

Human Resources Corner



Department of Labor announces new overtime rule salary thresholds

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The U.S. Department of Labor (DOL) announced an update to the Fair Labor Standards Act (FLSA) overtime rule on April 23, 2024. It is expected to extend mandatory overtime pay to approximately four million salaried workers.

The new overtime threshold increases from \$35,568 to \$43,888 (annually) on July 1, 2024, and increases again to \$58,656 (annually) as of January 1, 2025. Unless exempt, employees covered by the Fair Labor Standards Act (FLSA) must receive at least time and one-half their regular pay rate for all hours worked over 40 in a workweek if their salaries are below these thresholds.

Starting July 1, 2027, the DOL also will automatically increase the overtime threshold every three years.

What does the new overtime rule mean for employers?

Employers must decide whether to raise the salary of employees who earn below the new overtime threshold so they remain exempt from overtime pay. Employers that choose not to raise these employees' salaries should be prepared to pay overtime when they work more than 40 hours in a workweek.

Additionally, schedules for employees whose salaries are not raised above the new threshold may need adjusting to limit overtime costs.

Careful communication should be rolled out to explain why employees formerly categorized as exempt are now nonexempt.

As one can imagine, when the DOL attempted unsuccessfully to increase salary thresholds in 2016, these increases and time-frame are now being challenged by a number of businesses with a likelihood of lawsuits.

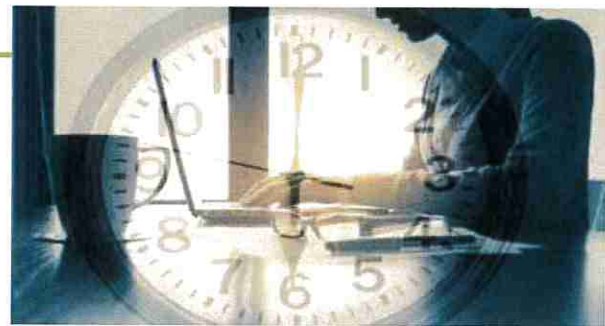
Don't wait! – Employers should not sit back and wait to see what litigation may bring.

They should be prepared for the first salary threshold increase on July 1 as that increase simply adjusts for inflation. However, employers might want to wait and see over the next few months whether the second, much larger increase planned for January 1, 2025, is likely to occur.



The DOL is conducting webinars on the new overtime rule.

For more information or to register visit www.dol.gov.



How to prepare for the new overtime rule

To meet the January 1, 2025 deadline for the new federal overtime rule, employers must lay the groundwork now.

1. Identify currently exempt employees who earn less than the new annual threshold of \$43,888 effective July 1 and those who earn less than the annual threshold of \$58,656 (which will be effective on January 1, 2025).
2. Estimate how much overtime those employees currently work.
3. Analyze your budget to help assess your compensation options.
4. Review job descriptions for exempt positions to verify that the duties are accurately listed.
5. Ensure that employees in the same roles aren't classified differently, because that could prompt discrimination claims.
6. Develop a communications plan for those moving from exempt to nonexempt status to minimize negative impact on morale.
7. Consider placing restrictions on overtime and explore new ways to track nonexempt worker's hours.
8. Determine whether changes are needed in other policies such as remote work and mobile device usage to curtail overtime and working off-the-clock.