



CLIENT INFORMATION GUIDE

]Section: Human Resources

Topic: Employee Classifications

Employees are classified with standardized designations which define their status in terms which dictate how they are to be treated in regard to such matters as work schedule, pay schedule, eligibility for overtime pay, and eligibility for benefits. Employees may qualify to be described by more than one classification - for example, someone may be designated as a non-exempt, salaried, regular full-time employee. Employment classifications descriptions are briefly summarized below.

Exempt or Non-exempt

An employee is classified as either “exempt” or “non-exempt”, meaning that either they are exempted or not exempted from applicable federal and state wage and hour laws, as defined by the federal Fair Labor Standards Act (FLSA) of 1938 and as updated on April 23, 2004. These include minimum wage and overtime pay provisions.

This classification is based on the nature of the employee’s position and responsibilities, not on whether an individual is paid on an hourly or salaried basis. For example, a salaried employee may still be classified as non-exempt, and may, therefore, be entitled to overtime pay after working a certain number of hours in a week.

The exempt classification is restricted to employees in these general classes of workers; executives, professionals, administrative employees, outside salespeople and computer-related professionals. Generally, there are additional requirements that those in these positions spend a majority of their time in activities where they exercise independent judgment, have discretion in the performance of their duties, and, in cases other than outside sales, have a minimum salary of \$455 per week. In some cases it may be required that they direct the work of others.

Schedule-Related Categories

Employees are also classified according to one of the following schedule-related categories. These categories may be helpful in classifying those eligible for employee benefits.

Regular full-time employees are those who are not in a temporary job, have successfully completed their introductory period of employment, and are regularly scheduled to work 30 or more hours per week.

Regular part-time employees are those who are not in a temporary job, have successfully completed their introductory period of employment and are regularly scheduled to work less than 30 hours per week.

Temporary employees are hired as interim replacements, to supplement the regular workforce on a temporary basis, or to assist in the completion of a specific project. Assignments are for a limited time.

Seasonal employees are hired to work for a specified number of weeks or months each year. In a seasonal business, many of the same employees return to the company for successive years.

Benefits are generally available only to regular full-time employees and, less frequently, to regular part-time employees.



Pay-Related Categories

For payroll purposes, employees are also generally categorized as either salaried or hourly, depending on how their basic pay rates have been structured. As mentioned above, it is the employee's exempt or non-exempt status that determines eligibility for overtime pay, not the pay category.

If you have any question as to how to classify an employee or how to apply those classifications to such issues as FSLA provisions or benefits eligibility, you are encouraged to contact your Choice Service representative.