

Overtime Protection Expanded for Millions of Workers

April 25, 2024 | **Ashlyn E. Dowd, Corey F. Higgins** | Articles

On Tuesday, the Department of Labor released the [Final Rule](#) defining and delimiting the exemptions for Executive, Administrative, Professional, Outside Sales, and Computer Employees under the Fair Labor Standards Act ("FLSA"). The Final Rule increases the salary thresholds required to exempt a salaried executive, administrative or professional employee from federal overtime pay requirements.

The salary threshold increases will occur in two phases. First, effective July 1, 2024, the salary threshold for salaried exempt executive, administrative and professional employees will increase to \$43,888 per year – an approximately \$8,000 per year increase from the current salary threshold of \$35,568. Then, effective January 1, 2025, the threshold will increase to \$58,656 per year. Thereafter, the salary thresholds will automatically update every three years, beginning July 1, 2027.

The first increase to the salary threshold applies the same methodology used by the Trump administration and sets the salary level based on the 20th percentile of weekly earnings of full-time salaried workers in the lowest-wage Census region. The second increase, which takes effect in January 2025, uses a new methodology that ties the salary threshold level to the 35th percentile of earnings in the poorest Census region.

Although the Final Rule will expand overtime protections to lower-paid salaried workers and provide for regular updates to ensure predictability, the Department of Labor has not made any substantive changes to any of the other provisions set forth in the salary basis or job duties tests.

While challenges to the rule are anticipated, employers will need to re-evaluate their workforce to properly adjust salaries or reclassify employees as needed prior to the effective dates. What this means from a practical



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perspective is that employers currently paying less than \$43,888 per year to a salaried exempt employee must either reclassify the employee to non-exempt (and eligible for overtime pay) or increase the employee's annualized pay to \$43,888 by July 1, 2024. As of January 1, 2025, any salaried exempt employee being paid less than \$58,656 per year will need to either be reclassified to non-exempt (and eligible for overtime pay) or have their annual salary increased to the minimum threshold of \$58,656.

Please contact any member of our Labor, Employment, and Employee Benefits Group if you have questions about the Final Rule or classifications under the FLSA.

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