

how the new overtime rules may impact your business

For the first time since 2004, the Department of Labor has updated the rules regarding who is eligible for overtime pay.

who used to be eligible for overtime pay

Any employee paid up to \$23,660 annually (\$455 per week)

who's eligible for overtime pay now

Any employee paid up to \$47,476 annually (\$913 per week)
Will increase again in three years

Compliance with the rule change will require employers to review how they classify employees (i.e., exempt vs. nonexempt). That review may lead to reclassifications, adjustments to pay practices, new timekeeping requirements and changes to both job descriptions and how work is structured. With the new rule taking effect on December 1, 2016, organizations will need to consider several things to be sure they are prepared.

analyzing the impact

As a result of the rule change, employers need to determine:

1. Which and how many employees are potentially eligible for overtime pay
2. How overtime work might impact compensation costs both overall and for each individual employee
3. Whether the business can afford the new expense
4. What alternatives might be available to mitigate the potential cost increase

a new view of time tracking

If employers do not currently track hours worked for white collar employees newly eligible for overtime pay, they will need to start doing so. That may require far more than a timekeeping application; it may involve a significant cultural shift for organizations that have embraced the 24x7, always on way of working.

Questions to consider:

- While time in/time out may be fairly straightforward, how will time worked outside regular business hours be tracked?
- How will on-call employees be compensated?
- Will you need to create guidelines around checking email and responding to texts during off-hours or prohibit it altogether?
- Will employees be compensated for attendance at quasi-social business functions or will attendance be restricted?
- Will employees be compensated for travel time outside regular business hours?
- How will this impact informal accommodations that promote work/life balance, such as remote work from home to accommodate home repairs or time off during the day to attend a child's school event?



reconfiguring pay vs. reconfiguring a job

Once it has been determined where compensation increases are likely to surface under the new rules, an employer can compare overtime cost estimates with the financial impact of bumping an employee's salary above the threshold. Such an action would essentially maintain the status quo in terms of duties without requiring overtime pay rates. It represents a fixed cost increase versus a variable expense.

Another possibility is to restructure a job to eliminate overtime requirements. An example would be to shift those duties that drive overtime for a single individual to multiple employees so that they can be accommodated within a regular 40-hour work week.

adopting a new approach to getting work done

An examination of the potential sources and causes of overtime work (and pay) may uncover new ways to structure work. Consider, for example, an assistant retail store manager who may arrive before store opening and remain on duty until after store closing. That could mean a 70-hour work week. Could an assistant store manager work a 40 hour split shift that covers store opening and closing while certain middle-of-the-day responsibilities are outsourced to a part-time, flexible resource? Could job-sharing become more commonplace?

uncover new opportunities to shape the world of work

The new overtime rules will require most employers to increase compensation costs, but they also create opportunities to take a closer look at how work gets done. Can technology streamline a process or condense cycle times to eliminate the need for overtime? Can duties be shared across teams? The new overtime rules will require some creativity and some flexibility, especially since they will change again in another three years.

With an established team of workforce experts, look to Randstad to help you formulate an optimal strategy to address these new rules of work.

More information:

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