

WHAT NEW OVERTIME REGULATIONS COULD MEAN TO YOU

The Department of Labor has released proposed revisions to federal overtime laws. Under the proposal, salaried employees earning less than \$50,440, or \$970 a week, would be eligible for overtime pay, up significantly from the current \$23,660, or \$455 per week. While final regulations and more importantly salary thresholds are not expected until next year it is clear that these changes will alter the way you do business.

As we are all aware, a portion of our exempt workforce falls below this newly proposed \$50,440 threshold. This change doesn't mean an increase in pay, but more a change in behavior and how we manage these positions in the restaurants. It is important to use this time to gather data on the exempt employees you have that fall below this threshold. This preparation will have a two-pronged effect:

- It will allow you to review what employees have what roles and whether they truly meet the exempt definition
- Second, it will allow you to get a better sense of how many hours exempt employees work and how they are compensated.

By doing this analysis now, you will be better prepared to make adjustments for next year when the final regulations are published.

Once you have gathered your information you have a few different options at your disposal. Each option has positives and negatives in regards to payroll management and increased administrative burdens. In fact, a combination of approaches may be best for your individual operation.

Some of your options include:

- If the employee's salary is currently close to the new minimum, raise exempt employees' salary to the new threshold. This would minimize disruption to your existing system and would require very minimal administrative changes.
- When it is manageable, keep employees at existing salary but either eliminate overtime or minimize the number of overtime hours the employee works. If you have an employee who generally works 40 hours or less per week this approach would require a more dedicated monitoring of hours worked. Under existing law, if an employee is salaried and non-exempt, you still need to recalculate your employee's regular hourly rate and pay appropriate overtime.
- Convert salaried employees to hourly employees with added OT compensation. This option would create an administrative burden but would minimize the financial impact of any change in regulation. This approach would work best for employees who routinely work more than 40 hours per week, but may not meet the duties test to qualify as exempt from overtime.

Each of these proposals will have a financial or administrative impact, now is the time to do some homework and prepare to minimize these impacts to your operation. Developing a straw model based on the particulars of your current exempt workforce will allow for clearer labor budgeting and payroll direction.

The MRA will continue to work in conjunction with the NRA regarding these proposed changes and will keep you informed as this process evolves.

Please feel free to reach out to either [Steve Clark](#) or [Kerry Miller](#) with any questions regarding these changes.