



WAGE AND HOUR LAW BASICS

Understanding the Fair Labor Standards Act (FLSA) and New Overtime Exemption Rules

Effective July 1, 2024

Introduction to Wage and Hour Law Basics

Understanding wage and hour laws is vital for both employers and employees. Governed primarily by the **Fair Labor Standards Act (FLSA)** and enforced by the **Department of Labor (DOL)**, these laws establish fundamental guidelines for fair compensation and working conditions.



FAIR LABOR STANDARDS ACT (FLSA)

Establishes minimum wage, overtime pay, recordkeeping, and youth employment standards affecting employees in both public and private sectors.



DEPARTMENT OF LABOR (DOL)

Administers federal laws to guarantee workers' rights to fair, safe, and healthy working conditions, including minimum hourly wage and overtime pay.

Exemptions Under the FLSA

One of the key components of wage and hour law is the distinction between **exempt and non-exempt employees**. This classification hinges on specific criteria related to the employee's job duties and compensation and determines eligibility for overtime pay. Understanding these exemptions is vital for employers to ensure compliance and avoid potential legal pitfalls. Two primary exemptions under the FLSA are the "White-Collar Worker" exemption and the "Highly Compensated Employee" exemption. We'll explore the distinct characteristics and requirements of each to help clarify these important classifications.

White-Collar Worker Exemption

The white-collar worker exemption is designed for employees whose job duties primarily involve executive, administrative, or professional tasks. To qualify for this exemption, employees must meet specific criteria:

SALARY BASIS TEST

Salary is a predetermined and fixed amount that is not subject to reduction because of variations in the quality or quantity of work performed.

SALARY LEVEL TEST

Salary must meet a specified minimum amount.

DUTIES TEST

Must meet specific duties criteria for executive, administrative, professional, or creative roles.

Highly Compensated Employee Exemption

The highly compensated employee exemption is intended for employees who perform office or non-manual work and are compensated at a higher total annual compensation level. To qualify for this exemption, employees must meet the following criteria:

SALARY LEVEL TEST

Must receive total annual compensation of a specified minimum amount.

PRIMARY DUTY TEST

The employee's primary duty must include performing office or non-manual work.

DUTIES TEST

Must "customarily and regularly" perform at least one of the duties of an exempt executive, administrative, or professional employee.

"Duties" Explained



EXECUTIVE

Primary duty is to manage the enterprise (or recognized department or subdivisions); directs work of two or more full time employees or their equivalent; has authority to hire and fire or make recommendations for hiring, firing, advancement, promotion, or other employee status changes.



ADMINISTRATIVE

Primary duty is office or non-manual work directly related to business operations of employer or customer; exercises discretion and independent judgment on significant matters.



LEARNED PROFESSIONAL

Primary duty is performance of work requiring "advanced knowledge"; advanced knowledge must be in a field of science or learning; must be customarily acquired by a prolonged course of specialized intellectual instruction.



CREATIVE PROFESSIONAL

Primary duty is performance of work requiring invention, imagination, originality or talent in a recognized field of artistic or creative endeavor.

DOL's New Overtime Exemption Rule

The DOL has introduced significant updates to the overtime exemption rules, effective July 1, 2024. These changes aim to modernize and simplify the criteria for determining which employees are exempt from overtime pay requirements under the FLSA. Here's what you need to know about the new rule:

1. Increased Minimum Salary Thresholds

The new rule raises the minimum salary threshold for employees classified under the white-collar worker and highly compensated employee exemptions. These adjustments reflect current economic conditions and ensure that more employees are eligible for overtime pay.

2. Automatic Updates to Salary Thresholds

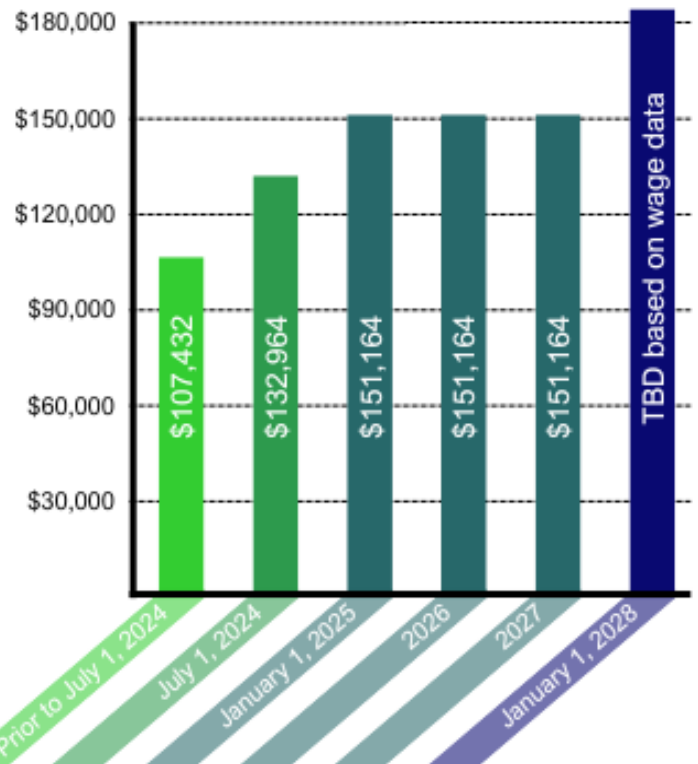
To keep pace with changes in the economy, the new rule provides for automatic updates to the salary thresholds every three years. This ensures that the thresholds remain relevant and continue to protect workers effectively.

White-Collar Worker Salary Threshold Increases



Prior to 07/01/24 — \$684 per week / \$35,568 per year
Effective 07/01/24 — \$844 per week / \$43,888 per year
Effective 01/01/25 — \$1,128 per week / \$58,656 per year
Effective 01/01/28 — TBD based on wage data

Highly Compensated Employee Salary Threshold Increases



Prior to 07/01/24 — \$107,432 per year
Effective 07/01/24 — \$132,964 per year
Effective 01/01/25 — \$151,164 per year
Effective 01/01/28 — TBD based on wage data

3. Duties Test Requirements

Despite the changes in salary thresholds, all employees must still meet the applicable “duties” tests to qualify for the exemptions. These tests ensure that employees’ job responsibilities align with the intended scope of the exemption categories.

What Should Employers Do?

To ensure compliance with the new rule, employers should take the following steps:

1

Understand the New Salary Thresholds

Familiarize yourself with the updated salary levels and how they apply to your employees.

2

Review Duties Tests

Ensure that your employees meet the duties tests required for their exemption status.

3

Evaluate Current Exempt Employees

Identify all currently exempt employees and review their job duties and compensation to determine if they still qualify under the new thresholds.

4

Reclassify and Renegotiate if Necessary

If employees no longer meet the exemption criteria, reclassify them appropriately and adjust their compensation or duties as needed.

By staying informed and proactive, employers can navigate the changes effectively and maintain compliance with the FLSA's overtime provisions.

DISCLAIMER: Please note that this information is not a substitute for legal advice. You should always consult with a local attorney who is familiar with the specific laws and regulations in your state.