

FLSA Overtime Rule Changes

On May 18, 2016, the DOL issued final rules under the Fair Labor Standards Act (FLSA) that will increase the exempt thresholds for overtime pay effective December 1, 2016. These changes will present challenges to employers, but Extensis can help you ensure that you are compliant.

WHAT IS CHANGING?

The primary change is to the salary-level test which has new thresholds for overtime pay.

- **Regular employee:** minimum salary requirement increasing from \$23,660 to \$47,476 annually (or \$913/week).
- **Highly compensated employee:** minimum salary requirement increasing from \$100,000 to \$134,004 annually.
- Automatic updates commence every three years beginning January 1, 2020.

EMPLOYER OBLIGATIONS:

ASSESS AND CONDUCT RECLASSIFICATIONS:

1. Identify employees who need to be reclassified; check salaries and conduct job duty review.
2. Develop new compensation plan for reclassified employees.
3. Review wage-hour policies and processes.
4. Communicate changes to employees and management.
5. Train reclassified employees and their managers.
6. Get it all done by December 1 to avoid penalties and litigation.

COST OF NON-COMPLIANCE AND MISCLASSIFICATION:

The cost of misclassifying employees can be significant.

- Employees that are misclassified as exempt are entitled to back overtime pay.
- The employer may be subject to fines and damages.
- If an employee is classified incorrectly, a record of their hours worked is required by the court.
- There could be up to a three-year look back period.
- Failure to present timesheets may result in the court granting the employee's estimates.
- Civil penalties up to \$1,100 per person.
- Plaintiff's attorney's fees and costs.
- Employer's defense fees and costs.

EXTENSIS SOLUTION:

Extensis can help you get compliant and stay compliant. During our analysis we will:

Assist policy creation/modification:

- Compensatory time
- Travel time
- PTO
- Remote/work from home

Provide communications:

- What's changing
- How it affects employees
- Systems training
- Policy modifications

Discuss compliance strategies:

- Review DOL exemption documents
- Review and create job descriptions
- Discuss time keeping automation
- Provide sample timesheets and scheduling documents

Analyze and assess your current situation:

- Review salary thresholds of affected employees
- Review duties test for those roles



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