

THE DOL ANNOUNCES FINAL RULE EXPANDING EMPLOYEES COVERED BY FLSA'S OVERTIME PROTECTIONS

On September 24, 2019, the U.S. Department of Labor (DOL) announced its Final Rule that will substantially reduce the number of executive, administrative and professional employees (white collar employees) who are currently exempt from the Fair Labor Standards Act's overtime protections by increasing the minimum salary threshold at which workers become exempt.

Under the current rule, any salaried employee paid more than \$455 per week (the equivalent of \$23,660 per year) meets the threshold salary level for the executive, administrative and professional exemptions ("white collar exemptions") to minimum wage and overtime requirements of the Fair Labor Standards Act. This Final Rule increases the threshold salary level for exemptions to \$684 per week (the equivalent of \$35,568 per year) beginning January 1, 2020. The DOL estimates that nearly one million workers who are currently exempt will become subject to minimum wage and overtime requirements in the Rule's first year. For many employers this will mean a substantial increase in payroll costs and impose new timekeeping requirements for employees who were previously exempt.

This Rule also raises the total annual compensation requirement for highly compensated employees who are exempt from overtime compensation from the current \$100,000 per year to \$107,432 per year.

WHAT SHOULD YOU DO NOW?

Employers need to analyze whether their currently exempt white collar employees will meet the new requirements and determine how they will respond to this Rule. Employers have various options, such as: (1) increasing salaries of those properly classified as white collar employees to meet the new salary level; (2) simply paying more overtime; (3) limiting overtime hours; or (4) reducing base salary to compensate for overtime hours while still paying the hourly minimum wage.

If you have any questions about the proposed rule, or how it may affect your business, please contact a Bell Nunnally attorney in our Labor & Employment Practice Group.

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