

NEW FEDERAL RULE EXTENDS OVERTIME PAY TO MILLIONS OF WORKERS

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On April 23, 2024, the U.S. Department of Labor (DOL) issued a new overtime rule, increasing the minimum salary required for application of the so-called “white-collar” exemptions from overtime pay under the federal Fair Labor Standards Act (FLSA). The new rule marks a significant increase in the minimum salary level required for application of white-collar exemptions.

Current White-Collar Exemption Requirements

The FLSA entitles employees, unless specifically exempted, to overtime pay for all hours worked in excess of 40 hours in a workweek. Currently, the white-collar exemptions apply to employees who meet the following criteria:

1. The employee primarily performs executive, administrative, or professional duties, as defined by FLSA regulations;
2. The employee is paid on a salary basis; and
3. The employee is compensated no less than \$684 per week (\$35,568 annually).

Changes to White-Collar Exemption Requirements

Under DOL’s new rule, effective July 1, 2024, the salary threshold for application of white-collar exemptions will increase to \$844 per week (\$43,888 annually). Just 6 months later, on January 1, 2025, the threshold will increase again to \$1,128 per week (\$58,656 annually). Under the new rule, the salary threshold will automatically update every 3 years based upon then-current earnings data. Another increase is set to occur on July 1, 2027. Thus, an employer must pay overtime to salaried employees who meet the first two criteria above and who

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make up to \$43,888 as of July 1, 2024, or who make up to \$58,656 as of January 1, 2025.

The Impact on Employers

According to DOL estimates, the new rule will expand overtime eligibility to approximately 4 million additional workers. While we expect to see legal challenges, it is unclear whether such litigation will be successful or whether implementation of the new rule will be delayed. Employers should act now to identify exempt employees who do not satisfy the new minimum salary threshold and devise a strategy for compliance in advance of the July 1, 2024 effective date. Employers who have exempt workers currently earning more than \$684 per week, but less than the new salary threshold of \$844 per week taking effect July 1, 2024, must decide quickly whether to increase affected employees' salaries to the new minimum salary level or reclassify them as non-exempt and eligible for overtime pay. For those reclassified as non-exempt, employers will, at a minimum, need to determine appropriate hourly pay rates, decide how to track hours worked, and determine how to manage overtime hours.

If you have questions or if you would like assistance with this or any other matter, please do not hesitate to contact us.