

Dealing With New FLSA Rule Raising Minimum Salary Overtime Exemption

As a result of changes to regulations that define which white collar workers are exempt from the overtime provisions of the Fair Labor Standards Act (FLSA), millions of workers will lose their current FLSA-exempt status on Dec. 1, 2016, **reports Ropes & Gray LLP.**

“The hardest hit industries are likely to be education, retail, health services, leisure/hospitality, and business and professional services. Before the Final Rule goes into effect, employers should assess which employees will be affected, and how the employer will want to respond. One approach would be to raise the salaries/compensation of these employees to meet the new salary/compensation thresholds,” the firm writes. “Following this path may impose not only direct costs, but also indirect costs by creating pressure to raise salaries for other employees higher up on the organizational chart, or causing disgruntlement for those employees if the salary differential is compressed.”

Or, a company could reclassify these employees as nonexempt and pay them overtime in accordance with the FLSA. With this approach, employers could limit hours of nonexempt employees to 40 per week or reduce the employees’ hourly rate in light of their expected future overtime earnings, according to the firm’s alert.

Read the article.