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**Big Changes in Overtime Rules Effective December 1st**

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As a small business owner myself, I know how laws and regulations can affect small businesses. Effective December 1, 2016, the new overtime rules announced by the Department of Labor (“DOL”) will impact thousands of businesses and their employees. All small business owners will need to quickly adapt to these new rules.

The DOL rules determine which employees are exempt from overtime - those who do not have to receive overtime pay. If the employee is “non-exempt”, they are owed overtime pay for overtime hours worked. To be exempt, an employee must receive a salary, fall within the executive, administrative or professional exemption, and be paid more than the salary threshold. Currently, the salary threshold is \$455/week; the new rule raises the threshold to \$913/week, almost doubling it. This threshold will also automatically increase every 3 years, starting January 1, 2020. If the increased salary threshold creates new non-exempt employees, it certainly will impact payroll.

In order to maintain compliance with the law, employers will have to adjust. Options include the following: (a) pay overtime compensation to the newly non-exempt employees (if below the salary threshold); (b) increase the salary above the salary threshold; or (c) require newly non-exempt employees to work no more than 40 hours per week.

This significant change not only affects employers, but employees as well. First, employers need to explain the change to any newly non-exempt employees. The more informed they are, the easier the transition will be. Employers also need to communicate how the change will affect pay, schedules, job duties and even timekeeping requirements, especially if there is a transition from salary to hourly. Employers should be clear that they are not making random changes – that changes are being made in order to comply with the law.

Employees will likely be concerned about how the new rule will actually affect their compensation, their hours or even their job duties. Employers need to properly communicate the change to make it a positive one. If a newly non-exempt employee works overtime, they will now be compensated with overtime pay. Employers could also increase compensation over the salary threshold, which certainly will be appreciated by employees. At the same time, if an employer reduces wages or hours to cut the cost of payroll, employees will likely be frustrated. To save employees from working the same job duties for less pay, employers may want to adjust job responsibilities to match the new pay or schedule.

Keeping pace with the ongoing changes in the area of employment law is difficult. There are attorneys who are always looking for a employer who isn't keeping pace with the law. We are here to help employers navigate the changes to avoid being the target of a such a lawsuit.