, Italy, India and the Philippines.<sup>2</sup>

### **GENDER EQUITY**

In some countries, there are laws governing pay equity among genders. Employers in France, for example, must report on pay gaps and actions taken to address them; they receive an "equal pay rating" that could result in a financial penalty if corrective measures aren't met.<sup>3</sup>

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<sup>1</sup>"Grasp Country Differences to Manage Global Pay," SHRM 2010

<sup>2</sup>"Grasp Country Differences to Manage Global Pay," SHRM 2010

<sup>3</sup>"Responses To Gender Pay Inequity: A Quick World Tour," Lexology 2019



## REPERCUSSIONS

# Why HR missteps can jeopardize your mission

Because advancing your mission depends on hiring the right people in a critical region or country, you likely can't afford to get HR or payroll wrong.

But employing workers in a country where you're unfamiliar with labor laws and customs (you may even have a language barrier), increases the likelihood of error. And when there's error, there are often penalties—if severe enough, they may require your organization to halt activities in the country, which could slow down the mission.

Here's just a sampling of the penalties for an HR or legal mistake that can put a dent on your budget and mission:



**\$37 million in back taxes.** That's how much Weight Watchers was ruled to pay the U.K. when it was found to have misclassified high-level employees.<sup>4</sup>

**3 years in prison and a €45,000 fine.** That's the criminal penalty for proven offenses of undeclared work in France.<sup>5</sup>

**13 years of back holiday pay.** That's what a contractor was deemed entitled to after a U.K. court ruled that he was indeed a worker and had a right to things like the national minimum wage and holiday pay.<sup>6</sup>

**Suspension of activities and deportation of personnel.** That's what can happen if the Chinese government deems your NGO is violating the PRC NGO Law, which defines how NGOs should be registered in the country.<sup>7</sup>

Although not all of these examples are specific to NGOs, the repercussions to violating employment laws—even inadvertently—are still applicable.

Remember the clean water NGO we told you about, that had to pay back taxes and penalties of \$150,000? Beyond the financial impact was a crushing blow to the mission: **The NGO had to temporarily shut down its projects in Africa while it raised funds to pay the back taxes and penalties.**

<sup>4</sup>"UK Misclassification Spat Costs Weight Watchers \$37M," Law360 Tax Authority

<sup>5</sup>"Worker Misclassification: An Innangard Report on Employee Status and Consequences of Worker Misclassification in Key Jurisdictions," International Employment Law Alliance 2016

<sup>6</sup>"Key Case: King v Sash Window Workshop Ltd - The Employment Law Implications," Bird & Bird, 2017

<sup>7</sup>"Management of Non-Registered NGOs in China," Lexology 2021





## Local HR expertise for global NGOs

Some NGOs we've helped through the years by providing local HR guidance and EOR services include:



# How to hire mission-critical workers worldwide, without risk

If there's an axiom NGOs are intimately familiar with, it's "there's a solution to every problem." After all, that's what NGOs do: work to solve our most pressing societal problems.

For the problem of hiring mission-critical workers in foreign countries where you don't have an entity or the local HR resources to ensure compliant employment, there is a solution:

## A global employer of record.

An employer of record (EOR), referred to by some providers as an international PEO, enables NGOs to hire international workers without having to take on the cost and risk of establishing an entity (that's because the EOR has already done that).

When you partner with an EOR, it hires workers on your behalf and assumes responsibility for complying with all employment and payroll requirements in the country. You, in turn, manage the employees' day-to-day work.

## Why you need local HR expertise

A key benefit for NGOs specifically is the local HR guidance that an employer of record provides. The EOR acts as an in-country extension of your HR team, so you don't have to spend precious budget on additional overhead but still get the benefits of the expertise. An in-country HR team is especially valuable when it comes to three main areas:

**Compliance.** The first is ensuring that your foreign workers are hired, onboarded and paid in accordance with all labor and tax laws in the country. Here are some questions you won't have to worry about because your in-country EOR team will handle:

- Do worker contracts correctly include everything that's required by the local authorities?
- What benefits are workers entitled
- Are the appropriate federal and/or province taxes withheld from workers' paychecks? In addition to income tax, taxes for social costs; entitlements like healthcare, pension, disability; and unemployment are often withheld.

**Contract flexibility.** Because the scope of an NGO's project in a country may evolve and extend timelines, an indefinite contract that allows you to keep workers as long as you need them is often the way to go. If there's a change in focus or a project ends early and you need to terminate workers, an EOR can ensure all contract terms not only protect your organization (and do right by the workers), but they also adhere to local termination requirements.

**Worker satisfaction.** Although NGOs' specific missions may vary, fairness is often at the heart of what you're trying to accomplish. And that likely extends to how you treat your workers. So in addition to serving the NGO with regulatory guidance, in-country HR partners also help ensure worker satisfaction by serving as a local face for the often foreign employers. The workers are assured there's someone protecting their interests, because the local HR teams know firsthand what fair hiring, salary and benefits should look like.

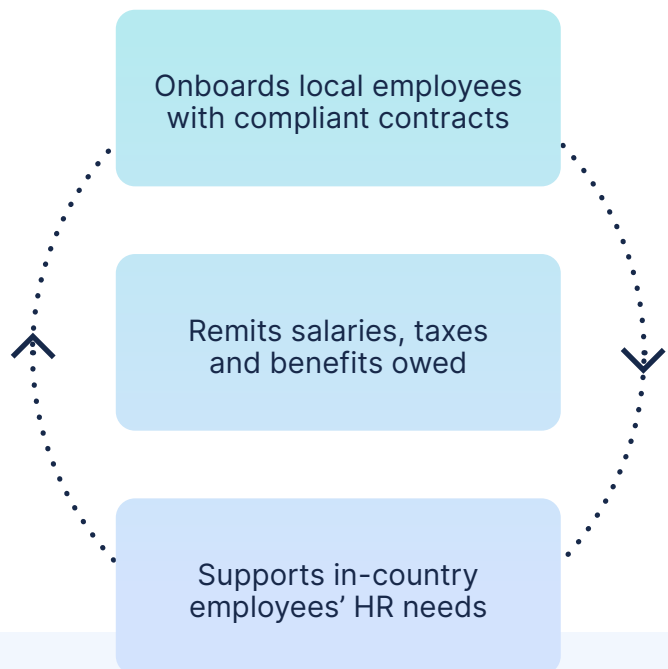
## Stability in unstable environments

Another way an employer of record can help NGOs fulfill their mission globally is by offering hiring stability in countries where there may be unstable or even volatile environments—think political turmoil, government resistance or other roadblocks to a particular initiative.

How so? The EOR already has an established presence in the country as both a legal entity and an employer. As the official hiring entity of the NGO workers, the EOR is on all official employment records. So as an NGO, even if you have to temporarily exit the country due to outside circumstances, you can rest assured that your mission can carry on because your workers can still be employed in the country.



### A GLOBAL EMPLOYER OF RECORD IN A NUTSHELL



## CONCLUSION

# The help you need to advance your mission around the world

As an NGO, you know that achieving your objectives in the communities you serve requires workers to carry the mission, often in foreign countries. For too long, hiring these workers was risky, since it required you to have an entity and in-country HR expertise.

**Think of our clean water NGO. It had neither, but hired workers anyway—and paid dearly.**

GEO, our [employer of record](#) solution, has been solving NGOs' biggest HR challenge—hiring overseas—for over a decade. As the first truly global EOR, we've seen all the ways an NGO's mission can be harmed due to noncompliant hiring.

Your mission is critical. And hiring the right people—in the right countries and in compliance with all employment laws—is critical to the mission. Our global solutions advisors can assess your hiring challenges and propose a solution that helps you advance your mission around the globe. [Contact us today to get started.](#)





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