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Isaac M. O'Bannon • Oct. 27, 2016

Are your small business clients ready for the new overtime laws? Unfortunately, most aren't, which means you've got a major challenge to accomplish in the next few months.

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 somewhat arbitrary, particularly with significant 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 heavily on telecommuters.

With the time left before December 1, small businesses are advised to prepare follow these five tips:

1. **Revisit Current Wages, Salaries and Classifications.** A good first step is ensuring employers 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 duties. This is where having a solid understanding of their actual work duties is critical. Employees who earn less than that new threshold are probably classified as non-exempt, meaning they can earn overtime.
2. **Examine Employee Hours.** Just as important as their classification and pay, it's critical that employers assess the hours that their employees work, since that is at the core of overtime pay, if an employee ends up being non-exempt. One method employers can use is to either reduce a worker to part-time, or to minimize the

amount of work a salaried (but non-exempt) worker spends doing work.

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. **Ensure 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. **Take Measures to 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, while others may find that their increases in productivity over the past decade have been coming not only from technology, but also at the expense of overworked staff. The arguments will, of course, continue to be made on both sides until, and long after, the rules go into effect on December 1.

In the meantime, businesses can use the next several months to analyze their business 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 jobs, requirements and descriptions.