



NORTH RISK PARTNERS™

# New Federal Overtime Rules

# Plan Ahead

To meet the Dec. 1 deadline, HR professionals must lay the groundwork now.

To do that, experts suggest taking the following steps:

# Plan Ahead

- **Identify** currently exempt employees who earn less than the new annual threshold of \$47,476.

# Plan Ahead

- **Estimate** how much overtime those employees currently work.

# Plan Ahead

- **Analyze** your budget to help assess your compensation options.

# Plan Ahead

- **Review** job descriptions for exempt positions to verify that the duties are accurately listed.

# Plan Ahead

- **Ensure** that employees in the same roles aren't classified differently, because that could prompt discrimination claims.

# Plan Ahead

- **Develop** a communications plan for those moving from exempt to nonexempt status to minimize negative impact on morale.

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- **Consider** placing restrictions on overtime and explore ways to track nonexempt workers' hours.

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- **Determine** whether changes are needed in other policies such as telecommuting and mobile device usage to curtail overtime and working off-the-clock.

# Five Compliance Options

For each affected employee newly eligible for overtime pay, employers have a number of options, each of which carries risks and opportunities.

# Option 1

## **Option**

Increase salary to minimum level required to retain employee's exempt status.

# Option 1

## Risks

- Could create salary compression and result in higher-than-expected costs as compensation must be realigned up the ladder.

# Option 1

## Opportunities

- Could improve morale by giving additional compensation *and* retention of exempt status.
- Saves employer time by eliminating need to track, record and report hours worked.

# Option 2

## **Option**

Pay overtime premium for overtime hours worked.

# Option 2

## Risks

- Increases costs for employers.
- Could create liability for employer if it fails to track, record and report all hours worked.
- Could damage morale as previously exempt positions may carry less flexibility and offer fewer benefits.



# Option 2

## **Opportunities**

- Could improve morale by giving additional time-and-a-half compensation.
- Promotes concept that all employees are paid when required to spend time away from family and other nonworking pursuits.



# Option 3

## **Option**

Reduce or eliminate overtime hours; hire extra workers as needed.

# Option 3

## Risks

- Could lead to loss of productivity.
- May require training for supervisors of newly nonexempt workers.
- Could damage morale as previously exempt positions may carry less responsibility and flexibility and offer fewer benefits.
- Could create liability if employer bans overtime hours but employees work them anyway.  
(Employer still must pay the overtime, but may discipline employees.)



# Option 3

## **Opportunities**

- Creates opportunity to reclassify jobs and retool job descriptions and responsibilities.
- Offers chance to be more creative and resourceful in how work gets done.
- Minimizes employer costs so part-time help can be added.

# Option 4

## **Option**

Decrease pay allocated to base salary (provided employee earns at least minimum wage) and add compensation to account for time worked in excess of a 40-hour workweek.

# Option 4

## **Risks**

- Could create liability for employer if it fails to track, record and report all hours worked.
- Could damage morale as previously exempt positions may carry less flexibility and offer fewer benefits.

# Option 4

## **Opportunities**

- Holds employer costs constant.
- Minimizes employer costs so part-time help can be added.

# Option 5

## **Option**

Restructure the workforce, transferring duties from newly nonexempt workers to those who have had their salaries increased to remain exempt.

# Option 5

## Risks

- Could prompt employee concerns about equity and fairness.
- May require training for supervisors of newly nonexempt workers.

# Option 5

## **Opportunities**

- Creates opportunity to reclassify jobs and retool job descriptions and responsibilities.
- Offers chance to be more creative and resourceful in how work gets done.