NATIONAL CATHOLIC REPORTER
Published on *National Catholic Reporter* (http://ncronline.org)

# Fired! Do church employees get unemployment benefits?

Tom Gallagher | Jun. 19, 2009

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**Mission Management**

Unemployment is difficult. For many, it's downright tragic. But at least when the hammer falls there's the guarantee of a half year's worth of benefits through the government's unemployment compensation system.

Unless you work for the church. Churches and religious organizations are exempt from paying unemployment taxes, which fund the system.

During another brutal economic environment ? the Great Depression ? Congress enacted the Federal Unemployment Tax Act in 1935. The act called for a cooperative federal-state program of benefits to unemployed workers. It is financed by a federal excise tax on wages paid by employers in "covered employment," explains attorney and certified public accountant Richard Hammar, in an article titled "The Church as Employer: Unemployment Taxes" (Church Law & Tax Report).

The federal act was amended in 1970 "to exempt service performed in the employ of a church ? or an organization which is operated primarily for religious purposes and which is operated, supervised, controlled or principally supported by a church," says Hammar.

All 50 states have employment laws implementing the federal mandatory minimum standards of coverage. States are free to expand their coverage beyond the federal minimum. Nearly every state unemployment tax law exempts churches by excluding "services performed in the employ of a church" from the definition of employment, according to Hammar.

Unless a church voluntarily establishes its own policy to pay unemployment taxes, former employees can be terminated and receive no unemployment benefits.

With the shuttering of Catholic parishes and schools and dioceses downsizing in many parts of the country, church employees need to know whether or not they have unemployment benefits.

Mary Jo Moran, executive director of the Cincinnati-based National Association of Church Personnel

Administrators, undertook in March a survey of diocesan human resource professionals on the question of unemployment benefits. Forty-five responded as follows:

- 13 dioceses participate in state unemployment programs;
- 12 dioceses participate in state programs on a reimbursement basis;
- 20 do not participate in any state unemployment program.

"A few dioceses offer severance packages to former employees in lieu of unemployment benefits," said Moran. She estimates that only about 100 of the 195 dioceses in the U.S. have a full-time human resource professional.

"The church's own standard is for every 100 employees, there should be one full-time human resource professional," says Moran.

"Since churches are exempt, the issue does not come up very often. It's up to the bishop's policy," said Les Maiman, a former chancellor and finance officer and now executive director of the Texas-based Diocesan Fiscal Management Conference.

The Richmond, Va., diocese willingly pays unemployment benefits. Though exempt, it established an agreement with the Commonwealth of Virginia to pay unemployment claims for former church employees. "It was a matter of justice," said John Barrett, the Richmond diocese's chief financial officer. The diocese has 153 parishes, 25 schools and 2,500 employees.

In a recent UPI story, Coleman Walsh, chief administrative law judge with the Virginia state employment commission, said most people he has spoken to were unaware that faith-based groups are exempt from unemployment taxes.

In 1981, then Bishop Walter Sullivan and Richmond's diocesan finance council decided to place its employees on a pay scale similar to other not-for-profit organizations in the region. As part of that process, the diocese decided that "the right thing to do was provide unemployment insurance benefits for our employees," Barrett explained.

Virginia views the Richmond diocese as a self-insured employer. If an employee is terminated and files a claim for insurance and it's accepted, the state pays the claim and bills the diocese. The diocese pays the state and then bills the parish or school, the actual church employer within the diocese, for reimbursement.

Barrett points out, "The unemployment benefits policy actually changed the diocesan management culture."

Pastors, principals and church managers began to quickly realize that firing an employee and simultaneously hiring a new employee could really hurt their budgets because they would be paying the new person's salary, plus the unemployment compensation for the former employee's claim. "It was a wake-up call," says Barrett.

No longer is firing an employee done casually. "Today no one gets fired without first going through the diocesan Human Resources office, which was created in 1985," Barrett says.

In fact, the diocese's current new-hire policy provides that an employee has a 180-day orientation period during which time an employee may be terminated. After this period, an employee can only be fired for cause.

The Richmond diocese goes further. A 20-hour per week, part-time employee in the Richmond diocese receives benefits and a 30-hour per week, part-time employee receives health benefits.

Says Moran, "There's an art and a science to the human resources function. The art component is critical. The church should represent the best practice for all corporations in America, but we're just not there yet."

For more information on unemployment compensation policies, contact Moran at www.nacpa.org.

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**Source URL (retrieved on *12/12/2013 - 23:46*):** http://ncronline.org/news/faith-parish/fired-do-church-employees-get-unemployment-benefits