NEW DOL OVERTIME RULES —
WHAT THE NEW RULES MEAN FOR YOUR SMALL BUSINESS

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COSE WebEd Series
NEW OVERTIME RULES

The U.S. Department of Labor has changed the rules for overtime
NEW OVERTIME RULES

Why should you care?
• Expense
• Morale
LEGISLATIVE AND REGULATORY BACKGROUND

Fair Labor Standards Act of 1938

• Overtime penalty is an additional 50%
LEGISLATIVE AND REGULATORY BACKGROUND

Exemptions:
  • Seasonal employees
  • Outside commissioned sales personnel
  • Certain salaried employees
LEGISLATIVE AND REGULATORY BACKGROUND

“Duties” test:
• Administrative;
• Executive; or
• Professional

For more information see DOL FactSheet #17A =>
https://www.dol.gov/whd/overtime/fs17a_overview.htm
LEGISLATIVE AND REGULATORY BACKGROUND

Salary test:
• On “salary”; and
• The salary has to be “enough”
LEGISLATIVE AND REGULATORY BACKGROUND

What is enough?

Current Level:
$445.00/week ($23,660/year)
NEW OVERTIME RULE

New Rule:
$913.00/week ($47,476/year)
South (lowest paid region)
40\textsuperscript{th} percentile
OTHER CHANGES

• Increase high salary test to $134,004
• Adjust amounts every three (3) years automatically (without any rulemaking)
• Allows for quarterly supplementation of pay to reach exemption minimums
NEW OVERTIME RULE

When?

Effective Date:
December 1, 2016
EMPLOYER RESPONSES

Impacts of change in status:

• Exempt status to non-exempt status
• Enhanced recordkeeping
• Control over hours
• Arrival and departure
• Employee programs and benefits
EMPLOYER RESPONSES

For salaried employees earning under $47,476.00

What to do?

- Increase pay to new minimum (must also meet the duties test qualifications)
- Change employees to non-exempt status
EMPLOYER RESPONSES, CONT.

What to do, cont.?

• Communicate to managers, employees involved in the change and other employees.

• Start tracking their hours worked to determine how many hours are they working over 40 per week.

• Review job descriptions

• Review handbook and policies
EMPLOYER RESPONSE, CONT.

What to do, cont.?

• Review bonus, profit sharing, etc. structures
• Communicate changes to 401k partner, insurance providers to determine if these employees will be impacted in any way
• Communicate changes to payroll provider
• Create Overtime Approval Policy
• Create Overtime Violation Policy
EMPLOYER RESPONSES

Options to ease your pain:

• Find a new exemption category
• Calculate hourly rate to take account of overtime
• Use quarterly adjustment opportunity
• Put benefit costs into salary
EMPLOYER RESPONSES

Legal and human resources work together:

• Determine where on the salary spectrum employees fit and their interrelationships
• Develop a plan on destination and transition
• Use HR and legal resources to communicate the reasons and the process
CONTACT INFORMATION

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