

Expected Changes to Federal Overtime Rules Coming Soon – Overview

Major changes are expected to the overtime rules under the Fair Labor Standards Act (FLSA) in 2016. FLSA is a comprehensive federal law that regulates a number of wage and hour rules including overtime. It is administered by the Department of Labor which may publish final regulations between May and July 2016.

In Brief: FLSA generally requires covered employers, including Purdue, to pay employees overtime pay of one and one-half times the employee's regular rate of pay for all hours worked over 40 in a workweek. However, there are a number of exemptions from FLSA's overtime requirements. Specifically, any employee who is employed in a bona fide executive, administrative, or professional capacity as defined by FLSA is exempt from the overtime protection.

Key Terms: An exempt employee is paid a salary, does not track time worked, and is not paid overtime. A non-exempt employee is paid hourly, tracks all time worked, and receives overtime.

Currently: Employees are classified as either exempt or non-exempt depending on their salary and the type of work they perform. FLSA establishes a minimum salary level in order to be exempt from overtime. The current salary minimum is \$23,660 per year (\$455 per week). Employees who earn more than \$23,660 may be exempt from FLSA overtime regulations if their primary job duties meet a "duties test" as defined in the regulations.

Proposed Change: The major change in DOL's proposed FLSA rules is an increase in the salary minimum from the current \$23,660 per year (\$455 per week) to \$50,440 per year (\$970 per week). The new threshold represents the 40th percentile of weekly earnings for full-time salaried workers, based on Bureau of Labor Statistics data.

DOL is also proposing to automatically update the salary minimum annually. This means that each year Purdue will need to conduct an assessment based on a new salary minimum and make necessary adjustments to ensure employees are properly classified as exempt or non-exempt.

What This Means: Based upon the proposed rule, as many as 1,700 currently exempt Purdue employees across all campuses may be reclassified from exempt to non-exempt status in 2016. Employees who earn less than the newly established minimum salary level will need to be reclassified as non-exempt, must track their time, and must be paid overtime for time worked in excess of 40 hours per week.

Supervisors are obligated to ensure that all working and leave hours for non-exempt staff are accurately recorded.

What's Next: The next steps cannot be fully determined prior to a final DOL ruling. However, Purdue is working diligently to prepare for the proposed changes and their impact across all campuses. As we learn more and decisions are made, we will keep employees informed.

If you have questions, please contact Kirk Tolliver tolliver@ipfw.edu or Carolyn Ladd ladd@ipfw.edu.