

Outsourcing Alert: New Fair Labor Standards Act overtime exemption rules

On May 18, 2016, President Obama and Secretary of Labor announced the publication of the Department of Labor's final rule updating the overtime regulations, which will automatically extend overtime pay protections to over 4 million workers within the first year of implementation.

New Fair Labor Standards Act overtime exemption rules

- Sets the standard salary level at the 40th percentile of earnings of full-time salaried workers in the lowest-wage Census Region, currently the South (\$913 per week; \$47,476 annually for a full-year worker
- Sets the total annual compensation requirement for highly compensated employees (HCE) subject to a minimal duties test to the annual equivalent of the 90th percentile of full-time salaried workers nationally, or from the current \$100,000 to \$134,004 a year.
- The Department of Labor will increase the salary threshold every three years, beginning January 1, 2020. Based on current projections, the salary threshold is estimated to be \$51,168 and the HCE threshold is estimated to be \$147,524 in 2020.

Considering the significant impact of this new regulation, employers must set a plan to meet the coming changes. It is time to examine the payroll records to determine which employees are currently treated as exempt and which, if

any, would not meet the new salary threshold.

After this review, salaries increases, re-classification of employees to non-exempt, monitoring overtime and tracking of worked hours, are some of the elements to be taken into consideration.

Employers must evaluate the impact these possible salary increases may cause and be prepared for adjustments in pricing of goods or services, or other financial adjustments deemed necessary to accommodate these changes.

These changes are effective December 1, 2016, and applicability to Puerto Rico could change depending on current developments in legislation the US Congress is working on which will impact Puerto Rico's government debt. The latest version of the project dated May 18, 2016 excludes Puerto Rico.

Link-US Department of Labor – Wage & Hour Division

<https://www.dol.gov/whd/overtime/final2016/>

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