



New Final Rule:

What it means for overtime pay



The U.S. Department of Labor (DOL) [recently announced](#) it will be rolling out updates to overtime eligibility. Read on to learn what's changed, who it impacts, and how to prepare—plus, action steps for TCP customers.

1 What were the statutes before?

Before the Final Rule, exempt employees were considered exempt from receiving [overtime pay](#) because they:

- make at least twice the minimum wage in their area;
- are paid on a salary basis of not less than \$684 per week

2 What's changed?

The revised Final Rule introduces a gradual adjustment to the salary threshold determining overtime eligibility. This will happen in phases:

- **Beginning July 1, 2024**, the [Fair Labor Standards Act](#) (FLSA) will raise the annual salary-level threshold for salaried employees from \$35,568 annually (\$684 per week) to \$43,888 (\$844) per week. The [highly compensated](#) employee total annual compensation level will also increase from its current \$107,432 per year to \$132,964 per year.
- **Come January 1, 2025**, this threshold will further increase to \$58,656 annually (\$1,128 per week), an increase of [nearly 65 percent](#). For highly compensated employees, the threshold will increase to \$151,164 per year.
- **Starting July 1, 2027**, salary thresholds will update every three years, by applying up-to-date wage data to determine new salary levels.

The revised Final Rule introduces a gradual adjustment to the salary threshold determining overtime eligibility. This will happen in 3 phases

July 1, 2024

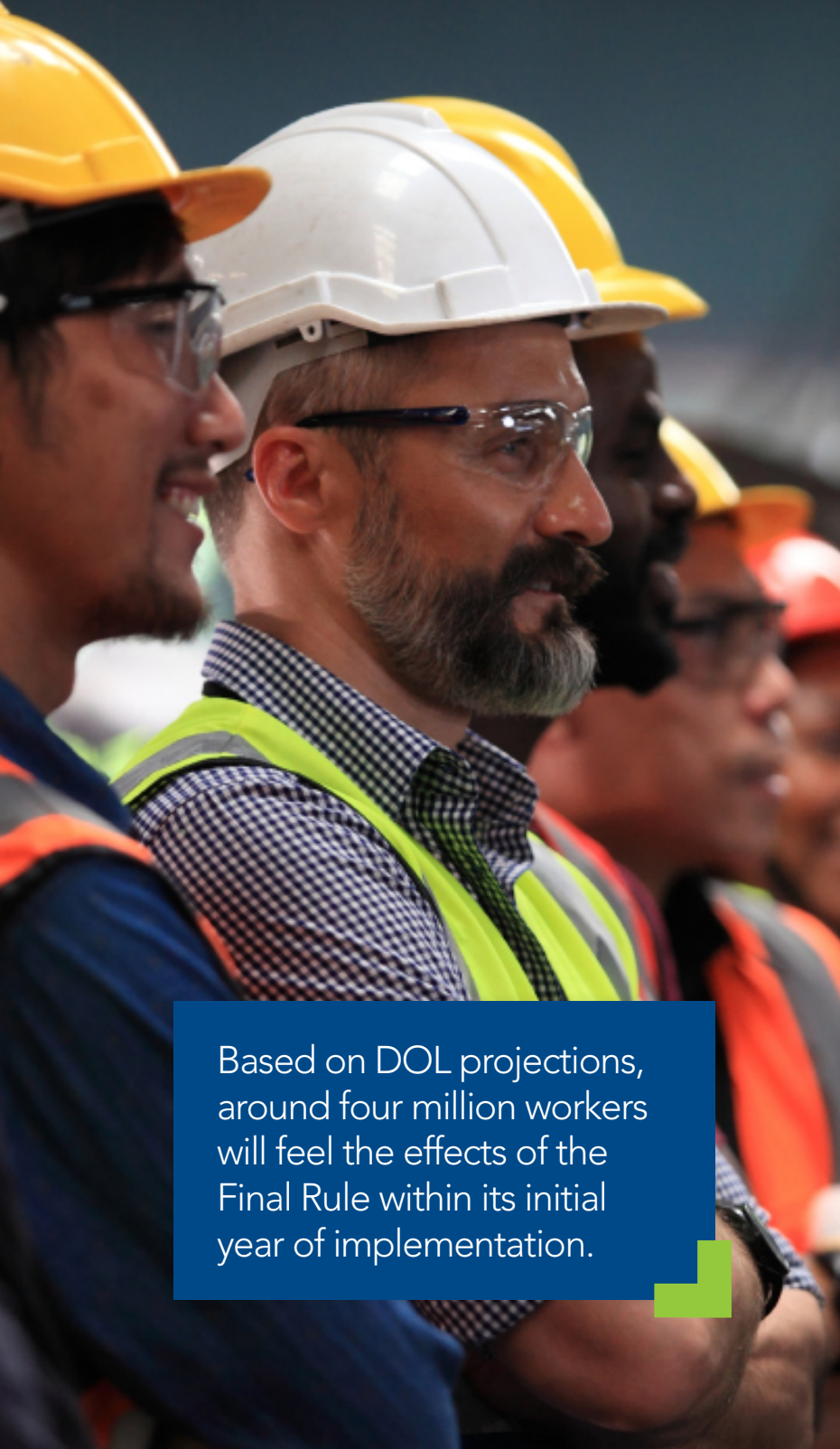
Annual salary-level threshold for salaried employees is raising from \$35,568 to \$42,888

January 1, 2024

Threshold will further increase to \$58,656

July 1, 2027

Salary threshold will update every three years using new salary level data



Based on DOL projections, around four million workers will feel the effects of the Final Rule within its initial year of implementation.

3 Who is affected by the new rule?

The salary threshold primarily applies to certain employees who fall under the category of bona fide executive, administrative, or professional roles.

Before, these employees with salaries over \$35,568 fell into an overtime exemption commonly known as the [“EAP” exemption](#). It comes into play when an employee is paid a salary that is not less than the minimum salary threshold amount (\$35,568). This ruling changes what that threshold would be, increasing it up to \$43,888. This means that employees who currently receive salaries between \$35,568 and \$43,888 will either need to be reclassified as hourly employees to become eligible for overtime or receive salary increases to bring them above the new \$43,888 threshold to maintain their exempt status.

Based on DOL projections, around four million workers will feel the effects of the Final Rule within its initial year of implementation. Of these, [one million employees will be affected by the July 2024](#) adjustment, while the remaining three million will experience the impact of the elevated salary threshold starting January 1, 2025.

The DOL anticipates the professional and business services sector will have the most affected workers, totaling 827,000. Within this, the [leisure and hospitality industry](#) will see the highest proportion of executive, administrative, and professional employees impacted, comprising approximately 24 percent.

4 Potential impacts on employees and employers

Obviously, this has impacts for employers and employees alike. Employers will have to either absorb the salary increases to maintain the same exempt roles, or they will need to reclassify the positions as non-exempt (hourly pay). The DOL also predicts an annualized transfer of [income from employers to employees of \\$1.5 billion](#).

To fully prepare, employers should consider the following:

- Employers who choose to make previously exempt positions non-exempt need to consider not only the impact of overtime payments but also the operational, training, and compliance costs. Either way, it's recommended that employers [consider locating funds](#) to accommodate rises in both salary and overtime pay.
- Developing a strategy for implementing reclassification status, as some employees may find themselves working hourly versus salary come July 1, 2024. They may [need education and training](#) on timekeeping methods, regulations regarding off-the-clock labor, restructuring or eliminating allotted benefits, and addressing any employee relations issues that may arise due to changes in their salaried status.
- Determining whether to phase in adjustments in line with the 2024 and 2025 salary-level thresholds or to [directly adopt the 2025 threshold](#).
- Reviewing [state and local wage and hour laws](#) that may impose additional requirements for exempt status beyond federal requirements under the FLSA.
- If an employer chooses to reclassify salary positions to hourly, ensure that the duties of those employees are in line with the duties prescribed to [executive, professional, and administrative workers](#). It's important to proceed cautiously with this strategy, considering potential unforeseen costs.
- Just as you prepare to help employees transition from salaried to hourly status, employers may also want to prepare to help unaffected employees navigate the salary increases their peers may receive. Preparing for conversations around fairness can ensure leaders aren't caught off guard. From a budget standpoint, it may also be helpful to create a strategy and point of view around any related increases to acknowledge seniority.



With TimeClock Plus
you are able to **control
overtime, keep labor
expenses in check,
and calculate overtime
correctly**, every time.

5 How automated time and attendance can help

Because the new Final Rule increases the number of employees eligible for overtime, a solid time and attendance solution is more important than ever. With TCP's time and attendance solution, [TimeClock Plus](#), you are able to control overtime, keep labor expenses in check, and calculate overtime correctly, every time. TimeClock Plus can help you:

- **Track overtime hours precisely and calculate complex overtime rules accurately:** [Overtime gets tricky](#), fast. No matter how complex your internal policies and union rules, TimeClock Plus takes the heavy lifting out of compliance. We also make it easy to abide by federal and state regulations (including the new overtime rules) for accurate, compliant payroll.
- **Monitor employees nearing or exceeding overtime limits:** With more employees eligible for overtime, there are more opportunities to accrue overtime expenses. TimeClock Plus gives real-time visibility into who is approaching or over overtime, so you don't have costly surprises come payroll.
- **Support overtime recordkeeping compliance:** It is essential to ensure accurate time tracking, calculations, and records for all overtime hours and pay. The FLSA requires at [least three years of payroll records](#) documentation, including overtime pay.

6 What should current TimeClock Plus employees do?

We've got you! Get in touch with your CSM or account manager to discuss the employees that will be reclassified from salary to hourly and therefore will need to start tracking time.

Learn more about how TCP can help you overcome costly scheduling obstacles and develop the best approach for your organization by [downloading our eBook](#) or [speaking to an expert](#).





Want to learn more? Let's talk.

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