

NEW OVERTIME PAY RULES – THINGS TO THINK ABOUT

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The Department of Labor just finalized new overtime rules which raise the exempt (salaried) employee wage threshold from \$23,660 per year to \$47,476. Effective December 1, 2016, over 4 million workers will be impacted during the first year of implementation. Under the new rules, a worker with annual wages less than \$47,476 will be eligible for overtime pay if they work more than 40 hours a week, regardless of their job title or description.

The effect of this new law on employers and employees is debatable but here are a few that should be considered:

1. For salaried employees currently making close to the \$47,476, employers may simply give those employees a raise to exceed the threshold.
2. Employees currently classified as non-exempt under the new rules may not receive the same benefits as an exempt employee such as bonuses or profit-sharing.
3. Employers may start shifting hours from full time employees that are working overtime to part time employees in order to prevent paying overtime rates.
4. Employees may see their employers cut their pay rates in order to compensate for the overtime rates. This could lead to employee retention problems.
5. Employers should take steps now to ensure they know how many hours their salaried employees earning less than \$47,476 are actually working. It is much better to know the situation before the new rules take effect so that appropriate responses can be developed.

In conclusion, start planning now to mitigate any negative impact on your business.