

NATIONAL MARINE FISHERIES SERVICE POLICY DIRECTIVE 30-126

January 27, 2006

Administration and Operations

CLASSIFICATION OF FISHERY OBSERVERS UNDER THE FAIR LABOR STANDARDS ACT

NOTICE: This publication is available at: <http://www.nmfs.noaa.gov/directives/>.

OPR: F/P (L.F.Cimo)

Certified by: F/P (M.Holliday)

Type of Issuance: Renewed Jan 2010

SUMMARY OF REVISIONS:

Introduction. Wages and benefits for fishery observers employed directly or under contract to NMFS are governed by several federal statutes and regulations. The compensation that fishery observers receive for working overtime (more than 40 hours in a workweek) is dependent upon the job classification of observers under the Fair Labor Standards Act (FLSA). The FLSA sets the minimum wage, benefits, and overtime compensation requirements for all U.S. employees. The Service Contract Act (SCA) implements the FLSA wage and benefit requirements for all federally-contracted employees and employees under a third-party contract that uses federal funds for wages or compensation.

The classification of observers has not been uniformly implemented in all regional observer programs, creating ambiguity over the required overtime compensation for observers. This directive establishes a policy to classify fishery observers employed directly or under contract to NMFS by applying governing statutes and regulations to current observer duties and qualifications.

Objective. The objective is to: (1) determine the proper classification for observers utilizing the FLSA and SCA as guidance, and (2) create a directive to implement NMFS' policy on the classification of observers under FLSA. The Policy Office assessed the relevant statutory and regulatory authorities governing observers, and applied this guidance to information on the duties and qualifications of observers in each regional program.¹

Authorities and Responsibilities. This directive establishes the following authorities and responsibilities:

Classification: Federal employees, federally-contracted observers, and observers hired under third-party contracts that use federal funds for wages or compensation shall be classified consistent with the requirements of the FLSA. Based on an evaluation of the current regional observer programs and the FLSA requirements, observers shall be classified as technicians.

Compensation: In accordance with a classification as technicians, observers shall be paid at 1.5 times their regular rate of pay for all work over 40 hours in a workweek.

Attachment 1

Fair Labor Standards Act of 1938 (FLSA), as amended, 29 U.S.C. §201, et seq.

Service Contract Act (SCA), as amended, 41 U.S.C. §351, et seq.

NMFS Policy Office (2005). *Observer Classification Assessment*. Silver Spring, MD.

¹ NMFS Policy Office (2005). *Observer Classification Assessment*. Silver Spring, MD.

OBSERVER CLASSIFICATION ASSESSMENT

The steps in making a determination of the appropriate observer classification under Fair Labor Standards Act (FLSA) were:

- (1) The duties and qualifications of observers in all regional observer programs were examined.
- (2) The duties and qualifications of observers were compared to the requirements for “technicians” and “professionals” set by:
 - the Office of Personnel Management (OPM), who has jurisdiction over federal employees;
 - FLSA, which governs all U.S. employees; and
 - the Service Contract Act (SCA), which sets forth requirements for contractors and subcontractors performing government work greater than \$2,500.
- (3) The North Pacific Groundfish Observer Program was evaluated specifically to assess if observers met the requirements for “professional” classification under FLSA.
- (4) Based on the assessment described above, an observer classification was made.

A detailed discussion of each step in the assessment is described below.

(1) Observer Duties and Qualifications

Information on observer duties and required qualifications from all NMFS observer programs was compiled, as shown below.

Duties: Observers in all regional observer programs collect, record, and review data. Additional responsibilities include conducting sampling and tagging, working independently to resolve sampling in hazardous conditions, and providing input to improve data sampling and collection (Appendix A: Observer Duties by Regional Program).

Qualifications: Generally, a bachelor’s degree in natural science is either required or preferred for observers. Some regional observer programs require 30 semester hours in biological science or in any combination of scientific or technical course, and some regional programs require additional undergraduate courses. Prior at-sea experience is required or preferred, and some regional observer programs have additional requirements (Appendix B: Observer Qualifications by Regional Program).

(2) Comparison of Observer Duties and Qualifications with Requirements for “Technician” and “Professional”

The duties and qualifications of observers were compared with the requirements for classification as “technician” and “professional” to assess the appropriate classification.

Technician

OPM Requirements for “Technician”: According to the OPM Classifier’s Handbook, technical work is normally managed by professional employees and involves the implementation of plans or projects based on extensive experience and supplemental on-the-job training. Technical work is performed typically in narrow or highly specialized areas of an overall occupation, and it requires a high degree of practical knowledge and skill. Experienced technicians often work with considerable independence (see OPM Classifier’s Handbook).¹

SCA Requirements for “Technician”: As defined in the SCA, a technician solves practical problems in the fields of specialization, such as applying scientific principles to research problems. A technician may perform technical procedures and related activities independently (see SCA Directory of Occupations).²

The duties and qualifications of observers require a high degree of practical knowledge and skill and independent performance of technical procedures and activities. Therefore, observers meet the requirements for technicians in the OPM Handbook and under the SCA.

Professional

OPM Requirements for “Professional”: According to the OPM Classifier’s Handbook, professional work requires the completion of a specified curriculum at a recognized college or university, the application of principles of theory, and evaluation of others’ research. Professional work assesses the need for changes in procedures, applies existing knowledge to new areas, adapts methods to deviant circumstances, and requires staying abreast of and evaluating analyses and proposals in professional literature (see OPM Classifier’s Handbook).³

FLSA Requirements for “Professional”:

The FLSA requires that most employees in the United States be paid at least the federal minimum wage for all hours worked and overtime pay at time and one-half the regular rate of pay for all hours worked over 40 hours in a workweek. However, Section 13(a)(1) of the FLSA provides four types of exemptions from both minimum wage and overtime pay for employees employed as *bona fide*: executive, administrative, professional, and outside sales employees. To qualify for exemption, employees generally must meet certain tests or factors regarding their job duties and be paid on a salary basis at not less than \$455 per week. Job titles do not determine

¹ U.S. Office of Personnel Management (2005). *The Classifier’s Handbook*. Retrieved September 2005 from <http://www.opm.gov/fedclass/clashnbk.pdf>

² U.S. Department of Labor (2005). 29000 Technical Occupations. In *Service Contract Act Directory of Occupations*. Retrieved October 2005 from <http://www.dol.gov/esa/regs/compliance/whd/wage/p29000.htm>

³ U.S. Office of Personnel Management, *supra* note 1.

exempt status. For an exemption to apply, an employee's specific job duties and salary must meet all the requirements of the Department's regulations (see FLSA Professional Exemption).⁴

LEARNED PROFESSIONAL EXEMPTION

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

- (1) The employee must be compensated on a salary or fee basis (as defined in the regulations) at a rate not less than \$455 per week;
- (2) The employee's primary duty must be the performance of work requiring advanced knowledge, defined as work which is predominantly intellectual in character and which includes work requiring the consistent exercise of discretion and judgment;
- (3) The advanced knowledge must be in a field of science or learning; and
- (4) The advanced knowledge must be customarily acquired by a prolonged course of specialized intellectual instruction.

Below is a detailed description of these requirements and an analysis of how they compare to observer duties and qualifications.

(1) Salary or Fee Basis

The employee must be compensated on a *salary or fee basis* (as defined in the regulations) at a rate not less than \$455 per week.

Salary basis: Being paid on a "salary basis" means an employee regularly receives a predetermined amount of compensation each pay period on a weekly, or less frequent, basis. The predetermined amount cannot be reduced because of variations in the quality or quantity of the employee's work. Subject to exceptions listed below, an exempt employee must receive the full salary for any week in which the employee performs any work, regardless of the number of days or hours worked. Exempt employees do not need to be paid for any workweek in which they perform no work. If the employer makes deductions from an employee's predetermined salary, i.e., because of the operating requirements of the business, that employee is not paid on a "salary basis." If the employee is ready, willing and able to work, deductions may not be made for time when work is not available (see FLSA Salary Basis Requirement).⁵

⁴ U.S. Department of Labor (2005). Fact Sheet #17D: Exemption for Professional Employees Under the Fair Labor Standards Act (FLSA). In *FairPay Fact Sheet by Exemption*. Retrieved October 2005 from http://www.dol.gov/esa/regs/compliance/whd/fairpay/fs17d_professional.htm

⁵ U.S. Department of Labor (2005). Fact Sheet #17G: Salary Basis Requirement and the Part 541 Exemptions Under the Fair Labor Standards Act (FLSA). In *FairPay Fact Sheet by Exemption Under the Fair Labor Standards Act*. Retrieved October 2005 from http://www.dol.gov/esa/regs/compliance/whd/fairpay/fs17g_salary.htm

Fee basis: If the employee is paid an agreed sum for a single job, regardless of the time required for its completion, the employee will be considered to be paid on a “fee basis.” A fee payment is generally paid for a unique job, rather than for a series of jobs repeated a number of times and for which identical payments repeatedly are made. To determine whether the fee payment meets the minimum salary level requirement, the test is to consider the time worked on the job and determine whether the payment is at a rate that would amount to at least \$455 per week if the employee worked 40 hours. For example, an artist paid \$250 for a picture that took 20 hours to complete meets the minimum salary requirement since the rate would yield \$500 if 40 hours were worked (see FLSA Salary Basis Requirement).⁶

Observers are paid at an hourly or daily rate for the hours worked. Therefore, they are not paid on a salary basis. Observers are not paid a fee per job, so they are not paid on a fee basis. Therefore, observers do not meet this requirement.

(2) Work Requiring Advanced Knowledge

The employee’s primary duty must be the performance of work requiring *advanced knowledge*, defined as work which is predominantly intellectual in character and which includes work requiring the consistent exercise of discretion and judgment. Professional work is distinguished from work involving routine mental, manual, mechanical or physical work. A professional employee generally uses the advanced knowledge to analyze, interpret or make deductions from varying facts or circumstances. Advanced knowledge cannot be attained at the high school level (see FLSA Professional Exemption).⁷

Some duties of observers meet the criteria above. The duties include working to resolve potential regulatory violations and working independently to resolve complex sampling challenges in hazardous environments [Note the hazardous environment is irrelevant for purposes of the “requiring advanced knowledge” criterion but may be relevant in determining hazardous duty pay premiums].

The majority of observer responsibilities, which include ensuring compliance with individual vessel fishing plans, data collection, recording observations, conducting briefings, data transmission, collecting samples, independently reviewing and evaluating completed logs/data, are all primarily routine mental and physical tasks that do not require analysis, interpretation, or deductions (Appendix A: Observer Duties by Regional Program).

Thus while some duties support this criterion, the majority of duties do not. Therefore, observers do not meet this requirement of work requiring advanced knowledge.

NOTE on Management Exemption to FLSA: In at least three observer programs, a sub-set of observers guide and oversee work of junior observers (or serve as lead observers in some deployments). A case might be developed for the sub-set of supervisory observers to be classified as professional on the basis of the separate management exemption (note that the salary criterion still applies). To be considered a supervisory position, however, an employee’s

⁶ *Id.*

⁷ U.S. Department of Labor, *supra* note 4.

primary or most important duty must be management. For example, the employee must customarily and regularly direct the work of at least two or more other full-time employees and have authority to hire or fire other employees (see FLSA Executive Exemption for more details).⁸ For a Federal employee to be considered a supervisor, the criteria are even more exact: their management duties must comprise 80 percent or more of the time of the employee and meet other specific tests. Performing these duties and responsibilities less than 80 percent of the time indicates a team leader-type position (see 5 CFR §551.205 for details).

(3) Field of Science or Learning

The advanced knowledge used by professionals must be in a *field of science or learning*. These include law, medicine, theology, accounting, actuarial computation, engineering, architecture, teaching, various types of physical, chemical and biological sciences, pharmacy and other occupations that have a recognized professional status and are distinguishable from the mechanical arts or skilled trades where the knowledge could be of a fairly advanced type, but is not in a field of science or learning (see FLSA Professional Exemption).⁹

Most observers are required to have a bachelor's degree in natural science. This could include a degree in biology, marine science, or other related fields. Other observer programs do not require a bachelor's degree in a natural science, but instead they require three years of study in biological sciences. Some observers are required to have taken undergraduate courses in biological sciences, math, statistics, or computer science (Appendix B: Observer Qualifications by Regional Program). Those observer programs that require a bachelor's degree in natural science would meet the requirement; those that require 3 years of study in biological sciences may meet this requirement if they led to an associates degree or certificate as further described below. However, programs that require an unspecified number of undergraduate courses in biological sciences, math, statistics, or computer science would not meet this requirement.

(4) Prolonged Course of Specialized Intellectual Construction

The advanced knowledge described in factor (3) must be customarily acquired by a *prolonged course of specialized intellectual instruction*. According to the Department of Labor, learning acquired by a prolonged course of specialized intellectual construction is restricted to professions where specialized academic training is a standard prerequisite for entrance into the profession. The best evidence of meeting this requirement is having the appropriate academic degree. The exemption may be available to employees in such professions who have substantially the same knowledge level and perform substantially the same work as the degreed employees, but who attained the advanced knowledge through a combination of work experience and intellectual instruction. This exemption does not apply to occupations in which most employees acquire their skill by experience rather than by advanced specialized intellectual instruction (see FLSA Professional Exemption).¹⁰

⁸ U.S. Department of Labor (2005). Fact Sheet #17B: Exemption for Executive Employees Under the Fair Labor Standards Act (FLSA). In *FairPay Fact Sheet by Exemption Under the Fair Labor Standards Act (FLSA)*. Retrieved October 2005 from http://umet-vets.dol.gov/esa/regs/compliance/whd/fairpay/fs17b_executive.htm

⁹ U.S. Department of Labor, *supra* note 4.

¹⁰ *Id.*

In evaluating the educational requirements and training that is necessary for observers, there is no specialized intellectual training specific for the fishery observer profession (e.g., no national certification or formalized degree program for fisheries observers). As stated above, many observers are required to have a bachelor's degree in some natural science. Thus, on the one hand, the fact that there is no consistency in the educational requirements for observers supports a conclusion that observers do not meet this requirement. On the other hand, observer programs that require a bachelor's degree and/or a specified curriculum of courses in biological science could meet this requirement.

Summary: All four factors must be met to qualify for an FLSA professional exemption. Factors (1) and (2) are not currently met by any program; factor (3) is met by many programs, and factor (4) is met by some programs. No program currently meets all four factors required by statute.

(3) Evaluation of North Pacific Groundfish Observer Program Information on FLSA Classification

The North Pacific Groundfish Observer Program (NPGOP) is unique among observer program service delivery models because the industry pays for and carries observers hired by a third-party contractor. Changes in the service delivery model and changes in the scope of the program are under discussion. Therefore, the details of how the North Pacific Groundfish Observer Program meets or doesn't meet the FLSA requirements for a professional exemption are described below using the same factors described in Section (2).

(1) Salary or Fee Basis

The employee must be compensated on a salary or fee basis (as defined in the regulations) at a rate not less than \$455 per week.

Salary Basis Requirement: NPGOP observers are paid a predetermined amount on an hourly or daily basis. However, they are only paid for the time they work; they are not paid when work is not available. Therefore, they do not meet this requirement. Observers in the NPGOP could meet this requirement if they were paid a salary instead of at an hourly or daily rate.

Fee Basis: NPGOP observers are not paid a fee per job (e.g. a fixed fee paid per fishing trip regardless of trip duration or hours worked), so they are not paid on a fee basis. Therefore, observers do not meet this requirement. Observers in the NPGOP could potentially meet this requirement if they were paid a fee per trip.

(2) Work Requiring Advanced Knowledge

Some responsibilities of NPGOP observers meet these criteria, such as working to resolve potential regulatory violations and working independently to resolve complex sampling challenges in hazardous environments.

The majority of observer responsibilities, which include ensuring compliance with individual vessel fishing plans, data collection, recording observations, briefings, data transmission, collecting samples, independently reviewing and evaluating completed logs/data (QA/QC), are primarily routine mental and physical tasks that do not require analysis, interpretation, or deductions (Appendix A: Observer Duties by Regional Program). Their work duties and responsibilities are strictly governed by a 500-plus page observer handbook on process and procedures. Therefore, observers in the NPGOP do not meet this requirement. Observers could approach this requirement if their principal responsibilities were analyzing and interpreting the data and using the resultant information for making management or policy decisions or determinations rather than data collection and observation.

NOTE on Management Exemption to FLSA: In NPGOP, a sub-set of observers guide and oversee work of junior observers (or serve as lead observers in some deployments). A case might be developed for the sub-set of supervisory observers to be classified as FLSA-exempt on the basis of the separate management exemption (note that the salary criterion still applies). To be considered a supervisory position, however, an employee's primary or most important duty must be management. For example, the employee must customarily and regularly direct the work of at least two or more other full-time employees and have authority to hire or fire other employees (see FLSA Executive Exemption for more details).¹¹ For a Federal employee to be considered a supervisor, the criteria are even more exact: their management duties must comprise 80 percent or more of the time of the employee and meet other specific tests. Performing these duties and responsibilities less than 80 percent of the time indicates a team leader-type position that would not be FLSA-exempt (see 5 CFR §551.205 for details).

(3) Field of Science or Learning

The advanced knowledge must be in a *field of science or learning*. Fields of science or learning include law, medicine, theology, accounting, actuarial computation, engineering, architecture, teaching, various types of physical, chemical and biological sciences, pharmacy and other occupations that have a recognized professional status and are distinguishable from the mechanical arts or skilled trades where the knowledge could be of a fairly advanced type, but is not in a field of science or learning.

NPGOP observers working in this program are required to have bachelor's degree in natural science. This could be a degree in biology, marine science, or other related fields. They are also required to have taken undergraduate courses in biological sciences, math, and statistics (Appendix B: Observer Qualifications by Regional Program). Based on these qualifications, observers in this program do meet this requirement.

(4) Prolonged Course of Specialized Intellectual Instruction

The advanced knowledge must be customarily acquired by a prolonged course of specialized intellectual instruction. According to the Department of Labor, learning acquired by a prolonged course of specialized intellectual construction is restricted to professions where specialized

¹¹ U.S. Department of Labor, *supra* note 8.

academic training is a standard prerequisite for entrance into the profession. The best evidence of meeting this requirement is having the appropriate academic degree.

Observers in the NPGOP are required to have a bachelor's degree in some natural science, as well as take undergraduate courses in biological sciences, math, and statistics (Appendix B: Observer Qualifications by Regional Program). Based on these qualifications, observers in this program do meet this requirement.

Summary: NPGOP observers are required to have a science degree and specialized intellectual instruction (factors 3 and 4). However, they fail to meet factor (2) because of the nature of the duties they perform under factor 2 (chiefly routine mental, manual, mechanical or physical work, not requiring the application of the advanced knowledge to analyze, interpret or make deductions. They also fail to meet factor (1).

(4) Observer Classification

All four FLSA requirements have to be met to be classified as a "professional" and thus be exempt from FLSA requirements. Observers in none of the regional observer programs meet all the requirements. They cannot be classified as "professional" under FLSA. Therefore, they are non-exempt and must be classified as "technicians."

