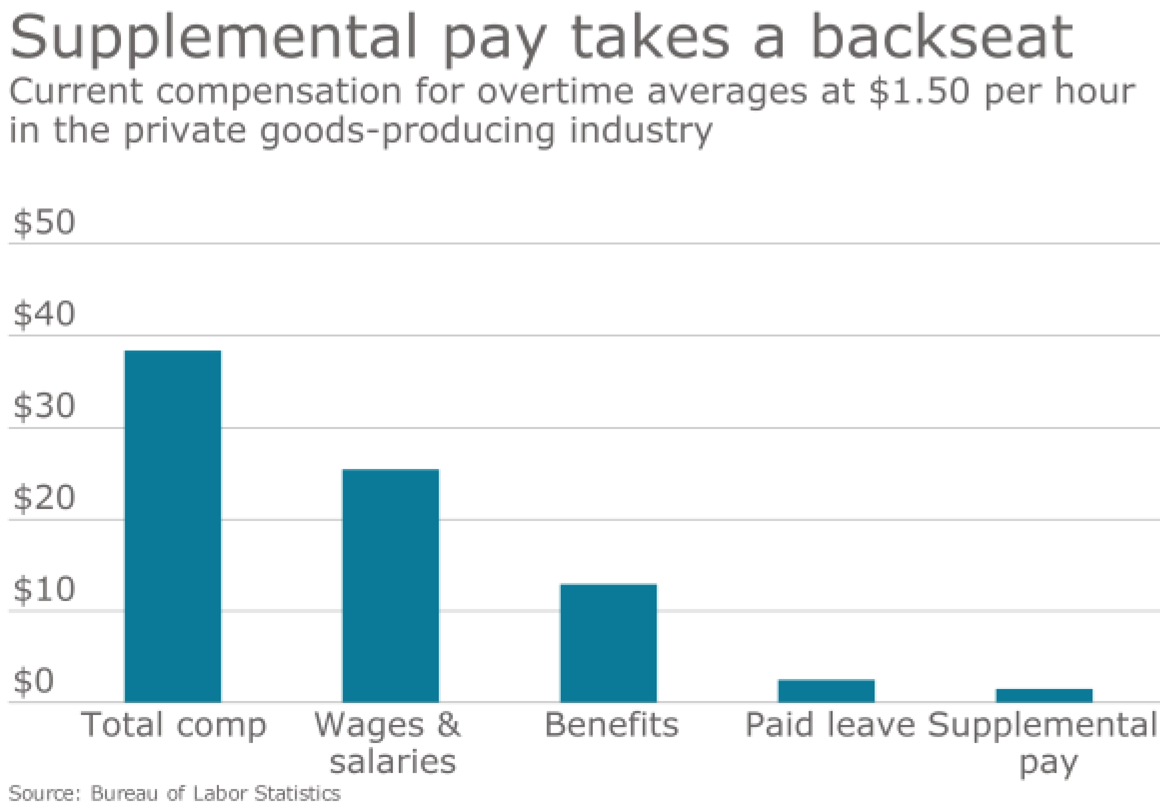
4 ways to prepare for new overtime pay regulations

Making sure employees are consistently paid for hours worked should go without saying. However, new overtime pay rules from the Department of Labor may have some employers a little confused as to how to properly compensate their staff for working overtime — especially when it comes to salaried employees.

According to the DOL, new overtime laws, which will take effect Dec. 1, 2016, will set the standard salary level at the 40th percentile of earnings of full-time salaried workers in the lowest-wage census region, currently the South, at $913 per week or $47,476 annually for a full-year worker. They will also:

- set the total annual compensation requirement for highly compensated employees subject to a minimal duties test to the annual equivalent of the 90th percentile of full-time salaried workers nationally at $134,004;
- and establishes a mechanism for automatically updating the salary and compensation levels every three years to maintain the levels at the above percentiles and to ensure that they continue to provide useful and effective tests for exemption.



Valerie Uhlir, marketing director for Deputy, says employers should consider changing the way they monitor employee timecards and scheduling to a cloud-based platform to properly track when an employee clocks in and out of work.

“The economic, social and demographic forces are fundamentally changing the way we work and in the way corporations organize their workforce,” Uhlir says. “Business owners are seeing the value in moving their workflows into the cloud, especially when it comes to employee scheduling and managing.”

Uhlir says overtime rules are expected to extend to more than 4.2 million workers, raising the threshold from $23,660 to $47,476. As employers prepare for the transition, Uhlir makes four recommendations:

1. **Shifts are stablished based on anticipated sales and traffic.** “This scheduling feature will allow companies to reduce reliance on overtime hours and help them optimize schedules to maintain compliance,” Uhlir says.
2. **Better record keeping.** Uhlir says with this new legislation, companies will be required to track their employee schedules down to the rest periods and meal breaks, which may include previously exempt employees.
3. **Stress profiles alert managers to over-scheduling.** “This can also signal when non-exempt employees are close to reaching the 40-hour time-and-a-half benchmark,” she says.
4. **Empower employees.** Uhlir’s final recommendation suggests putting the power to opt into shifts and manage schedules into employee hands, “Allowing employers to comply with the new law by approving or rejecting changes based on costs and overtime forecasts.”

Tracking difficulties

According to the Bureau of Labor Statistics’ recent study, “Employer costs for employee compensation,” supplemental pay, which involves overtime pay, accounted for 7.5% of an employee’s overall compensation across civilian, private industry, and state and local government workers.

Labor economist Jesus Ranon says the bureau cannot track what employee supplemental pay will be after new overtime laws take effect and current statistics are averaged across all workers, as opposed to an average across only employees with a payment for overtime or premium.

“For March 2016, the average employer cost for overtime and premium pay was $0.27 per employee hour worked and represented 0.8% of total compensation,” Ranon says.