

HR Insights



Are You Ready for the FLSA Changes?

The Department of Labor (DOL) issued new overtime pay rules that have a significant financial impact on some businesses such as nonprofits, healthcare, retail, and hospitality businesses. The new rules are effective December 1. If your organization has not yet evaluated the impact of these new rules, you best get on it!

Under the Fair Labor Standards Act (FLSA), most employees must be paid wages plus overtime at one and one-half times their regular rate of pay for all hours worked over 40 in a workweek. However, employees in jobs meeting the FLSA “white collar exemptions” are exempt from having to be paid overtime. One of the requirements for exemption is that an employee be paid a weekly salary that meets the minimum salary threshold. The current threshold is \$455/week (\$23,660/year). The new threshold is \$913/week (\$47,476/year), representing an increase in the threshold of over 100 percent. The new threshold will increase every three years starting January 1, 2020.

Here are some tips for getting ready:

1. Identify and create a list of all salaried employees paid less than the new minimum salary required.
2. Add to the list all salaried employees paid over the threshold who have the same job title as those on the list.
3. Compare the cost of increasing salaries to the new minimum salary threshold to the cost of

- reclassifying the individuals and paying overtime.
4. Analyze the impact on other positions in your organization. For example, will increasing salaries or paying overtime result in paying more than what employees at higher levels in the organization are currently paid? How will increases or overtime affect the next level up in your organization?
5. If the impact is significant, consider options for mitigating the impact. Options to consider include restructuring jobs so that higher level tasks are moved to exempt/salaried positions and lower level tasks pushed to lower paid positions. Another option might be to continue to pay reclassified jobs on a salaried plus overtime basis.
6. Determine whether changes will necessitate system and/or process changes. For example, will you need to add more software licenses for tracking overtime.
7. Develop a communication plan and training for managers and employees impacted by the changes. For example, if reclassifying employees, they must report all hours worked and they may need training on how to report time as well as policies regarding overtime.

Regarding training, it will be important if reclassifying employees that they be informed that they must report all hours worked. This includes time spent on checking emails or answering a call from the boss or a customer off normal work hours. Many salaried employees who currently routinely check emails and the like during off hours will no longer be able to do this unless they are paid for the time. This may cause some employees to be concerned about whether they can fully perform their job, which should also be addressed in communications.

If you need support in preparing for the FLSA changes, please contact Pamela Sande at Pamela Sande & Associates, 774-205-4018. Also, visit our website at www.psandeassociates.com for more information.