
**The Roman Catholic Church of the Diocese of Phoenix
Human Resources Policies and Procedures**

Policy 2-7.1.5 Employment Classifications

The Diocese of Phoenix has various employment classifications that determine eligibility for certain benefits.

Procedures:

A. The following categories are used when determining eligibility for certain benefits:

1. Introductory Employees

All new regular full-time and part-time employees and/or those transferred or promoted to a new position within the Diocese of Phoenix have an introductory period of 180 calendar days (6 months). Extensions of one to three months may be granted if the employee's supervisor needs more time to evaluate the employee's performance.

The purpose of the introductory period is to assess the employee's performance and ability to carry out position requirements. It also enables both the employee and the supervisor to determine whether continued employment is desired.

2. Full-time Employees

Full-time employees are normally scheduled to work 35 to 40 hours per week, have satisfactorily completed the introductory period, and are eligible for all applicable employee benefits.

Teachers and administrators, although under an employment contract for a specific period of time, are considered to be regular full-time employees during the time they have a valid written contract with the school.

3. Regular Part-time Employees

Regular part-time employees are scheduled to work a minimum of 30 hours per week but fewer than 35 hours per week, and have satisfactorily completed the introductory period. Regular part-time employees are entitled to all applicable benefits. (Some part-time employees may have "Grandfathered" status.) Vacation and sick hours accrued or earned must be prorated based on the average hours the part-time employee works per day.

**The Roman Catholic Church of the Diocese of Phoenix
Human Resources Policies and Procedures**

4. Other Part-time Employees

Other part-time employees work fewer than 30 hours per week or do not work on a regular, ongoing basis and are eligible only for those benefits required by law and holidays observed by the employer. (See Lay Employee Benefits Policy for participation in Lay Employees' Retirement Plan and/or 401(k).)

5. Temporary Employees

Temporary employees are normally hired to work for a specific period to fill in for an absent employee, to perform a specific short-term task or project, or to assist in heavy workload situations.

Temporary employees are not eligible for benefits except as required by law, or holidays observed by the employer. If a temporary employee is contracted through a temporary agency, the agency bears full responsibility for all benefits, including those required by law.

6. Rehired Employees

Regular employees rehired fewer than 12 months after termination will be fully reinstated at original hire date as regular employees and are eligible for all applicable employee benefits without the requirement of the normal new-hire waiting period with the exception of vacation and sick leave. Regular employees rehired more than 12 months after employment termination are considered new employees and serve the usual introductory period.

7. Priests

Incardinated Priests of the Diocese of Phoenix

Under Federal law, diocesan priests are considered as self-employed for Social Security tax purposes and as employees for all other tax purposes.

Religious Order Priests serving the Diocese of Phoenix

Order priests are employees of their religious orders.

All priests are eligible for compensation and benefits in accordance with the Salary and Benefits Packages for Priests that is published annually.

8. Religious

Men and women religious are employees of their religious orders/congregations. Their orders/congregations are paid on the basis of the "lay equivalency" of the positions they fill unless special arrangements have been negotiated with the

**The Roman Catholic Church of the Diocese of Phoenix
Human Resources Policies and Procedures**

Bishop or Director of Religious. They are eligible for all Diocese of Phoenix employee benefits except the Lay Employees Retirement Plan.

Religious may be covered by their religious order's/congregation's health and dental benefits instead of the Diocese of Phoenix benefits. Such election becomes a matter of negotiation with the religious order/congregation.

9. Deacons

Under Federal Law, deacons are considered self-employed for Social Security tax purposes and as employees for all other tax purposes. Deacons are eligible for all applicable employee benefits.

10. Independent Contractors

An independent contractor is defined as a person doing work on an employer's premises but employed by a separate and independent firm: e.g., self employed persons, janitorial services, landscaping services, window washing, computer consultants, etc. An independent contractor is usually paid a flat fee for a job. Independent contractors do not qualify for benefits under the Diocese of Phoenix benefits program.

In general, the person is an independent contractor if...*	In general, the person is an employee if...
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| <ul style="list-style-type: none">• The employer controls merely the end result to be accomplished, not the means and methods of accomplishing it.• The employer does not furnish any tools or normal workplace to the person.• The person is available to perform similar services for the general public or others in the same business as the employer.• The person does not spend most or all of their time serving only one employer. | <ul style="list-style-type: none">• The employer has the right to direct and control the person's performance regarding the results and the means and details of obtaining the result.• The employer furnishes the person with tools or other equipment for doing the job.• The employer furnishes the person with a place where the person regularly and normally works.• The employer has the right to discharge the person. |
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* Source: IRS publication 15(a), *Employer's Supplemental Tax Guide; 2. Employee or Independent Contractor?*

**The Roman Catholic Church of the Diocese of Phoenix
Human Resources Policies and Procedures**

B. Exempt/Nonexempt Status Under The Fair Labor Standards Act

The Fair Labor Standards Act (FLSA) is a federal law that requires employees be paid at least minimum wage and overtime for hours worked over 40 per week. Some employees are “exempt” from (not covered by) the law, and do not have to be paid minimum wage or overtime if certain requirements are met.

Nonexempt employees include all employees who are entitled to premium pay for working more than 40 hours in a workweek. These employees include clerical, secretarial, maintenance, janitorial and all other workers who are not eligible for “exemption” in accordance with the FLSA rules.

Exempt employees include those employees in executive, administrative, professional, and some computer related positions. Exempt employees must be paid on a salary basis. The exemption status is based on the employee’s duties and responsibilities in accordance with federal and state laws.

For help in determining if an employee is exempt or nonexempt, refer to the following guidelines or consult the Diocese of Phoenix Human Resources Office.

1. Executive Exemption

To qualify for the executive employee exemption, **all** of the following tests must be met:

- The employee must be paid on a salary basis at a rate of at least \$455 per week. If the employee works part-time, they still must be paid at least \$455 per week to qualify as exempt;
- The employee’s primary duty must be managing the enterprise, or managing a customarily recognized department or subdivision of the enterprise;
- The employee must customarily and regularly direct the work of at least two other full-time employees or their equivalent; and
- The employee must have the authority to hire or fire other employees, or the employee’s recommendations as to the hiring, firing, advancement, promotion or any other change of status of other employees must be given a particular weight.

**The Roman Catholic Church of the Diocese of Phoenix
Human Resources Policies and Procedures**

2. Administrative Exemption

To qualify for the administrative employee exemption, **all** of the following tests must be met:

- The employee must be compensated on a salary basis of \$455 per week or more. If the employee works part-time, they still must be paid at least \$455 per week to qualify as exempt;
- The employee's primary duty must be office or non-manual work directly related to the management or general business operations of the employer or the employer's customers; and
- The employee's primary duty includes the exercise of discretion and independent judgment in significant matters.

3. Professional Exemption

There are two general types of exempt professional employees; Learned Professionals and Creative Professionals.

To qualify for the Learned Professional employee exemption, **all** of the following tests must be met:

- The employee must be paid on a salary basis at a rate of \$455 per week or more. If the employee works part-time, they still must be paid at least \$455 per week to qualify as exempt;
- The employee's primary duty must be work requiring advanced knowledge, which means it is predominately intellectual in character and requires the consistent exercise of discretion and judgment;
- The advanced knowledge must be in a field of science or learning; and
- The advanced knowledge must be customarily acquired by a prolonged course of specialized intellectual instruction.

To qualify for the Creative Professional employee exemption, both of the following tests must be met:

- The employee must be compensated on a salary basis at a rate of \$455 per week or more. If the employee works part-time, they still must be paid at least \$455 per week to qualify as exempt; and

**The Roman Catholic Church of the Diocese of Phoenix
Human Resources Policies and Procedures**

- The employee's primary duty must require invention, imagination, originality, or talent in a recognized field of artistic or creative endeavor.

4. Highly compensated employees

This subcategory consists of employees performing office or non-manual work who are paid total annual compensation of \$100,000 or more (which must include at least \$455 per week) if they customarily and regularly perform at least one of the duties of an exempt executive, administrative, or professional employee identified in the standard exemption tests.

5. Computer Employee Exemption

To qualify for a computer employee exemption, the following tests must be met:

- The employee must be compensated either on a salary basis of at least \$455 per week or, if paid on an hourly basis, at least \$27.63 an hour; and
- The employee must be employed as a computer systems analyst, computer programmer, software engineer or other similarly skilled worker in the computer field performing the duties described below:
 - o The application of systems analysis techniques and procedures, including consulting with users, to determine hardware, software or system functional specifications;
 - o The design, development, documentation, analysis, creation, testing or modification of computer systems or programs, including prototypes, based on and related to user or system design specifications;
 - o The design, documentation, testing, creation or modification of computer programs related to machine operating systems; or
 - o A combination of the above duties, the performance of which requires the same level of skills.

6. Outside Sales Exemption

To qualify for the outside sales employee exemption, all of the following tests must be met:

- The employee's primary duty must be making sales, or obtaining orders or contracts for services or for the use of facilities for which a consideration will be paid by the client or customer; and

The Roman Catholic Church of the Diocese of Phoenix
Human Resources Policies and Procedures

- The employee must be customarily and regularly engaged away from the employer's place or places of business.

C. Paying on a salary versus an hourly basis

To pay an employee on a salary basis means that the employee is paid the same pre-determined amount for each week the employee performs any work. This pay status is generally reserved for exempt employees. The theory behind this is that an exempt employee is paid for the job that must be done regardless of the number of hours required to complete the work, not for the number of hours worked.

Nonexempt employees may also be paid on a salary basis but must be paid overtime for any hours they work over 40 hours a week. Accurate records of actual hours worked must be kept. All nonexempt hourly and salaried employees must complete a weekly time record (time card) that must be signed by the employee and the employer. All overtime must be pre-approved by the employee's supervisor. There is an example of a time sheet that may be used for tracking hours of nonexempt employees in the appendix.

Overtime is paid at the rate of time and one-half the hourly rate. In the case of nonexempt salaried employees, the annual salary is converted to an hourly rate in order to pay the time and one-half rate required under the FLSA.

In the event an hourly or salaried nonexempt employee works more than 8 hours during a day of the current workweek, the payment of overtime can be avoided by having the employee work fewer hours on another day or days in the same work week. If the adjustment cannot be made in the same workweek, overtime must be paid. "Comp time" is not an option under the FLSA.

Approved by Bishop Thomas J. Olmsted on October 27, 2006