

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

the meantime, businesses can use the next several months to analyze their labor and productivity, and get a better understanding of what they will need to change to ...

Isaac M. O'Bannon • Oct. 27, 2016



Your small business clients, and even your own firm, will likely face one of the largest challenges in just the next few months.

Most businesses aren't ready for the new overtime and worker classification changes to the Fair Labor Standards Act (FLSA) [the Department of Labor recently published](#),

which will impact to millions of U.S. workers and their employers. The rules go into

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

impact of these rules. How it will impact the way we work, how it will change internal workflows, and what businesses need to be doing to prepare.”

The new overtime and worker classification rules doubles the threshold from \$23,660 that salaried employees could make and be considered non-exempt from overtime (meaning employers would have to pay them overtime if they made less than that amount). That threshold, which equals \$455 per week, had not been fully adjusted for inflation since 1975, although the last partial update had been made in 2004. Still, it doesn't take a genius to realize that a worker making under \$25,000 is not a critical manager.

In today's economy, however, can it be effectively argued that even the new threshold of \$46,467 is a defining mark for “white collar” managerial positions? The CEO of the financial services firm Sageworks says the number is arbitrary, especially with cost of living differences across the nation. Many other business group are also against the new overtime threshold, including [restaurant chains](#) and those who rely [on telecommuters](#).

While the overtime changes are monumental, Wolckenhauer says there is a silver lining: Employers have several months to prepare. “Delaying the rules until December 1 was almost a gift,” she said.

With the time left before December 1, Wolckenhauer advises businesses to prepare, and offers the following five tips. This is especially important for small businesses, where the owner may also be in charge of hiring and human resource requirements.

- 1. Examine Current Pay and Classifications.** One of the first steps for employers is to make sure they truly understand their employees' compensation structure, classification and the rules around FLSA exempt vs. nonexempt status. Employees that earn more than the new threshold of \$46,467 can be classified as exempt from

overtime if their work consists mostly of executive, administrative or professional

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Employers should pay special attention to both remote workers, and regular staff who frequently perform work tasks after hours, such as checking emails and responding to clients. Businesses may consider using a time and attendance system that tracks worker hours and can alert them (and their supervisor) when they near or exceed a 40-hour workweek.

3. **Compare the Costs of Pay.** As mentioned previously, it may make fiscal sense in some cases to change a non-exempt employee/s from salary to hourly, and then pay them overtime as necessary. This can be most useful when an employee does not consistently work 40 hours per week, but it requires more attention be paid to managing their work schedule. While the net-effect may not be much of an actual change in compensation, however, this action may be perceived negatively by employees. So employers should communicate the actions in advance.
4. **Impact on Pay Equity.** In order to ensure that employees are being paid fairly and based on their job, do not make changes on a per-employee basis, but instead based on their roles. This is especially important for businesses with low turnover, where an employee may have been in their same role for many years.
5. **Proactively Control Costs.** If workflows in the business require employee action outside of normal working hours and that leads to overtime for non-exempt staff, the business has a duty to pay them overtime. However, this is a good time to reexamine those workflows that might push staff members into overtime. Is it in the best interest of the business for its staff to be working after hours, on weekends or at other times? If it isn't critical to business function, is it worth what will be an added expense? If not, then establish workplace policies that diminish the amount of work that non-exempt workers perform outside of traditional working hours. This can also be positioned as an effort to increase morale.

The new overtime regulations will have a significant impact on some businesses. In the meantime, businesses can use the next several months to analyze their labor and productivity, and get a better understanding of what they will need to change to

minimize the effects of the new rules. It's also a good opportunity to reassess actual

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved